CML Microsystems Plc

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Annual Report and Accounts FY24

User guide

Welcome to the CML Microsystems Annual Report FY24.
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.

Links within this document

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

Navigating with tabs

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

About us

Who we are

CML Micro is a world leader in the design, development and supply of mixed signal, RF and microwave semiconductors for global communications markets.

What we do

We offer a wide range of products, including mmWave MMICs, RF transceivers, baseband processors, data controllers and interface devices, which are used in various applications such as critical communications, satellite and network infrastructure.

See more on page 2

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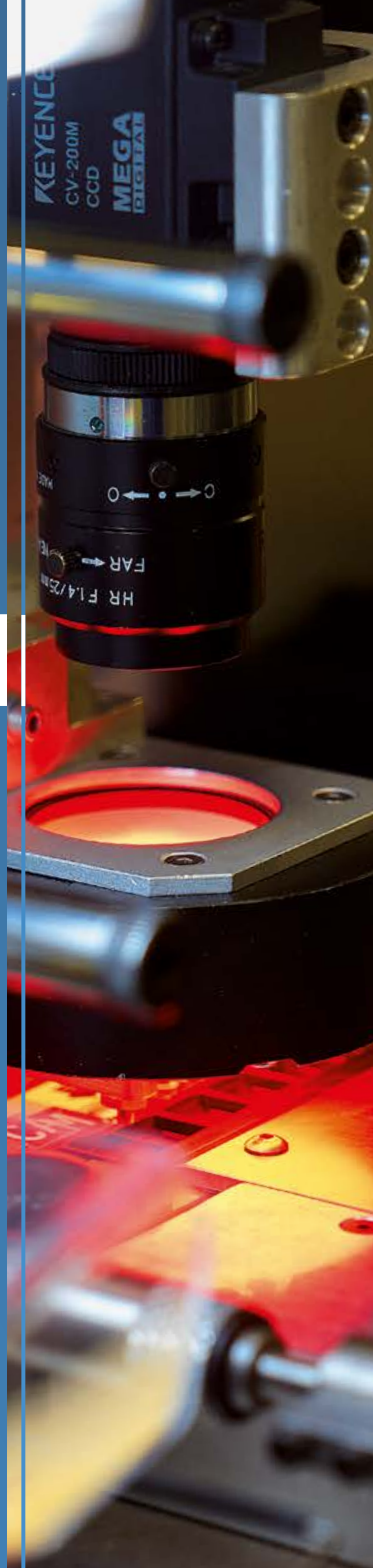


Highlights

Financial highlights

Revenue (£m)
22.89 11%
(2023: 20.64)

Operating profit (£m)
1.94 (34)%
(2023: 4.99)
(2023: before exceptional items 2.93)

Pre-tax profit (£m)
2.52 (52)%
(2023: 5.22)
(2023: before exceptional items 3.16)

Basic earnings per share (p)
13.00 (57)%
(2023: 30.29)
(2023: before exceptional items 19.44)

Adjusted EBITDA[1] (£m)
5.70 (3)%
(2023: 5.90)

Dividend (p)
11p 0%
(2023: 11p)

Net assets per share (p)
322.41 1%
(2023: 319.65)

Net cash, cash equivalents and short-term deposits (£m)
18.21 (18)%
(2023: 22.26)

1. For definition and reconciliation see note 12.

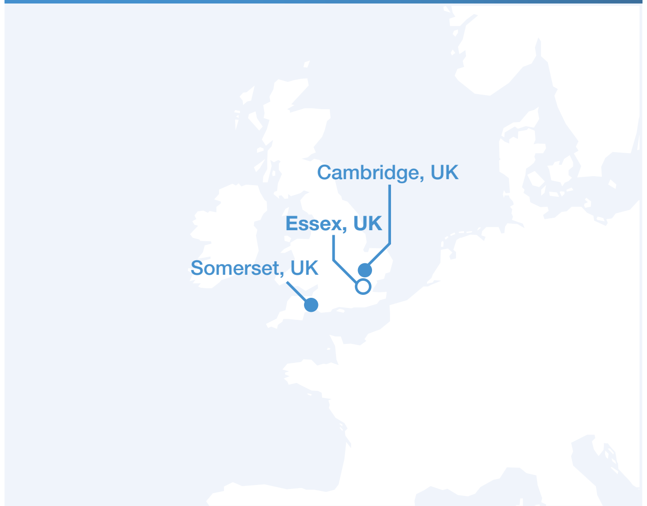
Operational highlights

- Completion of MwT acquisition, expanding GaAs and GaN MMIC portfolio and widening addressable markets
- Strong growth in sales opportunity pipeline
- Early customer adoption has started for DRM1000
- Broadened customer base
- Expansion of the markets served

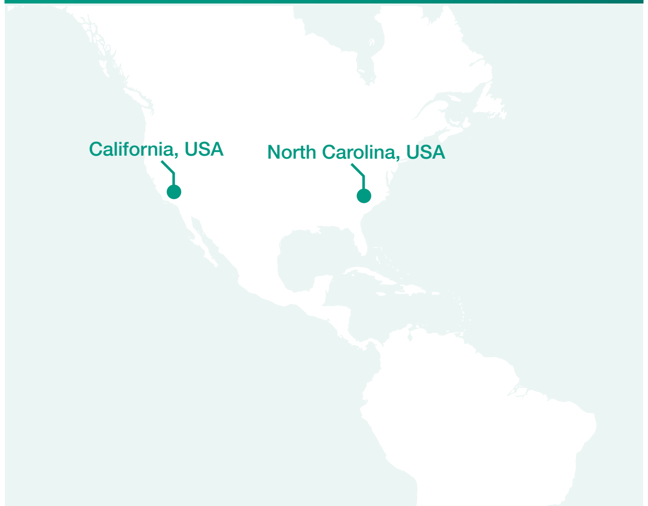
At a glance

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.

Group operations Europe



Group operations Americas



Group operations Far East

Key stats

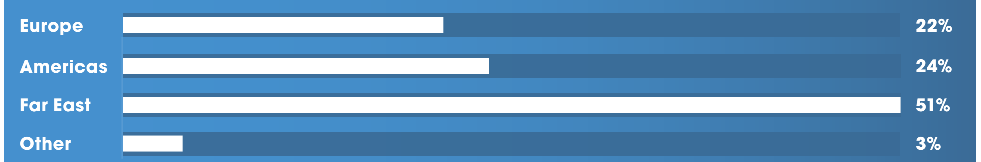
Established
1968

Design facilities
4

Employees worldwide
162

Engineers
41%

2024 Revenue split by region



These maps are illustrative, but not fully definitive, of our locations. For a full list of our locations please visit our website at **cmlmicroplc.com**

At a glance continued

Our vision

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

Our markets

Semiconductors for Wireless Communications markets.
Our customers embed our innovative Application Specific Standard Products (ASSPs) within their own end-products to enable the reliable transport of voice, data and control information in the connected world.

Wireless & Satellite

Public Safety, Satellite, Maritime & professional, Voice and Data communications

Network Infrastructure

RF devices for building communications infrastructure across the next decade

Internet of Things

CML devices are fuelling the IIoT and M2M revolution

Aerospace & Defence

Reliable communication for mission critical applications worldwide

Broadcast

CML are developing devices for digital radio broadcasting

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

Our brands

CMLMicro COMMUNICATION SEMICONDUCTORS

MwT MicroWave Technology

SICOMM

PRFI

Chairman's statement

> A significant amount of work and progress in shaping the company for future growth has been achieved in the last year.

Nigel Clark
Non-Executive Chairman

Introduction

A significant amount of work and progress in shaping the Company for future growth has been achieved in the last year, principally through the acquisition of MwT in October, bringing a talented team, new customers and offering a major growth opportunity. Although this year's profitability is below both our own and the market's original expectations, the financial results represent a resilient performance, which has been achieved against continuous macroeconomic and geopolitical headwinds.

At the time of our interim results in December 2023, we noted our concerns relating to elevated customer inventory levels and the uncertainty of how that situation would unravel. These turned out to be well founded, with weaker than expected revenues from the Group's traditional market sectors through the second half. This uncertainty remains and we suspect will continue to be a factor through the current financial year.

Some of the progress not reflected in the financial results includes the fact that we relocated our China-based company, Sicomm, and the acquisition of Microwave Technology Inc (MwT), which although announced during January 2023, was eventually completed on 2 October 2023. While the completion took significantly longer than expected, it was important for the long-term success of the enlarged Group that we reached an appropriate National Security Agreement with the US Government.

Work remains to be done on the integration of MwT but good progress is being made and we feel very positive about the benefits it brings to the Group.

With our main focus on organic progress, supplemented with appropriate acquisitions, the platform for sustainable long-term growth is in place.

Results

Revenues have increased 11% year-on-year to £22.89m (FY23: £20.64m) assisted by the acquisition of MwT and this represents a record for revenues from the continuing business, post the sale of the Storage Division in FY21. The gross profit margin, as we expected, reduced slightly from 76% down to 71% due to the addition of the MwT product lines coupled with the transitory product mix resulting from the customer inventory headwinds communicated throughout the year. Additionally, with the acquisition of MwT, distribution and administration costs have increased, leading to a reduction in profit from operations to £1.94m (FY23: £2.93m pre-exceptional). Coupled with an increase in the tax rate, profit after tax has reduced to £2.06m (FY23: £3.09m pre-exceptionals).

Turning to the balance sheet, goodwill increased to £14.45m (FY23: £7.43m), reflecting the addition of MwT, as does the majority of the inventory increase to £3.67m (FY23: £2.43m). Net cash ended the year at £18.21m (FY23: £22.26m) after a share buyback of £1.75m (FY23: £4.77m), £1.74m dividend payments (FY23: £1.59m) and CapEx investments of £1.54m. Net assets per share grew slightly to 322.41p (FY23: 319.65p).

Property

Having been granted, in February 2023, planning permission on excess land at the Group's Essex Headquarters site, Oval Park, the land has now been placed on the market for sale. While noting that the current commercial property market is difficult, it is the Group's intention to dispose of all surplus land and property that is outside of its operational needs. This comprises circa 15 acres of the land at Oval Park and a vacant commercial property in Fareham, Hampshire, from which the Group traded historically.

The Board's objective remains to raise cash from its non-operational property interests to yield funds to fuel further growth in the business. These will be one-off transactions with profits additional to the Group's planned operational profits growth.

Chairman’s statement continued

Share buyback and dividend

This year, £1.75m was spent in April 2023 on the share buyback programme, demonstrating the Board’s commitment to returning funds to shareholders and enhancing earnings where possible.

The Board strives to maintain a progressive dividend policy whilst ensuring it has adequate cash to cover its growth objectives which currently include R&D investments, capital expenditure, working capital requirements and further payments in relation to the MwT acquisition. The interim dividend was held at 5p per share and, given the anticipated demands on cash through the year ahead, the Board is recommending a final dividend of 6p per share, making the full-year dividend 11p per share (2023: 11p per share). Subject to shareholder approval, the shares will go ex-dividend on 15 August 2024 and the dividend will be paid to shareholders on 16 August 2024 whose names appear on the register at close of business on 2 August 2024.

The Board and senior management

At the time of the interim results, I reverted to the position of Non-Executive Chairman, Mark McCabe was appointed to the Executive Director position of Chief Operating Officer and Michelle Jones to the senior management position of Director of Finance. At that time the appointment of Dr Nathan Zommer was in progress, and I am pleased to say that these formalities were completed with his appointment to the Board as a Non-Executive Director being announced on 20 December 2023.

Through this year we have enhanced the leadership team, adding further skills, expertise and experience with the objective of driving the Company forward and I am sure the benefits of this will be seen over the coming years.

Employees

Credit to our employees must never be forgotten since they are the key to successfully moving the business forward. We have a multinational global workforce who constantly achieve the demanding goals placed upon them with innovation, passion and commitment. For this, on behalf of the Board, I would like to thank them all.

Outlook

Our base strategy is to yield sustainable long-term growth and although at the revenue line these results support this, clearly the level of profitability this year does not. External factors, including current market conditions and the normalising of elevated customer inventory levels, make it difficult to achieve our profits growth objectives.

Despite the short-term outlook not being what I would like to see, I am confident that the Group is well placed against its more medium-term objectives. Exciting opportunities lay before us, we are addressing growing new markets which are supplementary to the more traditional sectors that have been a cornerstone of growth in recent years. The pipeline of opportunities has a strong upward trend, giving us confidence that we will achieve our strategy of sustainable long-term growth.

Nigel Clark
Non-Executive Chairman

1 July 2024

Governance highlights

The Corporate Governance Report on pages 33 to 37 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 2024 financial statements.

Remuneration Committee

- reviewed the framework for executive remuneration; and
- approved the Executive Directors’ 2024 remuneration and bonus payments.

Find out more on pages 38 to 44

2018/19	2020	2021	2022	2023	2024
Identified communications as largest growth driver on 5+ year review	PRFI acquisition added high frequency chip R&D (SµRF product range)	Divested Storage Division and began launching SµRF	Design wins in new Satellite and 5G markets	MwT acquisition	Future growth driven by new markets, products and expanding opportunity base

Market opportunity

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.

Addressing growth markets

Network Infrastructure

- 5G (Public and Private)
- Small cells
- Fixed broadband access
- Radio Access Network
- Wireless backhaul

Wireless & satellite

- Private mobile radio
- Commercial, professional, mission critical
- Satellite communications
- Satellite terminals
- Global broadband networks

Internet of Things

- Critical infrastructure
- Public utilities, AMI, smart meter/grid, RFID, long-range data links
- Railways
- Industrial IoT, precision farming, factory automation, marine safety

Aerospace & Defence

- Enabling communication in mission critical applications worldwide

Broadcast

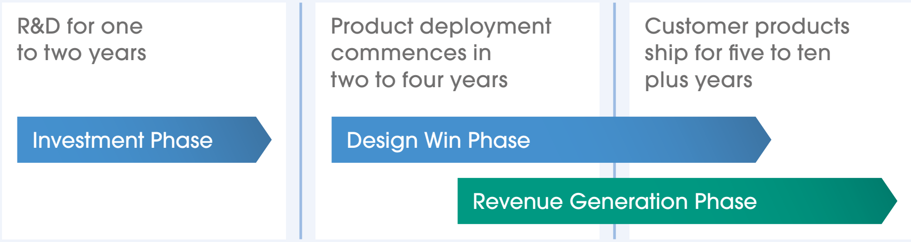
- DRM (Digital Radio Mondiale), LW/MW/SW high-quality radio plus data services
- Advancing the capabilities of traditional radio broadcasting

SµRF by CML

CML's 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:



Investment case

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. By putting the customer at the heart of everything we do, we never lose sight of what is important.

Consistently delivering based on a single segment

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

- Transition to a customer-led, innovation driven supplier of semiconductor devices.
- 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.
- Our extensive, established global routes to market incorporating direct sales teams and a network of distributors.

Focus on research and development and scalability

- SμRF range will drive market share gains in emerging markets such as 5G, Satellite and IoT.
- Leveraging our new design capability to give access to new transformative markets.
- 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, professional and commercial 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

Consistently delivering based on a single segment

22.89 Revenue (£m)

1.94 Operating profit, reported (£m)

18.21 Net cash, cash equivalents and short-term deposits (£m)

162 Total employees as at 31 March 2024

A progressive dividend policy is in place providing regular shareholder returns

Underpinned by our vision

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

First Choice – being chosen amongst all other suppliers, through compelling technical and commercial ability.

Partner – problem solving and success with customers through collaboration.

Innovators – working with organisations who do things differently.

Transforming – aspire to be part of the technology revolution.

Strategic pillars

Principles:

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. We are 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.

We have three key principles behind executing our strategy:

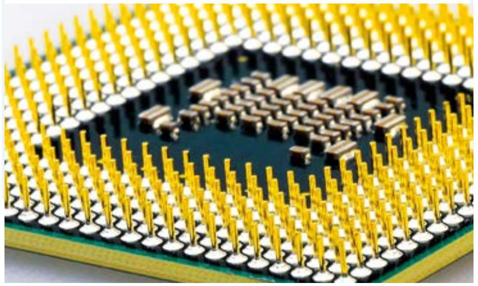
01 Innovation

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.

With the launch of the SμRF product range, we are creating a strong product portfolio to address the 5G, Satellite and IoT markets. We are continually evolving to enable the Group to expand into new application areas.

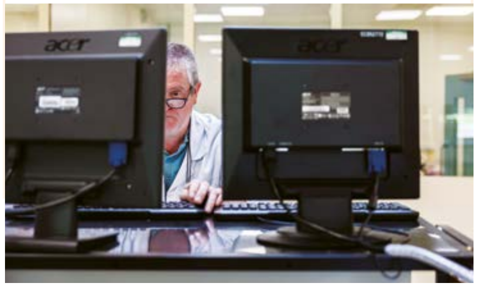
02 Quality

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.



03 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.



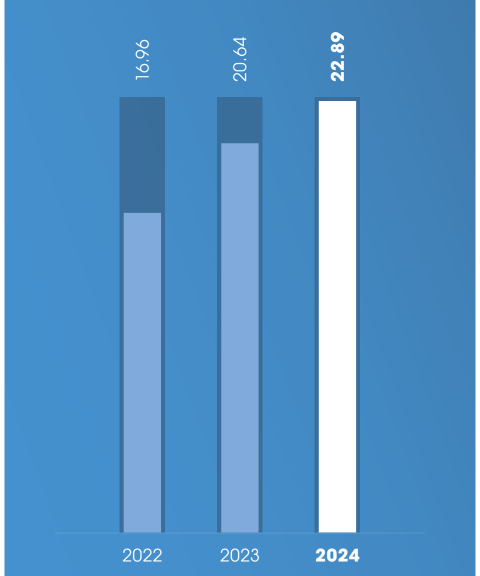
Key performance indicators and risks

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

Financial highlights

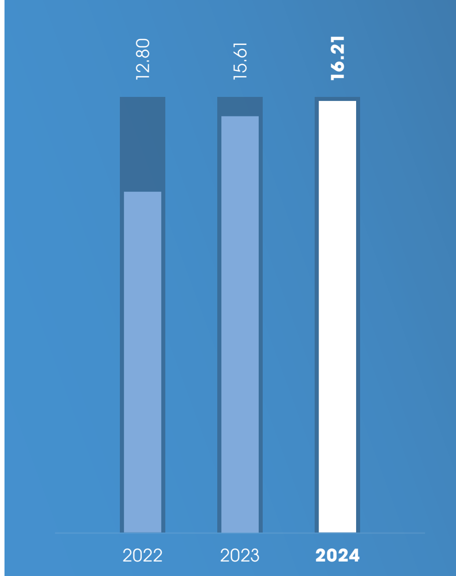
Revenue (£m)

Represents recognised revenue of the Group



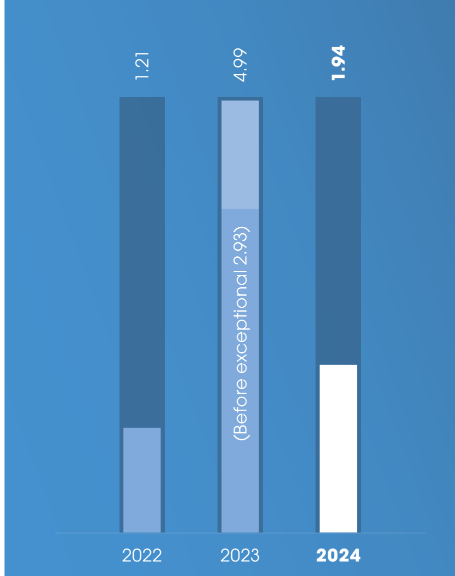
Gross profit (£m)

Represents the Group's profit before overheads



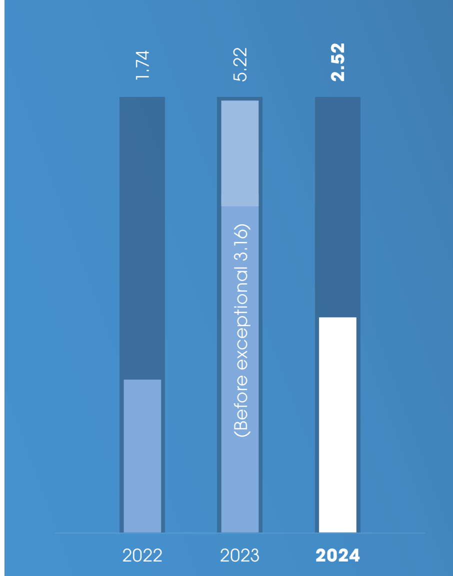
Profit from operations[3] (£m)

Represents the Group's profit after overheads



Profit before taxation[3] (£m)

Represents the Group's profit before taxation

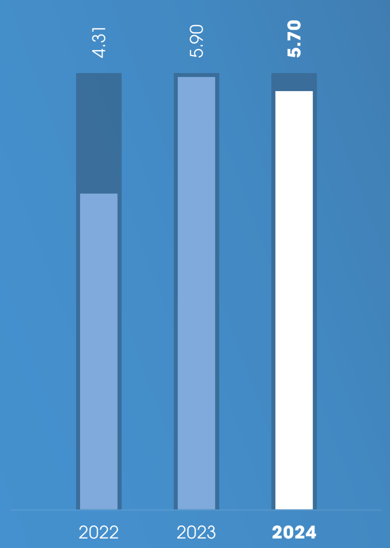


Key performance indicators and risks continued

Financial highlights continued

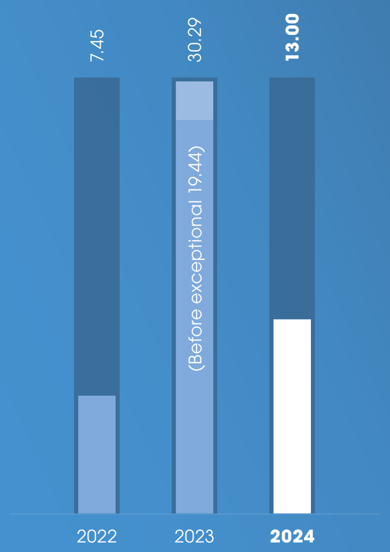
Adjusted EBITDA[2,4] (£m)

Represents profit before taxation less depreciation, amortisation, impairment of development costs and finance income and expenses



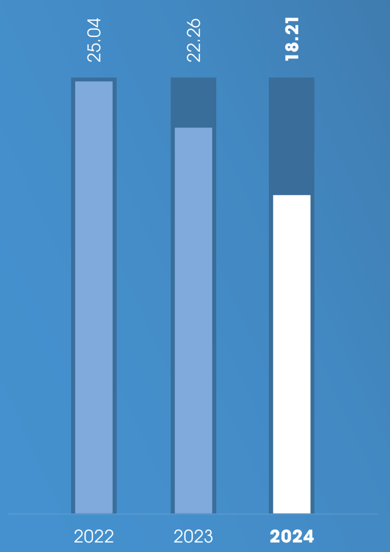
Basic earnings per share[3] (p)

Represents the Company's earnings per share from continuing operations



Net cash (£m)

Represents cash, cash equivalents and fixed term deposits



These KPIs include revenue, gross profit, profit from operations, basic earnings per share (EPS) and cash, summary details of which are shown by the side and are discussed within the Chairman's Statement on page 4 and the Group Managing Director's Review on page 14.

1. The 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.
3. Profit from operations, profit before tax and earnings per share show before and after exceptional items.
4. Adjusted EBITDA excludes statutory and adjusted for exceptional items.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group are:

Key risks of a financial nature

Foreign exchange

The Group's earnings are linked to the US Dollar, a decline in this currency will have a direct effect on both transactional and translational foreign exchange risk.

The Group maintains a natural hedge by matching the cash inflows, and cash outflows, which reduces the risk at the gross profit line.

The Group maintains the majority of its cash in Sterling and manages exposure through the sale and purchase of currencies as required.

Customer dependency

The Group has a very diverse customer base generally, however 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 key customers could have an adverse effect on the Group's performance, financial condition and results from operations.

Supply chain dependency, interruption and cost inflation

The Group has a number of key supplier relationships, which are closely maintained to minimise the impact from any potential supply chain disruption. Some of the raw materials used within the Group's semiconductor products are sole sourced from highly specialised suppliers on a global basis.

The Group has increased levels of inventory held to protect against disruption and are dual sourcing some of the manufacturing functions where possible. If a key raw material supplier was unable to continue supply on a permanent basis, then the Group would need to invest the R&D effort and associated costs to replace the supplier, subject to that being considered commercially viable.

Supplier prices, currency exchange rates and gross margins are continually monitored which can lead to pricing adjustments with customers.

Credit risk

The Group has the potential to be exposed to bad debt risk from customers, there is no recent history of material bad debts in the Group.

The Group monitors ageing receivables on a regular basis and takes action to enforce the collection of overdue debts.

Principal risks and uncertainties continued

Key risks of a financial nature continued

Taxation

The Group invests in research and development as part of its ongoing product development and innovation activities. Changes to the enhanced tax benefits in the UK will likely have an impact on future cash generation and profitability of the Group.

The Group works with its professional advisors to ensure that this impact is minimal. The Group will continue to invest in research and development.

IT systems – failure or malicious damage

The Group has a standardised systematic approach to maintaining and operating its IT systems globally. The Group has an internal team supported by a number of world class external partners ensuring that the Group's electronic records and resources remain secure. The backup and recovery of its global IT systems has been real-time tested. The threat from malicious cyber activity is an ever-increasing risk with awareness and responsibility at Board level and appropriate investments being made.

Key risks of a non-financial nature

Customer product demand

The Group operates in a highly competitive global market that is evolving continually.

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.

Legal requirements

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

The Group partially manages this risk by working with local professional advisors to ensure that all local laws and regulations are complied with.

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

Introduction

FY24 was a resilient and strategically pivotal year for CML, marked by the acquisition of Microwave Technology Inc (MwT) in October 2023 after US Government regulatory procedures delayed completion of the acquisition by over four months. MwT, a leading US designer of semiconductors for the telecoms, defence and medical markets, has added a talented team, new customers and a major opportunity to expand our target market.

The Company performed well through the first half year of trading, reporting solid growth. In the second half, we experienced more mixed trading patterns, typical of the wider sector, with some customers and channel partners reducing their inventory levels.

> CML is actively participating in a number of sub-markets that play to our strengths and have excellent growth potential on a sustainable basis.
>
> **Chris Gurry**
> Group Managing Director

On a more encouraging note, the revenue contribution (October 2023 to March 2024) from MwT has been very positive under CML's first period of ownership and has been above management expectations. The progress made so far is pleasing and we are advanced in our programme to unlock the operational synergies that are expected to realise the full potential of the combined business over the medium term.

Group revenues finished the year in line with market expectations, and while the change in mix between higher-margin core products and lower-margin MwT products did impact the overall Group margin, the Company retained a strong balance sheet, with net cash reserves of over £18m.

Industry data pointed to a mixed performance for the wider semiconductor market in 2023, with growth accelerating through the year before a downturn in early 2024. For context, these trends include memory ICs and microprocessors and are heavily influenced by consumer-related applications such as mobile phones. Whilst the performance of the general semiconductor market may not be directly applicable to CML's industrial and professional end markets, an uncertain economic environment coupled with an excess inventory situation affects most sub-markets, making it difficult to call the timing of a pick-up in end demand with any accuracy.

Nevertheless, it is important to note that CML remains a key partner to its customer base. As a typically sole source supplier, our customers are reliant on CML products to drive their own success and we fully expect a return to core product growth through FY25 as the current inventory situation normalises.

Strategy

The global communications market is vast, with a myriad of end-application areas ranging from mobile networks to precise positioning systems to short-range remote-control devices. Within this landscape of opportunity, CML is actively participating in a number of sub-markets that play to our strengths and have excellent growth potential on a sustainable basis. These sub-markets include mission critical communications, wireless networks and satellite, Industrial Internet of Things (IIoT) and, more recently, broadcast radio. Combined, this represents an addressable market in terms of semiconductor content which easily exceeds $1bn.

One key objective for the financial year to 31 March 2024 was to continue with our markets' expansion strategy through the addition of high-frequency microwave and millimetre wave semiconductor products, targeted at global mega trends including satellite communications, 5G and IIoT. This objective builds upon many years of experience producing baseband and RF components for professional wireless and critical communications applications and follows from the strategic decision taken to enhance the Group's design engineering capabilities to include microwave and mmWave compound semiconductor devices, including PAs, LNAs and gain blocks under the SµRF brand.

A major step forward was made on 2 October 2023 with completion of the acquisition of Silicon Valley-based MwT, complementing organic product development activities and accelerating delivery of the technology roadmap. This acquisition not only expands the GaAs and GaN MMIC portfolio, it adds a range of discrete devices and hybrid amplifiers, thereby widening the addressable market to include Aerospace & Defence, Medical and Test & Measurement application areas.

The integration of the MwT business into the Group has proceeded at pace. The relevant MwT products were incorporated under the CML SµRF brand with effect from January 2024 and the enlarged SµRF product portfolio is now being marketed and supported on a global basis. MwT adds engineering, manufacturing and final test capabilities within the US to complement existing resources in the UK and Asia and deliver flexibility to customers in terms of regional product supply. Appropriate investments are being made in personnel and local operations to cope with the very welcome challenges that globalisation will bring and unlock the operational synergies to realise the business's full potential over the medium term.

Another key objective for the year was to enter the digital radio broadcasting market through the launch of a receiver IC and associated module targeted at the Digital Radio Mondiale (DRM) marketplace. DRM is a global, open, green, flexible, efficient, cost-effective digital radio broadcasting standard covering all frequency bands, including LW, MW and SW for large coverage areas and VHF for local and regional coverage.

Group Managing Director's review continued

Strategy continued

DRM provides high-quality sound along with data services such as emergency warning functionality (EWF), distance learning and traffic information. India, countries in the East and South of Asia, South Africa and Latin America are key DRM development markets.

CML's DRM1000 is a complete "antenna to speaker" module, containing all hardware, software, IP and patent licences required for a radio equipment manufacturer to easily realise a dual mode (digital and analogue) DRM capable receiver. The module is a joint development by CML and Cambridge Consultants, part of Capgemini Invent, combining CML's world-leading expertise in wireless IC design with Cambridge Consultants' world-renowned expertise in low-power digital signal processing. First announced at IBC2023, an international broadcasting event held in The Netherlands during September 2023, the module achieved production ready status post the financial year end and offers a 60% cost reduction and 80% power reduction over existing DRM technologies in the market.

Early customer adoption has started and a programme of product enhancements to widen the available market further is underway. Revenues are expected to commence through the year ahead.

The Group's multi-year growth strategy has not changed, and we continue to place the emphasis on execution, with the goal of securing a larger share of the expanding global semiconductor communications market.

Markets

The mission critical communications sector is a multi-billion-dollar market that is estimated to grow at a CAGR of close to 9% over the next few years. Applications include public safety, government agencies, transportation, energy and utilities, mining and others. Growth is being driven by the increased adoption from energy and utility sectors, rising investment by military forces and trends within the transportation industry where real-time data is being used to support dynamic decision-making. Mission critical communications has been a cornerstone of CML's global business for many years and the year under review was no exception.

Revenues from these end markets recorded a mixed result year-on-year. Shipments into many of the Group's customers increased by a healthy margin; however, a selection of customers continued to work through their elevated inventory levels, leading to delays in the placement of new orders. Ordering patterns for the affected customers should ultimately normalise once end-market demand exhausts excess stock levels. Whilst it remains difficult to precisely predict the timing of a return to normality, we currently anticipate it will commence during the second half of the financial year.

CML has a long history in supporting data-centric applications with decades of experience in helping to solve customers' design problems through delivering class-leading modem and RF ICs. In more recent years much emphasis has been placed on the Internet of Things (IoT), or in CML's case, the IIoT. Simply put, this is an extension of machine-to-machine communications (M2M), enabling the physical world to be monitored and/or controlled through a variety of technologies and mediums that ultimately connect to an external network. Wireless communication continues to play a key role.

Our semiconductor solutions for IIoT include modem ICs, with and without embedded DSP cores, along with a wide range of RF ICs. Customers frequently select a number of CML devices to form a chip-set solution to their engineering needs which helps them minimise issues associated with multi-vendor supply agreements and forced end-of-life programmes that are a typical characteristic with the larger global semiconductor manufacturers.

Combined product shipments into the Group's top customers active in these sectors was slightly stronger than the prior year despite being constrained by the inventory situation in one or two cases.

On a very positive note, good progress is being made with an important strategic objective to broaden our customer base. This is evidenced by the fact that over the last four financial years, excluding the Storage business that was divested during FY21, the number of customers with an annual spend exceeding £0.50m per annum has increased from three to twelve. As a result, several new sub-application areas contributed to Group revenues, including commercial satellite, phased array radar, wireless mesh networking and medical imaging. Across the same four-year period, Group revenues have increased from £13.1m to £22.9m, equating to a CAGR of 20%.

Most of the market sectors being addressed have an industrial or commercial focus and meaningful revenue takes time to flow through after achieving design-in success. However, the above customer metrics validate the strategy being followed and demonstrate the underlying progress being made.

Group Managing Director's review continued

Operations

A rapidly growing product range places greater demands on the Group's internal operations. The expansion of the UK-based in-house testing capability to include the SμRF high-frequency microwave and mmWave product line has presented interesting challenges across the last couple of years, as has the more recent and ongoing incorporation of MwT into the Group. It is testament to the capabilities of the global operational team that challenges are continually overcome with a combination of dedication and professionalism.

The sales, marketing and customer support teams have each worked diligently to ensure the Group's routes to market remain appropriate, the expansion of the product range is well communicated, and the ongoing customer design-in activities are supported to the high level that customers have grown to expect from us.

Across the year, as planned, the Company participated at a number of trade shows relevant to the sectors and industries being addressed. These included IMS2023 (San Diego), European Microwave week (Berlin), IBC Amsterdam and BES Expo 2024 (New Delhi). These activities were well received and are an important ingredient for success given the strategy being followed, raising awareness of CML across a wider customer base.

In recent years, the Group has invested heavily in its R&D activities to position the business appropriately for the opportunities that lie ahead. Cash allocation towards R&D is categorised into several sub-areas to ensure the right balance between growing revenues in core CML markets, expanding the addressable markets to capture future growth and internal research and innovation to maintain product superiority and suitability.

R&D expenditure for the year represented 20% of sales and is further detailed within the Financial Review; however, for the year ahead, an appropriate amount of funding will also be directed at a strategic initiative to ensure long-term supply of certain key products to support important existing revenue streams within the core business. This initiative will also have an impact on inventory levels over the next two years but is independent of current end-market dynamics.

While the whole process is one of evolution and refinement over time, the level of effort, commitment and achievement from the employee base globally has been exceptional. Of the 160+ staff employed around the world, staff turnover remains relatively low with the average length of service at 17 years and 51% of our team having worked for our businesses for more than ten years.

Multi-year high levels of R&D focused on markets expansion coupled with the recent enlargement of the product range through acquisition has had a very positive effect on the sales opportunity pipeline. It has doubled since FY20. Two-thirds of the design wins recorded during the year under review were for customer projects that will drive new revenue streams, while the remainder consisted of existing customers switching to new or different semiconductor solutions from CML.

Outlook

Clearly global issues remain, including geopolitical and economic uncertainties. We remain mindful of this and continue to manage risk appropriately, whilst staying steadfastly focused on the growth opportunities seen, both in existing and emerging market sectors.

The results for the year to 31 March 2024 demonstrate resilience in challenging conditions and the trading environment for the current year will continue to be influenced by the customer inventory overhang. However, it is important to note that CML remains a key partner to its customer base, who are reliant on CML products to drive their own success.

The business continues to make very good progress from an operational perspective, executing against a solid expansion strategy with an experienced, skilled and enthusiastic team. The relatively strong balance sheet allows longer-term decision-making that is intended to benefit all stakeholders through the years ahead.

The current full financial year is expected to show a further revenue advance, albeit not at the compounded rates seen across the prior four-year period. The full-year inclusion of MwT's cost base along with necessary activities to unlock the full potential of the enlarged business will have an impact on operational profitability. However, these are essential and value-added strategic steps in the drive towards much higher medium-term gains.

The longer-term ambition remains unchanged, to drive significantly higher revenues and profits through providing class-leading semiconductor solutions into large and growing end markets. The business has the resources and market focus to drive the progress required and continues to increase its presence in new and emerging growth sectors.

Group Managing Director's review continued

Financial review

Revenue

The Group's full-year revenues improved by 11% to £22.89m (FY23: £20.64m), including a contribution of £3.31m from the newly acquired MwT business. Excluding MwT, reported revenues declined by approximately 4%, having been impacted by an ongoing inventory correction across a number of customers and a challenging environment within China. On a constant currency basis, revenues would have been approximately £0.9m higher (4%).

From a geographical perspective, classified by shipment destination, 51% of revenues were derived from Asia (FY23: 59%), with the vast majority of the balance split between the Americas and Europe, contributing 24% (FY23: 19%) and 22% (FY23: 19%) respectively. MwT's revenues were dominated by its US-based customers and are included within the above percentages. The largest customer represented 10% of Group revenues.

Gross profit

Gross margin achieved was 71% (FY23: 76%), reflecting the blended outcome of lower voice and data-centric product sales, increased SµRF shipments and the incorporation of the MwT product range for the second half of the year. That said, the overall revenue improvement more than compensated for the margin effect, leading to a 4% increase in gross profit to £16.21m (FY23: £15.61m). Looking to the future, gross margin as a percentage is expected to reduce as Group revenues move higher and the overall share from the SµRF product range increases.

Distribution and administration

Distribution and administration expenses increased to £14.23m (FY23: £12.64m) with the increase driven largely by the inclusion of the MwT business for the second half period. The figure also includes £0.46m of acquisition-related costs. On a like-for-like basis (excluding MwT), D&A expenses were approximately 2% higher at £12.84m, highlighting the diligent focus of the Group's operational management team globally.

The combined research and development expense for the year amounted to £4.50m, of which £0.96m was expensed (FY23: £5.13m, of which £0.68m expensed). This reduction in overall R&D expenditure is not a reflection of any change in commitment towards expanding the product portfolio. Instead, it reflects the completion timing of certain development projects along with a strategic review of the Group's product roadmap following the substantial MwT portfolio acquired.

Operating profit

After accounting for share-based payments and the positive effects of an R&D expenditure credit (RDEC), profit from operations amounted to £1.94m. This compares to a prior year operating profit of £2.93m, excluding the exceptional profit from the sale of excess land that occurred during that year (£2.06m).

Profit before tax

An improved interest rate environment enabled the Company to achieve a higher return on cash and short-term deposits held. Finance income climbed to £0.55m (FY23: £0.26m) lifting profit before tax to £2.52m (FY23: £3.16m excluding exceptional item).

Profit after tax

In addition to the RDEC credit that is accounted for under other operating income within the Consolidated Income Statement, the Group continued to benefit from the R&D tax credit scheme that has existed for some years in the UK. For the year under review, tax assessed for the period is lower than the 25% standard rate of corporation tax in the UK, providing an effective tax rate of 18%. Profit after taxation was £2.06m (FY23: £3.09m excluding exceptional items).

Earnings per share

Basic earnings per share for the year equated to 13.00p. After adjusting for the prior year exceptional sale of land, this represented a decline of 33% (FY23: 19.44p). On a reported basis, including exceptionals, the figure for FY23 was 30.29p.

Cash

At 31 March 2024, the Group's cash reserves, including short-term deposits, stood at £18.21m. The reduction of £4.05m across the year follows an R&D cash spend of £4.5m, a share buyback of £1.75m, dividend payments of £1.74m and a one-off spend of £1.08m relating to the relocation of the Oval Park HQ car parking to unlock the maximum potential benefit from selling the excess land held. For the year ahead, an ongoing programme of capital investment is in place to support internal development and production capabilities for the high-frequency SµRF product family, which is a cornerstone of the growth strategy.

Cash flow will come under pressure for the year ahead for two main reasons; firstly, working capital to support the aforementioned strategic R&D initiative and secondly, as a result of further payments relating to the MwT acquisition, being $1.17m already paid on 2 April 2024 and a $2.65m payment due 2 October 2024.

Group Managing Director's review continued

Financial review continued

Inventories

Inventory levels ended the year at £3.67m (FY23: £2.43m) and consisted of £2.81m relating to the pre-existing CML product portfolio and a further £0.86m attributable to the inclusion of the acquired MwT products. It has been an intentional strategy to maintain a higher level of raw material inventory to address semiconductor supply chain disruptions that have been a feature of recent years. The expanding product range also plays a role. In conjunction with the strategic R&D initiative mentioned earlier in this review, the raw material inventory levels for a selection of key products will rise further through the year ahead. Of the £3.67m, 45% was held as raw material.

Pension scheme

The Group currently has a retirement benefit obligation in respect of an historic defined benefit pension scheme, which was closed to new members in 2002 and to future accruals in 2009. The most recent triennial actuarial funding valuation of the scheme carried out by an independent professionally qualified actuary, as at 31 March 2023, resulted in a net pension surplus of £0.13m with the assets of the scheme valued at £15.70m. An annual update of the scheme's position, as at 31 March 2024, showed that the surplus had improved to £0.41m.

The pension scheme surplus calculated under the funding valuation basis above differs from the accounting valuation presented in the Consolidated Statement of Financial Position, which shows a net pension liability of £1.70m. Differences arise between the funding valuation and accounting valuation, mainly due to the use of different assumptions in valuing the liabilities in accordance with the accounting standard IAS 19 Retirement Benefits.

All administrative expenses of running the scheme are met directly by the scheme along with pension protection fund levies.

Dividend

As communicated within the Chairman's Statement, the Board is proposing a final dividend of 6p (FY23: 6p), giving a full-year dividend of 11p (FY23: 11p).

Chris Gurry
Group Managing Director
1 July 2024

Environment, social and governance

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

“We aim to refine our sustainability strategy in relation to our material ESG factors and indicators.”

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

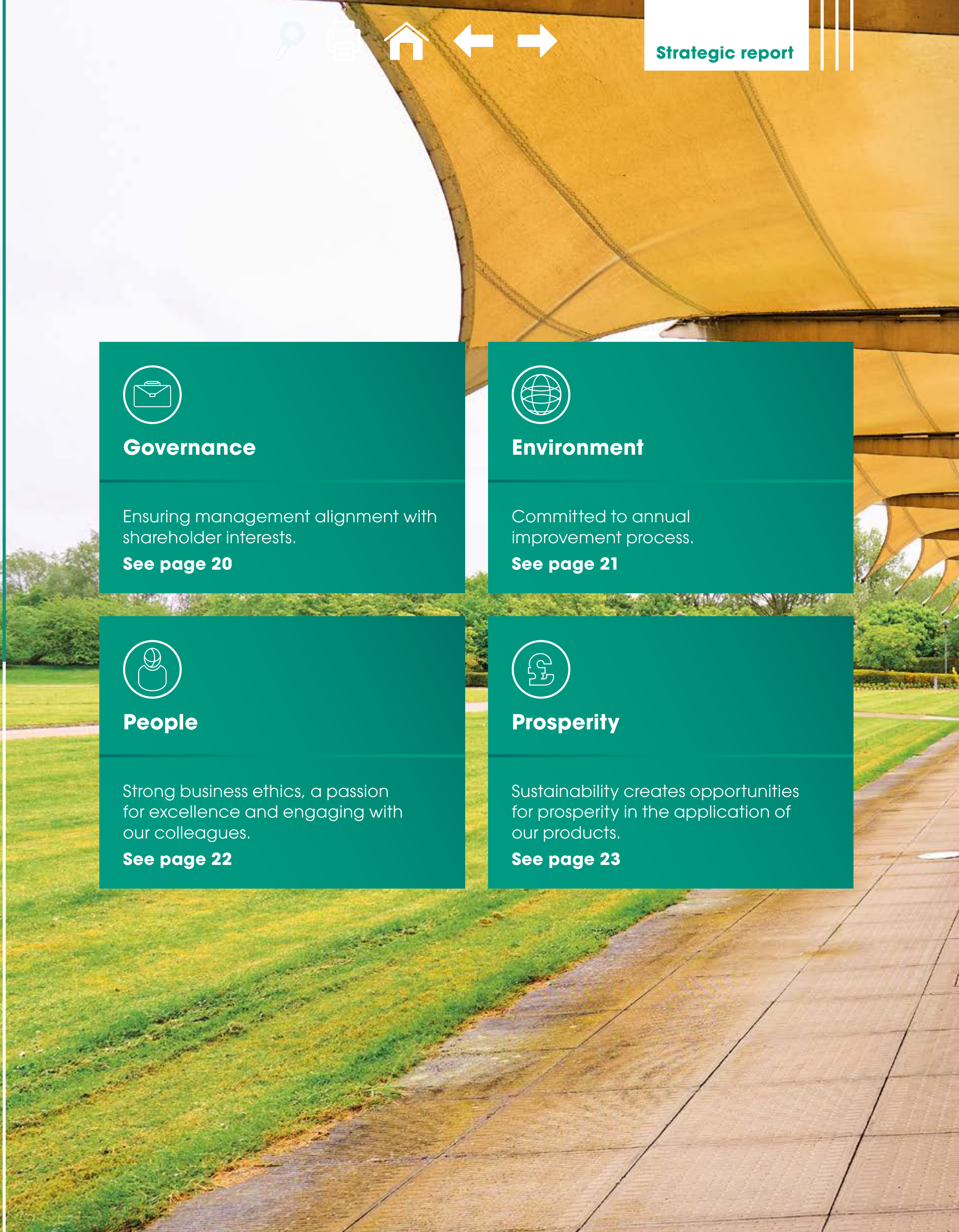
Our business is founded on our vision to be the first-choice semiconductor partner to technology innovators, together transforming how the world communicates.

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 which 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.

Our priorities for the business include creating a positive environment impact, keeping our employees safe, ensuring product reliability and sustainability and communicating our strategy to stakeholders.



Governance

Ensuring management alignment with shareholder interests.

See page 20

Environment

Committed to annual improvement process.

See page 21

People

Strong business ethics, a passion for excellence and engaging with our colleagues.

See page 22

Prosperity

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

See page 23

Environment, social and governance continued

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

Governance

Accountability

Corporate governance is taken seriously within CML; the executive management team have demonstrated a high degree of ethical practice in steering the business through various economic times, whilst having due regard for all stakeholders and achieving the right balance between reward and future investment. Our commitment to sustainability is embedded in good governance, which is the foundation of our corporate strategy. Our Non-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 are 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 whilst 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.

Data governance

The Group has a responsibility to maintain high data governance standards to securely look after the data it holds.

Cyber security

In the fast-evolving cyber landscape, the Group has upskilled employees and deployed new security and monitoring tools. The Group will continue to develop and adjust security strategy and plans accordingly.

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.

Environment, social and governance continued

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

Environment

CML is committed to an annual improvement process.

The Group's aim is to minimise its environmental impact and to implement environmental best practices where appropriate. We conduct our operations in a manner that is expected to achieve the following environmental objectives.

- Comply with/or exceed the requirements of the relevant environmental legislation governing the business operations.
- To use energy and water resources efficiently for the purpose.
- Minimise waste production, as far as is reasonable and practical, and to control the treatment and disposal of waste produced.

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:

- successful installation of solar panels;
- switching to LED lighting;
- electric vehicle charging and bike storage across all our UK sites; and
- continuing to minimise waste through reuse and recycling along with the use of biodegradable packing materials.

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 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, and as a company, we ensure all our general waste is sorted into recyclable and non-recyclable items by our refuse collectors. At the materials recovery facility, non-recycle waste is shredded and used as refuse-derived fuel. We also have dedicated cardboard and paper waste collection points.

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.

Environment, social and governance continued

Our goal is to cultivate a diverse and respectful work environment.

People

Our aim is to support all our employees across the Group with the successful implementation of our guiding principles in their daily work, development and training. We have a clear strategic focus on strong business ethics, a passion for excellence and listening and engaging with our colleagues on improving our ways of working, which support the business to drive a more diverse and inclusive workplace.

Diversity

We are an equal opportunities employer and are committed to ensure our workplaces are free from any discrimination. Our employees are a key asset and the focus is on acknowledging the individual strengths of each employee and the potential they bring.

Growth (based on FTE)

Our workforce grew by 16% year-on-year, including the acquisition of Microwave Technology Inc, reflecting our continual ability to attract high-calibre people to the Group and retain them.

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 remains an important focus 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, staff turnover and staff absences. The Group recorded no work-related fatalities and a low incidence of lost time due to injury and absenteeism.

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.

Staff benefits

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

Our employees are 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 17 years, with 51% of our team having worked for our businesses for more than ten years.

Staff turnover has always been low and in 2024 was 5.97% 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

	2024			2023		
	Male	**Female**	**Total**	Male	Female	Total
Plc Board Directors	**6**	**—**	**6**	4	—	4
Senior managers	**9**	**3**	**12**	9	3	12
Staff	**96**	**48**	**144**	84	39	123
Total	**111**	**51**	**162**	97	42	139

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

Environment, social and governance continued

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.

Prosperity

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 with an increasing focus on "Mega Trends" of IoT, 5G and Industry 4.0.

CML requires constant innovation in order to respond to changes in market fundamentals and considerable growth potential exists in new markets and geographies through product diversification in the communications sector. This innovation 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 and enhanced products, 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 encourage our employees to support charitable causes and make an impact within the communities by aiming to foster a sense of local and social inclusivity. Being based in a community environment, we aim to help local communities and support groups 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.

Case study

Heybridge Swifts

We encourage all our staff to take an active role in the local community and local sporting clubs. The Company has entered into a multi-year sponsorship deal from the 2023/24 season with local football club Heybridge Swifts. Both companies' values are aligned and are focused on the continued support and development of the community.

Collaboration

We are collaborating with others to influence industry-wide improvements

We are proud to be members of the International Association of Marine Aids to Navigation and Lighthouse Authorities (IALA) the Digital Radio Mondiale (DRM) Consortium and the European Telecommunications Standards Institute (ETSI).

IALA	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 DIGITAL radio mondiale	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.
ETSI	Several Group employees sit on technical committees that form 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.

Local community and government

Opportunities exist for local investment at our headquarters in Langford, Essex following the granted planning permission bringing jobs to the area.

Environment, social and governance continued

Our environment, social and governance framework

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

Environmental	Units	Group	Comments (intensity ratio per £m)
Energy consumption	MWh/£m	59.00	Energy consumption per unit of revenue
CO_2 production	tonnes/£m	12.00	CO_2 production per unit of revenue
Water consumption	m^3/£m	44.00	Water consumption per unit of revenue
Waste production	tonnes/£m	47.00	Waste production per unit of revenue

Social	Units	Group	Comments
Employee turnover rate	%	7.96%	Proportion of employees leaving (including retirements) the business in the last FY
% tax paid	%	8.0%	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	Group	Comments
% women in senior management positions	%	25%	Proportion of senior management positions occupied by women
% Independent Directors on Board	%	66.67%	Proportion of Independent Directors on the Board
CEO pay as multiple of UK median	times	6.63 times	CEO cash compensation divided by UK median pay of £35,464
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	Non-Executive Chairman, Board-level appointment and accountability for sustainability and ESG

Greenhouse gas emissions in tonnes of CO_2 equivalents

Tonnes of CO_2e	**2024**	**% of total emissions**	2023	% of total emissions
Scope 1	**115.77**	**41.99%**	112.92	47.79%
Scope 2	**159.92**	**58.01%**	123.35	52.21%
Total controlled emissions	**275.69**	**100.00%**	236.27	100.00%

Environment, social and governance continued

Source of emissions

Tonnes of CO_2e	**2024**	**% of total emissions**	2023	% of total emissions
Scope 1				
Fuel – vehicles	**12.10**	**4.39%**	13.57	5.74%
Gas – heating	**103.66**	**37.60%**	99.34	42.05%
Refrigerant	**0.01**	**0.00%**	0.01	0.00%
Total Scope 1 emissions	**115.77**	**41.99%**	112.92	47.79%
Scope 2				
Electricity – office and manufacturing	**159.92**	**58.01%**	123.35	52.21%
Total Scope 2 emissions	**159.92**	**58.01%**	123.35	52.21%

Geographical breakdown

2024 tonnes of CO_2e	**Scope 1**	**Scope 2**	**Total**	**% of total emissions**
UK	**106.94**	**119.21**	**226.15**	**82.03%**
US	**5.10**	**31.34**	**36.44**	**13.22%**
Singapore	**0.00**	**2.07**	**2.07**	**0.75%**
China	**3.73**	**7.30**	**11.03**	**4.00%**
Total emissions	**115.77**	**159.92**	**275.69**	**100.00%**

2023 tonnes of CO_2e	Scope 1	Scope 2	Total	% of total emissions
UK	109.55	115.07	224.62	95.07%
US	0.00	0.00	0.00	0.00%
Singapore	0.00	1.88	1.88	0.80%
China	3.37	6.40	9.77	4.13%
Total emissions	112.92	123.35	236.27	100.00%

Environment, social and governance continued

Intensity of emissions

Tonnes of CO_2e/£m turnover	2024	2023
Scope 1	**5.06**	5.47
Scope 2	**6.99**	5.98
Total	**12.05**	11.45

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, these emissions relate to our indirect emissions in the value chain.

The tables above demonstrate that absolute emissions have increased by 16.68% due to acquisition; the Group continues to review its carbon footprint and introduce measures to reduce this going forward.

Energy consumption

MWh of energy consumed	2024	2024 % of total emissions	2023	2023 % of total emissions
UK	**1,120**	**83.09%**	1,144	96.13%
Overseas	**228**	**16.91%**	46	3.87%
Total energy consumed	**1,348**	**100.00%**	1,190	100.00%

The UK energy consumption relates to gas and electricity for manufacturing plants of 672 MWh (2023: 684 MWh) and offices of 448 MWh (2023: 460 MWh).

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 2023 Full Set published in June for business, energy and industrial strategy.

Section 172 statement

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 long-term success and maintain mutually beneficial relationships.

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/picocells, 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 sustainable growth, creating value and efficient use of capital 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

- The management team conduct regular investor meetings coinciding with publication of the Group's annual and half-year results.
- The Group maintains a website (**www.cmlmicroplc.com**) which contains specific disclosures required under AIM Rules and the QCA code. It contains up-to-date information for shareholders, including the Annual Report and Accounts, current share price information and a link to all announcements released via RNS.
- The Board are provided with shareholder feedback following the investor meetings.

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.

In the year

- Regular engagement through onboarding and exit interviews.
- Hybrid working for non-manufacturing employees.
- Regular performance and development appraisals.
- Annual pay reviews, along with training and professional development.
- Recognition of long-serving employees with Long Service Awards.
- Company share option scheme and LTIP scheme.
- General ad-hoc feedback.

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

- Consistent high-quality products.
- Expanding product portfolio with the acquisition of MwT and widening addressable markets.
- Global exhibitions, increasing awareness of the Company amongst end-market participants. High standard of business conduct and continuous improvement raising awareness and communicating new product releases.
- Interaction with existing and prospective customers via face-to-face meetings, virtual meetings and on-going customer support via telephone or email.

Section 172 statement continued

How we engage with our stakeholders continued

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. These 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 and maintain continuity of supply through varying global economic and market conditions.

In the year

- Forecasting visibility and regular dialogue leading to fair pricing and long-term relationships.
- The Company depends on the performance of suppliers and as such regular interaction maintains good supplier performance and good quality standards.
- Continue to review payment practices, ensuring our suppliers are paid in line with the agreed terms and conditions.

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

- Opportunities for local investment at our headquarters in Langford, following the granted planning permission, bringing jobs to the area.
- Local sponsorship in the area.

By understanding our stakeholders, the Board can discuss the potential impact of our decisions on each group, ensuring that we consider likely consequences of any decisions in the long term that affects their needs and concerns in accordance with Section 172 of the Companies Act 2006. As a result, we 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 promote long-term sustainable returns for our shareholders.

Pages 1 to 28 form part of the Strategic Report, which has been reviewed and approved by the Board.

Michelle Jones
Company Secretary
1 July 2024

Directors' report

What's in this section

Board of Directors

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

R

Nigel Clark
Non-Executive Chairman

Joined:
Nigel joined the Company in 1980.

Skills and experience:
Nigel joined the Company in 1980. He was appointed Company Secretary in 1983 and Group Financial Director in 1985. Prior to joining CML, he was 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 subsequently held the interim positions of Group Finance Director and Executive Chairman between February 2020 and December 2023. He holds a Mathematical Science degree from Royal Holloway College, University of London. Nigel is Chairman of the Remuneration Committee.

Chris Gurry
Group Managing Director

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.

Mark McCabe
Chief Operating Officer

Joined:
Mark joined the Group in 2016.

Skills and experience:
Mark joined the Group in December 2016 as Managing Director of the Communications business division. Mark was appointed to the Board in November 2023. 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 Littelfuse, 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.

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

Board of Directors continued

A R

Geoff Barnes
Senior Non-Executive Director

Joined:
Geoff joined the Company in April 2017.

Skills and experience:
Geoff is a former Director of Baker Tilly International and its CEO and President for 16 years. He is currently Non-Executive Chairman of Baker Tilly South-East Europe Ltd and former chairman of the International Advisory Panel at the Institute of Chartered Accountants in England and Wales.

Previous roles include 18 years with Casson Beckman, Chartered Accountants, becoming its Executive Chairman, and six years with Deloitte Haskins & Sells in London where he qualified as a chartered accountant. In 2015, Geoff was awarded the prestigious lifetime achievement award by the International Accounting Bulletin for services to global public accounting.

Geoff is Chairman and member of the Audit Committee and is a member of the Remuneration Committee.

A

Jim Lindop
Non-Executive Director

Joined:
Jim joined the Company in April 2013. The Board acknowledges that Jim has held his position for eleven years and feels that he continues to remain independent due to the nature of his involvement within the Group.

Skills and experience:
Jim has extensive innovative leadership experience in the technology and engineering sectors, having spent over 30 years in the industry. 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.

Nathan Zommer
Non-Executive Director

Joined:
Nathan joined the Company in January 2024.

Skills and experience:
Nathan joined the Company in January 2024 and most recently he was Chairman of the Board and co-CEO of Microwave Technology, Inc, a privately held US semiconductor company acquired by CML in October 2023. He is the founder of IXYS Corporation and served as the Chairman of the Board and Chief Executive Officer of IXYS from 1993 until its acquisition by Littelfuse, Inc. in January 2018. He was a Non-Executive Director of Littelfuse from January 2018 through to May 2023. Prior to founding IXYS, Nathan served in a variety of positions with Intersil, Hewlett Packard and General Electric. He holds a bachelor's degree and MS in physical chemistry from Tel Aviv University and a Ph.D. in electrical engineering from Carnegie Mellon University.

Senior management team

The Board is supported by an experienced senior management team.

Michelle Jones
Company Secretary and Group Director of Finance

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.

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.

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.

Corporate governance report

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, they are of material benefit to the Company and/or its stakeholders.

The Company has chosen to apply the Quoted Companies Alliance Corporate Governance Code 2018 (the "Code").

The Board is responsible for maintaining and reviewing our corporate governance arrangements 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 and delivering long-term value to the shareholders.

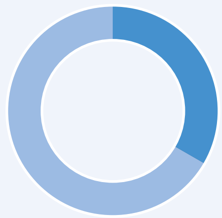
"

The Company is committed to high standards of corporate governance.

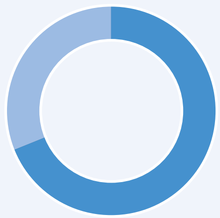
Nigel Clark
Non-Executive Chairman

Board
Audit Committee
Geoff Barnes (Chair)
Jim Lindop
Remuneration Committee
Nigel Clark (Chair)
Geoff Barnes

Directors by role



Company gender diversity



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.

Continued investment in growth development across all markets with a clear pipeline of future products and business opportunities to drive organic and inorganic growth towards long-term profitability and cash generation.

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

The Group Managing Director is the principal spokesperson for engagement with shareholders. The Non-Executive Chairman is present at interim and full-year briefings, presenting Company results and strategy. Both the Group Managing Director and Non-Executive Charman are available to discuss any matters of concern with shareholders and stakeholders. 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. The Group maintains a website (**www.cmlmicroplc.com**) which contains up-to-date information for shareholders, including the Annual Report and Accounts, current share price information and a link to all announcements released via RNS.

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 and understand the key importance of maintaining and retaining employee satisfaction.

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 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 four Non-Executive Directors. The Non-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 2024, ten Board meetings were held where all Directors in post participated (2023: twelve).
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, progress and the long-term success of the Group, collective skills and maintaining independence where relevant. Its performance, along with that of the individual members, is considered on an ongoing basis considering the needs of the Company.

Corporate governance statement continued

08. Promote a corporate culture that is based on ethical values and behaviours	The Board along with the Senior Management team define and promote 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 2024 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 is responsible for the long-term performance of the Group and has specific items reserved for its consideration which include business strategy, financial performance, acquisitions, divestments and major capital expenditure. The Non-Executive 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. 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 Meeting 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/**.

Corporate governance statement continued

Focus areas this year

Board

Strategy
- Assessing the impact of cost inflation.
- Future acquisitions and mergers continuously reviewed.

Financial
- Review of cost impact of inflation.

Governance
- Oversight and review of actions taken to mitigate the impact of cost inflation.
- Enhanced HR operations.

Remuneration
- Annual pay reviews, along with training and professional development.
- Company share option scheme and LTIP scheme.

By order of the Board

Nigel Clark
Non-Executive Chairman
1 July 2024

Directors' remuneration report

Committee members

Member	Attendance
Nigel Clark Committee Chair	1
Geoff Barnes Senior Non-Executive Director	1

Introduction

This report has been voluntarily prepared in accordance with the regulations regarding Directors' remuneration report. 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 during 2024.

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), and Geoff Barnes. Chris Gurry resigned during the year. No member of the Remuneration Committee participates in deciding their personal remuneration package. During the year ended 31 March 2024, there was one meeting (2023: one meeting) 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.

Directors' remuneration report continued

Executive Directors

Purpose and link 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, LTIP share options have performance criteria specified, with no performance criteria specified for others.

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 it 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.

Directors' remuneration report continued

Non-Executive Directors

Purpose and link 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 individuals.	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 80.	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. Mark McCabe is employed by the Company under a written contract of employment that provides for termination by either party giving six months' notice.

Jim Lindop has a service contract effective from 1 April 2022, Geoff Barnes has a service contract effective from 1 April 2021 and Nathan Zommer has a service contract effective from 1 January 2024. 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.

Directors' remuneration report continued

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 13 August 2024.

This section of the Directors' Remuneration Report sets out the remuneration paid in 2024 and the proposed remuneration for 2025 to remain the same as 2024. This section will be put to an advisory shareholder vote at the 2024 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:

2024	Salary £'000	Benefits in kind £'000	Bonus £'000	Contribution to pension £'000	Total remuneration £'000	Total fixed £'000	Total variable £'000
Nigel Clark	124	7	14	—	145	131	14
Chris Gurry	235	19	42	28	324	282	42
Mark McCabe	47	1	32	11	91	59	32
Geoff Barnes	35	1	—	—	36	36	—
Jim Lindop	30	1	—	—	31	31	—
Nathan Zommer	8	—	—	—	8	8	—
	479	29	88	39	635	547	88

Nigel Clark transitioned from Executive Chairman to Non-Executive Chairman on 1 October 2024. Mark McCabe joined the Board on 30 November 2023 as Chief Operating Officer and Nathan Zommer joined the Board on 1 January 2024 as an independent Non-Executive Director.

2023	Salary £'000	Benefits in kind £'000	Bonus £'000	Contribution to pension £'000	Total remuneration £'000	Total fixed £'000	Total variable £'000
Nigel Clark	189	13	83	—	285	202	83
Chris Gurry	235	19	59	28	341	282	59
Geoff Barnes	35	1	—	—	36	36	—
Jim Lindop	30	1	—	—	31	31	—
	489	34	142	28	693	551	142

See the remuneration policy for types of benefits in kind. Bonuses and share options granted are entirely at the discretion of the Remuneration Committee.

Directors' remuneration report continued

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 2024.

Percentage change in Executive and Non-Executive Director remuneration

The table below shows the percentage change in each Director's salary/fees, taxable benefits and annual incentives between 2023 and 2024 compared with the average percentage change 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[1]	(34)%	(46)%	(83)%
Chris Gurry	0%	0%	(29)%
Mark McCabe	—	—	—
Geoff Barnes	0%	0%	0%
Jim Lindop	0%	0%	0%
Nathan Zommer	—	—	—
All employees (in UK)	1%	15%	8%

1. Nigel Clark transitioned from Executive Chairman to Non-Executive Chairman on 1 October 2024. If he had not transitioned the percentage salary change would have been (20)%.

Share options (audited)

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

	Number of options at 1 April 2023 £'000	Options exercised in year £'000	Options lapsed in year £'000	Options granted in year £'000	**Number of options at 31 March 2024 £'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]
Mark McCabe	20	—	—	—	**20**	£3.70	22 Dec 2019 to 21 Dec 2026[1]
	20	—	—	—	**20**	£2.79	19 Mar 2022 to 18 Mar 2029[1]
	80	—	—	—	**80**	£2.31	4 April 2023 to 3 Apr 2030[1]
	49	—	—	—	**49**	£0.05	31 Mar 2026 to 30 Mar 2032
	31	—	—	—	**31**	£0.05	31 Mar 2027 to 30 Mar 2033
	305	—	—	—	**305**		

1. These share options are potentially exercisable.

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.

Directors' remuneration report continued

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 26 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:

	2024 Number	2023 Number
Defined contribution scheme	**1**	—

Life assurance cover and widows' death-in-service cover was provided under a separate policy for the year ended 31 March 2024.

Company contributions of £39,000 (2023: £28,000) 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 (2023: 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 2024. Any movements awarded to salary are shown on page 41 and no external advice was taken in reaching this decision. However, the Committee is aware of the trends in Directors' remuneration within the relevant UK FTSE, SmallCap and AIM markets.

Directors' remuneration for the year ending 31 March 2025

Executive Directors' remuneration was reviewed and revised from 1 April 2024. 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:

	2024 £'000	2023 £'000	Movement £'000	Movement %
Employee remuneration	**10,921**	9,661	1,260	13%
Group Managing Director remuneration	**324**	341	(17)	(5)%
Distributions to shareholders (interim and final dividends paid)	**1,739**	1,589	150	9%

Directors' remuneration report continued

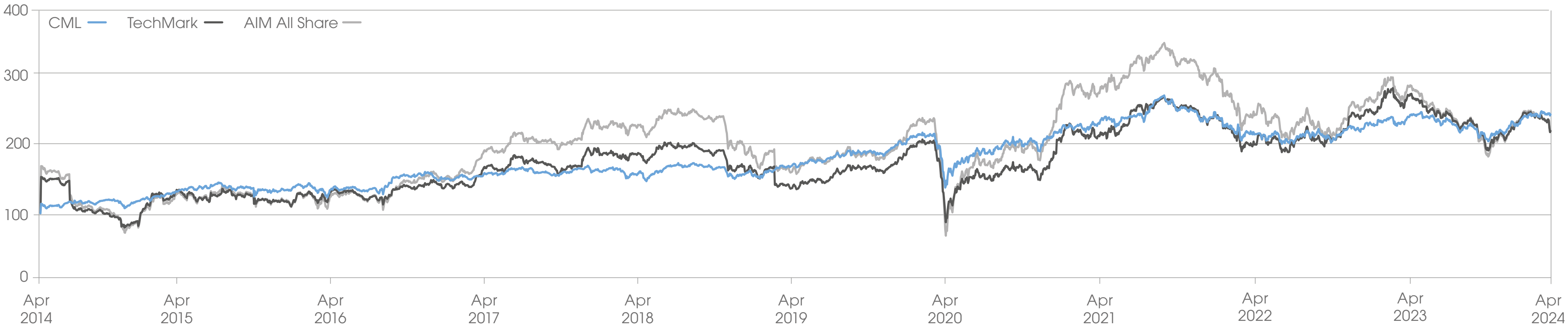
Shareholder voting

At the AGM on 9 August 2023, 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	97.82	2.15	0.02

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 ten years. The TechMark and AIM All Share have been selected because, in the opinion of the Board, these are the most appropriate comparisons for benchmarking the Company.



On behalf of the Board of Directors

Nigel Clark
Chairman of the Remuneration Committee
1 July 2024

Directors' report

The Directors submit their report and Group financial statements for the year ended 31 March 2024 in addition to the Directors' Remuneration Report on pages 38 to 44.

The Directors referred to on pages 30 and 31 all served throughout the year ended 31 March 2024.

Corporate governance statement

The Group follows the Quoted Companies Alliance Corporate Governance Code 2018 (the "Code"), details of which can be found on pages 33 to 37.

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 1 to 28 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 pages 10 and 11.

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 5p per ordinary share was paid on 12 January 2024 to shareholders on the Register on 22 December 2023. The Directors are proposing to pay a final dividend of 6p per ordinary share, taking the total dividend amount in respect of the year ended 31 March 2024 to 11p (2023: 11p total dividends).

Post balance sheet events

In April 2024 the Company purchased 42,500 ordinary shares as a share buyback and these shares are held in Treasury for the principal purpose of reducing the issued share capital of the Company and returning funds to Shareholders.

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 25 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 2024 comprised a single class of ordinary shares. Details of movements in the issued share capital can be found in note 27 to the financial statements. Each share carries the right to one vote at general meetings of the Company. During the period the Company issued 592,010 ordinary shares in the Company as part of the acquisition of Microwave Technology Inc. Details can be found in note 32 to the financial statements (2023: 360,625 ordinary shares, issued under the terms of the various share option schemes). The Company also held in treasury 360,675 ordinary shares with a nominal value of 5p (none of which were purchased off market).

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.

Directors' report continued

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 2023 AGM, to purchase in the market up to 2,327,000 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 2,418,000 ordinary shares of 5p at this year's AGM.

The Directors were granted authority at the 2023 AGM to allot relevant securities up to a nominal amount of £525,120. 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 £544,650.

Purchase of own shares

Details of the Company's share capital are shown in note 27 to the financial statements.

The Company was authorised at the 2023 AGM to purchase its own shares. During the financial year the Company issued 592,010 shares and held in treasury 360,675 ordinary shares with a nominal value of 5p (none of which were purchased off market) at the end of the financial year.

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 21 June 2024, 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	11.73%
Otus Capital Management	Institutional investor	10.62%
M.I. Gurry	Private investor	8.16%
T.M.R Dean	Private investor	7.88%
C.A. Gurry	Director	7.84%
Herald Investment Management	Institutional investor	6.69%
Liontrust Asset Management	Institutional investor	4.11%
Shaaron LLC	Private investor	3.67%
Hargreaves Lansdown	Institutional investor	3.63%
Charles Stanley Investment Management	Institutional investor	3.46%
GIPM	Institutional investor	3.44%

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 (2023: 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 at the last triennial review as at 31 March 2021 and the Company's investment property is held for sale on the basis of open market value. The property is held for sale and as no triennial review was completed as at 31 March 2024, the investment property has been valued by the Directors, who consider a valuation of £1,975,000 to continue to be a fair value.

Directors and their interests

The Directors of the Company at 31 March 2024, 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 2024	31 March 2023
Nigel Clark	**24,600**	24,600
Chris Gurry	**1,263,458**	1,284,152
Geoff Barnes	**17,000**	17,000
Jim Lindop	**—**	—
Nathan Zommer	**592,010**	—
Mark McCabe	**—**	—

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 2024 and 21 June 2024. 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 2024, 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 9 and special business comprising one ordinary resolution 10 and three special resolutions, 11, 12 and 13, relating to the following matters:

Special business ordinary resolution

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

Special business special resolutions

- To disapply the pre-emption provisions of the Companies Act 2006.
- To disapply the pre-emption provisions of the Companies Act 2006 for the purposes of financing an acquisition or capital investment. The Prospectus Rules were amended in July 2017 whereby a Prospectus is not required for additional shares being issued as part of an acquisition where those shares are below 20% of the total equity holding less treasury shares. Accordingly, the numbers in this resolution 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 27. 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 22.

Directors' report continued

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

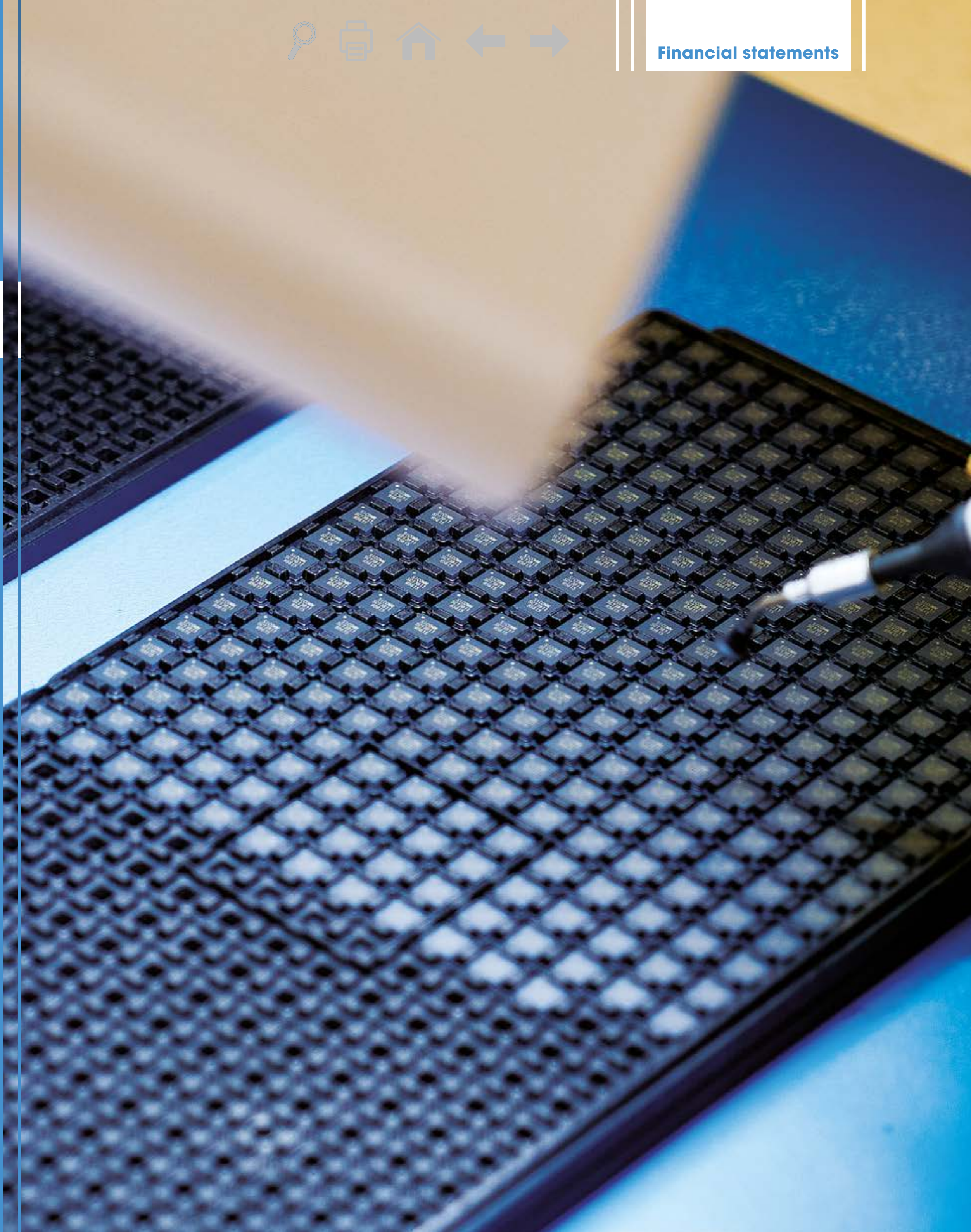
A resolution to re-appoint BDO LLP as auditor of the Company will be put to the members at the forthcoming Annual General Meeting.

By order of the Board

Michelle Jones
Company Secretary
1 July 2024

Financial statements

What's in this section



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 2024 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 2024 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, cash generation and the potential impact of key provisions with reference to our knowledge of the business, its historical performance and results;
- We checked the mathematical accuracy of forecasts and critically assessed the integrity of the forecast model by analysing the assumptions and data verifying the information to supporting documentation, along with confirming its consistency with approved forecasts;
- We evaluated sensitivity analysis and reverse stress tests prepared by the Directors 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	99% (2023: 96%) of Group profit before tax 97% (2023: 95%) of Group revenue 99% (2023: 98%) of Group total assets
Key audit matters	**2024:** Acquisition of Microwave Technology, Inc. Capitalisation and amortisation of development costs Carrying value of goodwill **2023:** Capitalisation and amortisation of development costs Carrying value of goodwill
Materiality	Group financial statements as a whole £139,000 (2023: £155,000) based on 5% of adjusted Profit before tax, removing direct costs in relation to the acquisition of Microwave Technology, Inc. (2023: 5% of adjusted Profit before tax, removing profit on sale of land in the year)

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 18. CML Microsystems Plc, CML Microcircuits UK Limited, Wuxi Sicomm Technologies, Inc., and Microwave Technology, Inc. are significant components and were subject to full scope audits.

CML Microcircuits (USA) Inc. and CML Microcircuits (Singapore) Pte Limited also constitute significant components as the entities were considered part of the same significant component that contains CML Microcircuits (UK) Limited due to the trading relationship between the entities. Balances and transactions have been audited to component materiality.

The audit of Wuxi Sicomm Technologies, Inc. included the audit of its subsidiary entity, Shanghai Futiake Investment Consulting Co., Ltd which is a non-significant component. PRFI Limited was also 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 and agreed upon procedures 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 ending 31 December 2023 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 2024 to 31 March 2024 and as at 31 March 2024;
- 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.

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.

Independent auditor's report continued

to the members of CML Microsystems Plc

An overview of the scope of our audit continued

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 1d with information relating to critical accounting judgements being given in 1g. Further analysis of the Group's development costs is included in note 15	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 capitalise these. • We critically assessed the key assumption that the development costs should be amortised over a period of six years from when the 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 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 1c with information relating to the key sources of estimation uncertainty being given in 1g. Further analysis of the Group’s goodwill is included in note 13.	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 2024 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 assessments of each component of goodwill 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 2024 to be acceptable and the impact of sensitivities appropriately disclosed.

Independent auditor's report continued

to the members of CML Microsystems Plc

An overview of the scope of our audit continued

Key audit matter		How the scope of our audit addressed the key audit matter
Accounting for the acquisition of Microwave Technology Inc (MwT) The accounting policies and critical judgements applied are disclosed in Notes 1g and 1i. The acquisition balances are disclosed in Note 32.	The Group completed the acquisition of MwT on the 2nd of October 2023 for combined cash consideration of £6.266m and issuance of 864,389 shares of the Parent Company valued at £4.530m for total consideration of £10.796m. The accounting for the acquisition balance sheet at 2 October 2023 and the subsequent Purchase Price Allocation ("PPA") assessment, including the fair value of consideration, identification and valuation of intangible assets at the acquisition date and subsequent residual goodwill, is complex and involves significant judgement. Management engaged an external expert to undertake the PPA assessment. Based on this, the acquisition is considered to be a key audit matter.	• Obtained an understanding of the transaction and reviewed the Share Purchase Agreement ("SPA"). • Engaged with our own internal valuation experts to challenge the PPA, including the identification of intangible assets including customer relationships, trade name, intellectual property and goodwill. • Critically evaluated the capabilities, competence and objectivity of the external valuation experts engaged by Management for the PPA assessment. • Evaluated and concluded on the appropriateness of external valuation expert's conclusions by comparing them to our knowledge of the industry. • Tested the inputs and assumptions of the cash flow forecasts used to assess the fair value of the new intangible assets acquired of brands and trademarks, customer relationships, intellectual property and goodwill. Assumptions were tested by comparing the forecasts to both actual and historical results as well as reasonableness of underlying information used. • Assessed the inputs and assumptions that support the cash flow forecasts upon which the PPA is based including growth rates, future profit margin assumptions, capital expenditure requirements and exceptional expenditure. • Tested the fair value of the consideration paid by vouching to supporting documentation and quoted market prices. • We performed audit procedures in respect of the 2 October 2023 acquisition balance sheet, including specific substantive procedures that were designed to ensure identified risks were appropriately tested. • We assessed the accuracy of the calculations which determined the valuation of intangible assets including customer relationships, trade name, intellectual property and goodwill. • We challenged and tested Management's assessment of the fair value of the assets acquired, including ensuring accounting policy alignment and fair value adjustments had been correctly applied. • We reviewed the adequacy of the Group's disclosures in respect of the business combination by checking its appropriateness based on our workings and its compliance with the requirements of the accounting standards. **Key observations:** Based on the work performed, we consider that the accounting of the acquisition was not unreasonable.

Independent auditor's report continued

to the members of CML Microsystems Plc

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 financial statements		Parent company financial statements	
	2024	2023	2024	2023
	£m	£m	£m	£m
Materiality	139,000	155,000	132,000	147,000
Basis for determining materiality	5% of adjusted profits before tax	5% of adjusted profits before tax	95% of group materiality	95% of group materiality
Rationale for the benchmark applied	We consider the use of adjusted profit before tax excluding the profit on sale of land 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. We have removed the costs directly incurred in relation to the acquisition of Microwave Technology, Inc. as these are transactions outside the normal course of business.	We consider the use of adjusted profit before tax excluding the profit on sale of land 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. We have removed the profit on sale of land as this is a transaction outside the normal course of business.	Calculated as a percentage of Group materiality for Group reporting purposes given the assessment of aggregation risk.	Calculated as a percentage of Group materiality for Group reporting purposes given the assessment of aggregation risk.
Performance materiality	90,300	100,700	85,800	95,500
Basis for determining performance materiality	65% of materiality	65% of materiality	65% of materiality	65% of materiality
Rationale for the percentage applied for performance materiality	No indicators suggested a required change from the prior year	Increased on the basis of not being a first year audit	No indicators suggested a required change from the prior year	Increased on the basis of not being a first year audit

Independent auditor's report continued

to the members of CML Microsystems Plc

Our application of materiality continued

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group, based on a percentage of between 45% and 95% (2023: 33% 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 £63,000 to £132,000 (2023: £51,000 to £147,000). In the audit of each component, we further applied performance materiality levels of 65% (2023: 65%) 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 £2,750 (2023: £2,900). 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.

Independent auditor's report continued

to the members of CML Microsystems Plc

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be UK adopted international accounting standards, UK tax legislation and AIM Listing Rules.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be 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.

Our procedures in respect of the above included:

- 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;
- Consideration of 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;
- Communication of 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;
- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Independent auditor's report continued

to the members of CML Microsystems Plc

Auditor's responsibilities for the audit of the financial statements continued

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance and the Audit Committee regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be judgements included within impairment reviews, assessment of completion percentages over projects at year end where revenue is recognised over time and within the acquisition accounting of Microwave Technology, Inc.

Our procedures in respect of the above included:

- With regard to the fraud risk in management override of controls, our procedures included targeted testing of journals which meet specific risk criteria, with a focus on large and unusual transactions based on our knowledge of the business and agreeing these to supporting documentation;
- With regard to fraud in revenue recognition we tested the recording of revenue transactions near the year end to supporting documentation to check recognition of the corresponding revenue in the appropriate period;
- We reviewed post year end forecasts for any revenue projects which were ongoing at year end and assessed management assumptions and forecasts within their accounting for those projects;
- Reviewing key estimates and judgements applied by management in the financial statements to assess their appropriateness; and
- Involvement of valuation experts in the audit to review the estimates included within the Microwave Technology, Inc purchase price allocation.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including component engagement teams who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. For component engagement teams, we also reviewed the result of their work performed in this regard.

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

1 July 2024

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 2024

	Notes	2024 Before exceptional items £'000	2024 Exceptional items £'000	2024 Total £'000	2023 Before exceptional items £'000	2023 Exceptional items £'000	2023 Total £'000
Revenue	3	**22,893**	**—**	**22,893**	20,643	—	20,643
Cost of sales	4	**(6,683)**	**—**	**(6,683)**	(5,032)	—	(5,032)
Gross profit		**16,210**	**—**	**16,210**	15,611	—	15,611
Distribution and administration costs	4	**(14,226)**	**—**	**(14,226)**	(12,644)	—	(12,644)
Share-based payments	28	**(214)**	**—**	**(214)**	(234)	—	(234)
		1,770	**—**	**1,770**	2,733	—	2,733
Profit on sale of fixed asset		**—**	**—**	**—**	—	2,058	2,058
Other operating income	5	**173**	**—**	**173**	199	—	199
Profit from operations		**1,943**	**—**	**1,943**	2,932	2,058	4,990
Other income	5	**62**	**—**	**62**	18	—	18
Finance income	8	**547**	**—**	**547**	255	—	255
Finance expense	8	**(37)**	**—**	**(37)**	(47)	—	(47)
Profit before taxation		**2,515**	**—**	**2,515**	3,158	2,058	5,216
Income tax charge	9	**(455)**	**—**	**(455)**	(71)	(335)	(406)
Profit after taxation attributable to equity owners of the parent		**2,060**	**—**	**2,060**	3,087	1,723	4,810

All financial information presented relates to continuing activities.

Earnings per share from total operations attributable to the ordinary equity holders of the Company:

	Notes	2024	2023
Basic earnings per share	11	**13.00p**	30.29p
Diluted earnings per share	11	**12.86p**	29.93p

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.

	Notes	2024	2023
Adjusted EBITDA	12	**5,703**	5,901

The notes on pages 72 to 109 form part of these financial statements.

Consolidated statement of total comprehensive income

for the year ended 31 March 2024

	Notes	**2024 £'000**	**2024 £'000**	2023 £'000	2023 £'000
Profit for the year			**2,060**		4,810
Other comprehensive income/(expense):					
Items that will not be reclassified subsequently to profit or loss:					
Re-measurement of defined benefit obligation	26	**(361)**		1,393	
Deferred tax on actuarial gain	25	**90**		(348)	
Items reclassified subsequently to profit or loss upon derecognition:					
Foreign exchange differences		**(1,153)**		(140)	
Other comprehensive (expense)/income for the year net of taxation attributable to equity owners of the parent			**(1,424)**		905
Total comprehensive income for the year attributable to the equity owners of the parent			**636**		5,715

The notes on pages 72 to 109 form part of these financial statements.

Consolidated statement of financial position

as at 31 March 2024

	Notes	2024 £'000	2024 £'000	2023 £'000	2023 £'000
Assets					
Non-current assets					
Goodwill	13		**14,449**		7,429
Other intangible assets	14		**3,350**		984
Development costs	15		**15,150**		13,801
Property, plant and equipment	16		**5,655**		5,249
Right-of-use assets	16		**813**		1,022
Deferred tax assets	25		**788**		766
			40,205		29,251
Current assets					
Property, plant and equipment – held for sale	16	**1,124**		485	
Investment properties – held for sale	17	**1,975**		1,975	
Inventories	19	**3,672**		2,425	
Trade receivables and prepayments	20	**3,734**		2,413	
Current tax assets	24	**190**		1,659	
Cash, and cash equivalents	21	**11,262**		21,041	
Short-term cash deposits	21	**6,951**		1,218	
			28,908		31,216
Total assets			**69,113**		60,467
Liabilities					
Current liabilities					
Trade and other payables	23		**7,528**		3,036
Provisions	23		**208**		—
Lease liabilities	23		**219**		210
Current tax liabilities	24		**16**		78
			7,971		3,324

Consolidated statement of financial position continued

as at 31 March 2024

	Notes	2024 £'000	2024 £'000	2023 £'000	2023 £'000
Non-current liabilities					
Deferred tax liabilities	25	**5,224**		4,343	
Trade and other payables	23	**2,509**		—	
Lease liabilities	23	**637**		842	
Retirement benefit obligation	26	**1,696**		1,204	
			10,066		6,389
Total liabilities			**18,037**		9,713
Net assets			**51,076**		50,754
Capital and reserves attributable to equity owners of the parent					
Share capital	27		**825**		796
Share premium	28		**2,327**		2,462
Capital redemption reserve	28		**8,372**		8,372
Other reserve	28		**3,073**		—
Treasury shares – own share reserve	28		**(1,822)**		(324)
Share-based payments reserve	28		**666**		488
Foreign exchange reserve	28		**(111)**		1,042
Retained earnings	28		**37,746**		37,918
Total shareholders' equity			**51,076**		50,754

The financial statements on pages 60 to 109 were approved and authorised for issue by the Board on 1 July 2024, 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 2024

		Group		Company	
	Notes	**2024 £'000**	2023 £'000	**2024 £'000**	2023 £'000
Operating activities					
Profit for the year before taxation		**2,515**	5,216	**509**	2,317
Adjustments for:					
Foreign exchange movement		**(140)**	—	**—**	—
Depreciation – on property, plant and equipment		**520**	367	**88**	86
Depreciation – on right-of-use assets		**486**	300	**—**	—
Amortisation of development costs		**2,110**	1,826	**—**	—
Amortisation of other intangible assets		**368**	224	**29**	21
Loss/(profit) on disposal of fixed assets		**5**	(2,058)	**—**	(2,058)
Employee retention credit – US		**—**	110	**—**	—
Movement in non-cash items (retirement benefit obligation)		**131**	158	**131**	158
Share-based payments		**214**	234	**214**	234
Finance income		**(547)**	(255)	**(506)**	(245)
Finance expense		**37**	47	**—**	—
Movement in working capital	31	**(1,966)**	(653)	**(322)**	(723)
Cash flows from operating activities		**3,733**	5,516	**143**	(210)
Income tax received/(paid)		**1,311**	(104)	**—**	—
Net cash inflow/(outflow) from operating activities		**5,044**	5,412	**143**	(210)

Consolidated and Company cash flow statements continued

for the year ended 31 March 2024

	Notes	Group 2024 £'000	Group 2023 £'000	Company 2024 £'000	Company 2023 £'000
Investing activities					
Proceeds from sale of fixed assets		**—**	2,500	**—**	2,500
Purchase of property, plant and equipment		**(1,524)**	(932)	**(1,081)**	(136)
Investment in development costs		**(3,541)**	(4,455)	**—**	—
(Investment)/repayment of fixed term deposits (net)		**(5,733)**	4,740	**(5,000)**	5,000
Acquisition of subsidiary (net of cash acquired)	32	**(565)**	—	**(1,581)**	—
Repayment of intercompany group loan		**—**	—	**750**	—
Investment in intangibles		**(32)**	(98)	**(32)**	(98)
Finance income		**547**	255	**506**	245
Net cash (outflow)/inflow from investing activities		**(10,848)**	2,010	**(6,438)**	7,511
Financing activities					
Lease liability repayments		**(502)**	(321)	**—**	—
Issue of ordinary shares (net of expenses)		**117**	1,118	**117**	1,118
Purchase of own shares for treasury		**(1,750)**	(4,767)	**(1,750)**	(4,767)
Dividends paid to shareholders		**(1,739)**	(1,589)	**(1,739)**	(1,589)
Finance expense		**(4)**	—	**—**	—
Net cash outflow from financing activities		**(3,878)**	(5,559)	**(3,372)**	(5,238)
(Decrease)/increase in cash and cash equivalents		**(9,682)**	1,863	**(9,667)**	2,063
Movement in cash and cash equivalents:					
At start of year		**21,041**	19,084	**17,762**	15,744
(Decrease)/increase in cash and cash equivalents		**(9,682)**	1,863	**(9,667)**	2,063
Effects of exchange rate changes		**(97)**	94	**(2)**	(45)
At end of year	31	**11,262**	21,041	**8,093**	17,762

Cash flows presented exclude sales taxes. Further cash-related disclosure details are provided in notes 21, 22 and 31.

Changes in liabilities arising from financing activities relate to lease liabilities only. The movement during the year in lease liabilities is set out in note 23 and the only movement in respect of borrowings in a cash flow movement as shown above.

The notes on pages 72 to 109 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 March 2024

	Share capital £'000	Share premium £'000	Redemption reserve £'000	Other reserve £'000	Treasury shares £'000	Share-based payments £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total £'000
At 31 March 2022	865	1,362	8,285	—	(1,670)	490	1,182	39,339	49,853
Profit for year								4,810	4,810
Other comprehensive income									
Foreign exchange differences							(140)		(140)
Re-measurement of defined benefit obligations								1,393	1,393
Deferred tax on actuarial gain								(348)	(348)
Total comprehensive income for year	—	—	—	—	—	—	(140)	5,855	5,715
	865	1,362	8,285	—	(1,670)	490	1,042	45,194	55,568
Transactions with owners in their capacity as owners									
Issue of ordinary shares – exercise of share options	18	1,100							1,118
Purchase of own shares – treasury					(4,767)				(4,767)
Cancellation of treasury shares	(87)		87		6,113			(6,113)	—
Dividend paid								(1,589)	(1,589)
Total transactions with owners in their capacity as owners	(69)	1,100	87	—	1,346	—	—	(7,702)	(5,238)
Share-based payment charge						234			234
Deferred tax on share-based payments								190	190
Cancellation/transfer of share-based payments						(236)		236	—
At 31 March 2023	796	2,462	8,372	—	(324)	488	1,042	37,918	50,754

Consolidated statement of changes in equity continued

for the year ended 31 March 2024

	Share capital £'000	Share premium £'000	Redemption reserve £'000	Other reserve £'000	Treasury shares £'000	Share-based payments £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total £'000
Profit for year								2,060	2,060
Other comprehensive income									
Foreign exchange differences							(1,153)		(1,153)
Re-measurement of defined benefit obligations								(361)	(361)
Deferred tax on actuarial gain								90	90
Total comprehensive income for year	—	—	—	—	—	—	(1,153)	1,789	636
	796	2,462	8,372	—	(324)	488	(111)	39,707	51,390
Transactions with owners in their capacity as owners									
Issue of ordinary shares – acquisition	29			3,073					3,102
Issue of treasury shares		(135)			252				117
Purchase of own shares – treasury					(1,750)				(1,750)
Dividend paid								(1,739)	(1,739)
Total transactions with owners in their capacity as owners	29	(135)	—	3,073	(1,498)	—	—	(1,739)	(270)
Share-based payment charge						214			214
Deferred tax on share-based payments								(258)	(258)
Cancellation/transfer of share-based payments						(36)		36	—
At 31 March 2024	825	2,327	8,372	3,073	(1,822)	666	(111)	37,746	51,076

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 72 to 109 form part of these financial statements.

Company statement of financial position

as at 31 March 2024

	Notes	2024 £'000	2024 £'000	2023 £'000	2023 £'000
Assets					
Non-current assets					
Intangible assets	14		**323**		320
Property, plant and equipment	16		**3,977**		3,623
Investments in subsidiary undertakings	18		**21,168**		10,372
Deferred tax assets	25		**468**		648
			25,936		14,963
Current assets					
Property, plant and equipment – held for sale	16	**1,124**		485	
Investment properties – held for sale	17	**1,975**		1,975	
Trade receivables and prepayments	20	**1,574**		2,454	
Cash and cash equivalents	21	**8,093**		17,762	
Short-term cash deposits	21	**5,000**		—	
			17,766		22,676
Total assets			**43,702**		37,639
Liabilities					
Current liabilities					
Trade and other payables	23		**4,213**		1,025
			4,213		1,025
Non-current liabilities					
Trade and other payables	23		**2,509**		—
Deferred tax liabilities	25		**940**		931
Retirement benefit obligation	26		**1,696**		1,204
			5,145		2,135
Total liabilities			**9,358**		3,160
Net assets			**34,344**		34,479

Company statement of financial position continued

as at 31 March 2024

	Notes	**2024 £'000**	**2024 £'000**	2023 £'000	2023 £'000
Equity					
Share capital	27		**825**		796
Share premium	28		**2,327**		2,462
Capital redemption reserve	28		**8,372**		8,372
Other reserve	28		**3,073**		—
Treasury shares – own share reserve	28		**(1,822)**		(324)
Share-based payments reserve	28		**666**		488
Merger reserve	28		**316**		316
Retained earnings	28		**20,587**		22,369
Total shareholders' equity			**34,344**		34,479

The parent company profit for the financial year attributed in the financial statements of the parent company was £450,000 (2023: £2,114,000).

The financial statements on pages 60 to 109 were approved and authorised for issue by the Board on 1 July 2024 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 2024

	Share capital £'000	Share premium £'000	Redemption reserve £'000	Other reserve £'000	Treasury shares £'000	Share-based payments £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
At 31 March 2022	865	1,362	8,285	—	(1,670)	490	316	26,486	36,134
Profit for year								2,114	2,114
Other comprehensive income									
Re-measurement of defined benefit obligations								1,393	1,393
Deferred tax on actuarial gain								(348)	(348)
Total comprehensive income for year	—	—	—	—	—	—	—	3,159	3,159
	865	1,362	8,285	—	(1,670)	490	316	29,645	39,293
Transactions with owners in their capacity as owners									
Issue of ordinary shares – exercise of share options	18	1,100							1,118
Purchase of own shares – treasury					(4,767)				(4,767)
Cancellation of treasury shares	(87)		87		6,113			(6,113)	—
Dividend paid								(1,589)	(1,589)
Total transactions with owners in their capacity as owners	(69)	1,100	87	—	1,346	—	—	(7,702)	(5,238)
Share-based payment charge						234			234
Deferred tax on share-based payments								190	190
Cancellation/transfer of share-based payments						(236)		236	—
At 31 March 2023	**796**	**2,462**	**8,372**	**—**	**(324)**	**488**	**316**	**22,369**	**34,479**

Company statement of changes in equity continued

for the year ended 31 March 2024

	Share capital £'000	Share premium £'000	Redemption reserve £'000	Other reserve £'000	Treasury shares £'000	Share-based payments £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Profit for year								450	450
Other comprehensive income									
Re-measurement of defined benefit obligations								(361)	(361)
Deferred tax on actuarial gain								90	90
Total comprehensive income for year	—	—	—	—	—	—	—	179	179
	796	2,462	8,372	—	(324)	488	316	22,548	34,658
Transactions with owners in their capacity as owners									
Issue of ordinary shares – acquisition	29			3,073					3,102
Issue of treasury shares		(135)			252				117
Purchase of own shares – treasury					(1,750)				(1,750)
Dividend paid								(1,739)	(1,739)
Total transactions with owners in their capacity as owners	29	(135)	—	3,073	(1,498)	—	—	(1,739)	(270)
Share-based payment charge						214			214
Deferred tax on share-based payments								(258)	(258)
Cancellation/transfer of share-based payments						(36)		36	—
At 31 March 2024	825	2,327	8,372	3,073	(1,822)	666	316	20,587	34,344

The notes on pages 72 to 109 form part of these financial statements.

Notes to the financial statements

for the year ended 31 March 2024

1 Accounting policies

These financial statements only disclose items that are material and if a disclosure hasn't been made then, in our view, it is not material. 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.

a) 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.

b) 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 sale taxes or duties. The Group has a sales and returns agreement with a small number of distributors. Estimated returns from distributors have been recognised as revenue. Other income such as interest earned, and property income is recognised as earned.

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.

Revenue relating to design and development

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

Notes to the financial statements continued

for the year ended 31 March 2024

1 Accounting policies continued

c) 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, PRFI Limited acquired in March 2020 and Microwave Technology Inc acquired in October 2023. Goodwill is reviewed annually for impairment by comparing its carrying value to the value-in-use of the cash generating unit; any resultant impairment being charged through the Consolidated Income Statement.

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, PRFI Limited and Microwave Technology Inc. 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 the 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 – ten years from date of acquisition;
- customer relationships – six to 13 years from date of acquisition; and
- intellectual property – ten 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 13 years; and
- intellectual property – based upon historical data that technology is intended to be used for ten years from acquisition.

d) 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. Development costs are written off once they become fully amortised. 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.

e) 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	16.67% straight line and 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, this is not required if investment properties are held for sale as they are valued at 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.

Notes to the financial statements continued

for the year ended 31 March 2024

1 Accounting policies continued

f) 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.

g) 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 c, d and h. 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 £Nil for the year (2023: £Nil). 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.

Key sources of estimation uncertainty

Impairment of goodwill

An annual review is carried out (as set out in note 13) as to whether the current carrying value of goodwill is impaired. Detailed calculations are performed based on (i) discounting expected pre-tax cash flows of the relevant cash generating units and discounting these at an appropriate discount rate; and/or (ii) the comparison of carrying value to the fair value less cost of disposal of the cash generating unit; the determination of these factors requires the exercise of judgement.

Inventory provision

A review was carried out as to whether the current carrying value of inventory had a net realisable value less that its costs. A provision was required for those items which were considered to be slow moving or obsolete and have a value less than their cost.

Acquisition of Microwave Technology, Inc – recognition of intangible assets

The initial accounting for the acquisition of Microwave Technology Inc includes a judgement applied determining which separate or legal/contractual intangible assets should be recognised and the fair values of these costs.

UK defined benefit pension scheme

Actuarial assumptions are made in valuing future benefit pension obligations (as set out in note 26). 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.

Notes to the financial statements continued

for the year ended 31 March 2024

1 Accounting policies continued

g) Critical accounting judgements and key sources of estimation uncertainty continued

Key sources of estimation uncertainty continued

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.

h) 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.

i) 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.

j) Adoption of International Accounting Standards

No new standards and interpretations have had or are expected to have a material impact on our financial statements.

Notes to the financial statements continued

for the year ended 31 March 2024

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 2024				
Revenue to third parties – by origin	**5,546**	**5,802**	**11,545**	**22,893**
Property, plant and equipment	**5,479**	**119**	**57**	**5,655**
Right-of-use assets	**373**	**275**	**165**	**813**
Investment properties – held for sale	**1,975**	**—**	**—**	**1,975**
Property, plant and equipment – held for sale	**1,124**	**—**	**—**	**1,124**
Development costs	**13,621**	**272**	**1,257**	**15,150**
Intangibles – software and intellectual property	**323**	**—**	**62**	**385**
Goodwill	**1,531**	**7,429**	**5,489**	**14,449**
Other intangible assets arising on acquisition	**133**	**2,585**	**247**	**2,965**
Total assets	**53,961**	**4,473**	**10,679**	**69,113**
Year ended 31 March 2023				
Revenue to third parties – by origin	5,024	3,413	12,206	20,643
Property, plant and equipment	5,074	80	95	5,249
Right-of-use assets	473	330	219	1,022
Investment properties – held for sale	1,975	—	—	1,975
Property, plant and equipment – held for sale	485	—	—	485
Development costs	12,416	—	1,385	13,801
Intangibles – software and intellectual property	320	—	80	400
Goodwill	1,531	—	5,898	7,429
Other intangible assets arising on acquisition	159	—	425	584
Total assets	47,151	1,575	11,741	60,467

Revenue contribution from the top one customer provided a contribution of approximately 10% (2023: one customer provided a contribution of approximately 10%).

Notes to the financial statements continued

for the year ended 31 March 2024

3 Revenue

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

	2024 £'000	2023 £'000
Europe	**4,895**	4,009
Far East	**11,754**	12,036
Americas	**5,524**	3,910
Others	**720**	688
	22,893	20,643

In accordance with IFRS 15, within the Group's one operating segment there is revenue of £22,893,000 (2023: £20,643,000) made up of revenue from semiconductor products of £21,891,000 (2023: £19,551,000) and revenue from design and development services of £1,002,000 (2023: £1,092,000), as detailed in the Group's revenue recognition policy (see note 1b).

The Group does not have any contract assets as at 31 March 2024 (2023: £Nil at 31 March) from semiconductors as it does not fulfil any of its performance obligations in advance of invoicing to its customers. The Group has contract assets of £76,000 as at 31 March 2024 (2023: £363,000 at 31 March) from design and development. The Group, however, does have contractual balances in the form of trade receivables. See note 20 for disclosure of this. The Group does not have any contractual liabilities as at 31 March 2024 (£Nil at 31 March 2023) from semiconductors as all performance obligations are performed in advance. The Group has contract liabilities of £Nil as at 31 March 2024 (2023: £17,000 at 31 March) from design and development.

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

Notes to the financial statements continued

for the year ended 31 March 2024

4 Profit from continuing operations

	2024		2023	
	£'000	£'000	£'000	£'000
Profit from operations is stated after charging or crediting:				
Cost of sales:				
Depreciation	173		137	
Amount of inventories written down	38		5	
Cost of inventories recognised as expense	4,875		4,803	
Other inventories expense	1,597		87	
Total cost of sales		6,683		5,032
Distribution and administration costs:				
Distribution costs (mainly staff costs)		2,999		2,710
Administration costs:				
Amortisation of development costs	2,110		1,826	
Research and development expensed	961		676	
Amortisation of acquired and purchased intangibles	368		203	
Depreciation – owned assets	347		367	
Depreciation – right-of-use assets	486		300	
Foreign exchange losses	127		10	
Auditor's fees (see below)	210		150	
Acquisition related expenses	268		464	
Other expenses (mainly staff costs)	6,350		5,938	
		11,227		9,934
Total distribution and administration		14,226		12,644

Amounts payable to BDO LLP, in respect of both audit and non-audit services:

	2024 £'000	2023 £'000
Audit services:		
Statutory audit of the Company's annual accounts and Group consolidation	134	79
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	76	71
	210	150

Notes to the financial statements continued

for the year ended 31 March 2024

5 Other operating income and other income

	2024 £'000	2023 £'000
Other operating income		
Other operating income	**173**	199
Total other operating income	**173**	199
Other income		
Government grants	**2**	18
Other income	**60**	—
Total other income	**62**	18

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

6 Employees

	Group		Company	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Staff costs, including Directors, during the year amounted to:				
Wages and salaries	**8,216**	7,399	**913**	1,050
Social security costs	**943**	874	**122**	159
Other pension and health care costs	**1,548**	1,154	**85**	78
Share-based payments	**214**	234	**214**	234
	10,921	9,661	**1,334**	1,521

	Group		Company	
	2024 Number	2023 Number	2024 Number	2023 Number
The average number of employees, including Directors, during the year was:				
Administration	**29**	28	**7**	7
Engineering	**62**	53	**—**	—
Manufacturing	**39**	32	**—**	—
Selling	**21**	22	**—**	—
	151	135	**7**	7

Notes to the financial statements continued

for the year ended 31 March 2024

7 Directors' emoluments

	2024 £'000	2023 £'000
Remuneration (including fees)	**635**	693
Emoluments in respect of the highest paid Director amounted to:		
Remuneration	**324**	341

Further details on Directors' emoluments, including contributions to pension, can be found in the Directors' Remuneration Report on pages 38 to 44.

8 Finance income and expense

Finance income

	2024 £'000	2023 £'000
Bank interest receivable	**547**	255

Finance expense

	2024 £'000	2023 £'000
Lease liability interest	**33**	47
Other interest payable	**4**	—
	37	47

9 Income tax expense

a) Analysis of tax expense in period

	2024 £'000	2023 £'000
Current tax		
UK corporation tax on results of the year	**(155)**	(809)
Adjustment in respect of previous years	**114**	(372)
	(41)	(1,181)
Foreign tax on results of the year	**215**	317
Total current tax	**174**	(864)
Deferred tax		
Deferred tax – origination and reversal of temporary differences	**259**	683
Change in deferred tax rate	**—**	103
Adjustments to deferred tax charge in respect of previous years	**22**	484
Total deferred tax	**281**	1,270
Tax expense on profit on ordinary activities (note 9b)	**455**	406

Notes to the financial statements continued

for the year ended 31 March 2024

9 Income tax expense continued

b) Factors affecting tax expense for the period

Tax assessed for the period is lower than the standard rate of corporation tax in the UK of 25% (2023: 19%). The differences are explained below:

	2024 £'000	2023 £'000
Profit before tax	**2,515**	5,216
Profit before tax multiplied by the standard rate of UK corporation tax of 25% (2023: 19%)	**629**	991
Effects of:		
Fixed asset differences	**—**	8
Expenses not deductible for tax purposes	**89**	186
Share-based payments – tax effect	**(19)**	29
Research and development tax credits	**(397)**	(914)
Different tax rates in countries in which the Group operates	**4**	28
Adjustments to current tax charge in respect of previous years	**102**	(338)
Adjustments to deferred tax charge in respect of previous years	**22**	484
Change in deferred tax rate	**—**	103
Non-taxable income and other	**25**	(171)
Tax expense for period (note 9a)	**455**	406

A deferred tax credit of £90,000 was recognised on an actuarial loss of £361,000 on a retirement benefit net obligation being recognised in the year in the Consolidated Statement of Total Comprehensive Income (2023: deferred tax charge of £348,000 on an actuarial gain of £1,393,000 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 Increased from 19% to 25% with effect from 1 April 2023. Further details of the effects can be found in note 25.

10 Dividend – proposed

During the year, a final dividend of 6p per ordinary share was paid in respect of the year ended 31 March 2023.

An interim dividend of 5p per ordinary share was paid on 12 January 2024 to shareholders on the Register on 22 December 2023.

It is proposed to pay a final dividend of 6p per ordinary share, taking the total dividend amount in respect of the year ended 31 March 2024 to 11p (2023: total of 11p). It is proposed to pay the final dividend of 6p, if approved, on 16 August 2024 to shareholders registered on 2 August 2024 (2023: 18 August 2023 to shareholders registered on 4 August 2023).

11 Earnings per ordinary share

	2024 p	2023 p
Earnings per share from total operations attributable to the ordinary equity holders of the Company:		
Basic earnings per share	**13.00p**	30.29p
Diluted earnings per share	**12.86p**	29.93p

Notes to the financial statements continued

for the year ended 31 March 2024

11 Earnings per ordinary share continued

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:

	2024			2023		
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	**2,060**	**15,842,911**	**13.00**	4,810	15,878,401	30.29
Diluted earnings per share						
Basic earnings per share	**2,060**	**15,842,911**	**13.00**	4,810	15,878,401	30.29
Dilutive effect of share options	**—**	**173,856**	**(0.14)**	—	194,043	(0.36)
Diluted earnings per share – from profit for year	**2,060**	**16,016,767**	**12.86**	4,810	16,072,444	29.93

During the year, staff exercised 49,859 staff share options under the terms of the staff share option schemes at a weighted average price of 466.3p per 5p share.

Notes to the financial statements continued

for the year ended 31 March 2024

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, exceptional items and before share-based payments. The following is a reconciliation of the Adjusted EBITDA for the years presented:

	2024 £'000	2023 £'000
Profit before taxation (earnings)	**2,515**	5,216
Adjustments for:		
Finance income	**(547)**	(255)
Finance expense	**37**	47
Depreciation	**520**	367
Depreciation – right-of-use assets	**486**	300
Amortisation of development costs	**2,110**	1,826
Amortisation of other intangible assets	**368**	224
Share-based payments	**214**	234
Profit on sale of fixed asset	**—**	(2,058)
Adjusted EBITDA	**5,703**	5,901

13 Goodwill

	2024 £'000	2023 £'000
Cost and net book value		
At 1 April	**7,429**	7,531
Acquired (see note 32)	**7,689**	—
Foreign exchange difference	**(669)**	(102)
At 31 March	**14,449**	7,429

The goodwill relates to (i) Sicomm group of companies £5,489,000 which is held in RMB and (ii) Microwave Technologies Inc £7,429,000 which is held in USD, upon Group consolidation this is therefore subject to foreign exchange between periods; and (iii) 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, PRFI and Microwave Technology 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 15.76% and growth rates vary from 2% to 3% over a five-year prospective period and long-term growth rate is 2% (2023: pre-tax discount rate used was 18.44% and growth rates vary from 5% to 7.5%) and for PRFI related goodwill, the pre-tax discount rate used was 14.55% and growth rates vary from 1% to 2% over a five-year prospective period and long-term growth rate is 1% (2023: pre-tax discount rate used was 18.21% and growth rates of 4%). Management consider these key assumptions do not differ from past experience or external sources of information.

The Directors have considered the carrying value of the goodwill relating to Microwave Technology Inc, since it was acquired on 2 October 2023, and are satisfied that there is no indication of impairment and therefore no impairment is required.

Notes to the financial statements continued

for the year ended 31 March 2024

13 Goodwill continued

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 1.6% (2023: 2.8%) or pre-tax discount rates move to 16.55% (2023: 22%) 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 0.5% (2023: 1.5%) 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 average 2.9% (2023: 2.2%) or pre-tax discount rates move to 12.87% (2023: 19.28%) or carrying value to be impacted by any impairment. Sensitivity analysis of these key assumptions is built into our annual impairment testing modelling.

14 Other intangibles

	Intangible assets acquired in business combinations			Intangible assets capitalised/purchased		
Group	Brands £'000	Customer relationships £'000	Intellectual property £'000	Intellectual property £'000	Software £'000	Total £'000
Cost						
At 1 April 2022	139	1,013	601	140	268	2,161
Additions	—	—	—	—	98	98
Foreign exchange difference	(2)	(17)	(7)	(2)	—	(28)
At 31 March 2023	137	996	594	138	366	2,231
Acquired assets (note 32)	**631**	**1,349**	**849**	**—**	**—**	**2,829**
Additions	**—**	**—**	**—**	**—**	**32**	**32**
Foreign exchange difference	**(28)**	**(112)**	**(58)**	**(10)**	**—**	**(208)**
At 31 March 2024	**740**	**2,233**	**1,385**	**128**	**398**	**4,884**
Amortisation						
At 1 April 2022	66	629	278	44	25	1,042
Charge for the year	14	115	60	14	21	224
Foreign exchange difference	(2)	(12)	(5)	—	—	(19)
At 31 March 2023	78	732	333	58	46	1,247
Charge for the year	**44**	**156**	**126**	**13**	**29**	**368**
Foreign exchange difference	**(5)**	**(51)**	**(20)**	**(5)**	**—**	**(81)**
At 31 March 2024	**117**	**837**	**439**	**66**	**75**	**1,534**
Net book value						
At 31 March 2024	**623**	**1,396**	**946**	**62**	**323**	**3,350**
At 31 March 2023	59	264	261	80	320	984

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

Notes to the financial statements continued

for the year ended 31 March 2024

14 Other intangibles continued

Company	Software £'000	Total £'000
Cost		
At 1 April 2022	268	268
Additions	98	98
At 31 March 2023	366	366
Additions	**32**	**32**
At 31 March 2024	**398**	**398**
Amortisation		
At 1 April 2022	25	25
Charge for the year	21	21
At 31 March 2023	46	46
Charge for the year	**29**	**29**
At 31 March 2024	**75**	**75**
Net book value		
At 31 March 2024	**323**	**323**
At 31 March 2023	320	320

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 the remaining amortisation period of the intangible asset.

15 Development costs

Group	£'000
Cost	
At 1 April 2022	26,053
Additions	4,455
Foreign exchange difference	(29)
At 31 March 2023	30,479
Additions	**3,541**
Fully amortised costs	**(1,396)**
Foreign exchange difference	**(125)**
At 31 March 2024	**32,499**
Amortisation	
At 1 April 2022	14,856
Charged for the year	1,826
Foreign exchange difference	(4)
At 31 March 2023	16,678
Charged for the year	**2,110**
Fully amortised costs	**(1,396)**
Foreign exchange difference	**(43)**
At 31 March 2024	**17,349**
Net book value	
At 31 March 2024	**15,150**
At 31 March 2023	13,801

Notes to the financial statements continued

for the year ended 31 March 2024

16 Property, plant and equipment

Group	Freehold and long leasehold premises £'000	Short leasehold improvements £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 April 2022	6,062	14	11,067	114	17,257
Additions	136	—	796	—	932
Disposals	(425)	—	(4,512)	(12)	(4,949)
Reclassification to held for sale	(485)	—	—	—	(485)
Foreign exchange difference	—	2	18	(1)	19
At 31 March 2023	5,288	16	7,369	101	12,774
Acquired assets (note 32)	**—**	**—**	**42**	**—**	**42**
Additions	**1,081**	**—**	**385**	**58**	**1,524**
Disposals	**—**	**—**	**(47)**	**—**	**(47)**
Reclassification to held for sale	**(639)**	**—**	**—**	**—**	**(639)**
Foreign exchange difference	**—**	**—**	**(25)**	**(2)**	**(27)**
At 31 March 2024	**5,730**	**16**	**7,724**	**157**	**13,627**
Depreciation					
At 1 April 2022	1,728	14	9,862	60	11,664
Charge for the year	79	—	268	20	367
Disposals	—	—	(4,512)	(12)	(4,524)
Foreign exchange difference	—	2	17	(1)	18
At 31 March 2023	1,807	16	5,635	67	7,525
Charge for the year	**81**	**—**	**410**	**29**	**520**
Disposals	**—**	**—**	**(42)**	**—**	**(42)**
Foreign exchange difference	**—**	**—**	**(30)**	**(1)**	**(31)**
At 31 March 2024	**1,888**	**16**	**5,973**	**95**	**7,972**
Net book value					
At 31 March 2024	**3,842**	**—**	**1,751**	**62**	**5,655**
At 31 March 2023	3,481	—	1,734	34	5,249

Additions to plant and machinery includes £Nil (2023: £94,000) of assets under construction, which were not operational at year end.

Notes to the financial statements continued

for the year ended 31 March 2024

16 Property, plant and equipment continued

Company	Freehold and long leasehold premises £'000	Plant £'000	Total £'000
Cost			
At 1 April 2022	6,062	149	6,211
Additions	136	—	136
Disposals	(425)	—	(425)
Reclassification to held for sale	(485)	—	(485)
At 31 March 2023	5,288	149	5,437
Additions	**1,081**	**—**	**1,081**
Reclassification to held for sale	**(639)**	**—**	**(639)**
At 31 March 2024	**5,730**	**149**	**5,879**
Depreciation			
At 1 April 2022	1,728	—	1,728
Charge for the year	79	7	86
Disposals	—	—	—
At 31 March 2023	1,807	7	1,814
Charge for the year	**81**	**7**	**88**
Disposals	**—**	**—**	**—**
At 31 March 2024	**1,888**	**14**	**1,902**
Net book value			
At 31 March 2024	**3,842**	**135**	**3,977**
At 31 March 2023	3,481	142	3,623

Property, plant and equipment – held for sale

Group and Company	Freehold and long leasehold premises £'000	Total £'000
Cost		
At 1 April 2022	—	—
Reclassification to held for sale	485	485
At 31 March 2023	485	485
Reclassification to held for sale	**639**	**639**
At 31 March 2024	**1,124**	**1,124**
Net book value		
At 31 March 2024	**1,124**	**1,124**
At 31 March 2023	485	485

The freehold and long leasehold premises were reclassified on 31 March 2023 as held for sale. Additional land at Oval Park was reclassified as held for sale during the year. The freehold and long leasehold premises are being activity marketed for sale and it is expected that sales will complete within the next twelve months.

Notes to the financial statements continued

for the year ended 31 March 2024

16 Property, plant and equipment continued

Right-of-use assets

Group	Property £'000	Office equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 April 2022	870	37	43	950
Additions	987	—	46	1,033
Disposals	(757)	—	(24)	(781)
Effect of modification of lease terms	5	3	—	8
Foreign exchange difference	7	—	—	7
At 31 March 2023	1,112	40	65	1,217
Additions on acquisition	**44**	**—**	**—**	**44**
Disposals	**(40)**	**—**	**(29)**	**(69)**
Additions	**273**	**—**	**—**	**273**
Foreign exchange difference	**(11)**	**—**	**—**	**(11)**
At 31 March 2024	**1,378**	**40**	**36**	**1,454**
Depreciation				
At 1 April 2022	450	5	37	492
Charge for the year	276	8	16	300
Disposals	(573)	—	(24)	(597)
Foreign exchange difference	—	—	—	—
At 31 March 2023	153	13	29	195
Charge for the year	**464**	**8**	**14**	**486**
Disposals	**(5)**	**—**	**(29)**	**(34)**
Foreign exchange difference	**(6)**	**—**	**—**	**(6)**
At 31 March 2024	**606**	**21**	**14**	**641**
Net book value				
At 31 March 2024	**772**	**19**	**22**	**813**
At 31 March 2023	959	27	36	1,022

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

Notes to the financial statements continued

for the year ended 31 March 2024

17 Investment properties – held for sale

Group and Company	Investment properties £'000	Total £'000
Valuation		
At 1 April 2023	1,975	1,975
At 31 March 2024	**1,975**	**1,975**
Net book value		
At 31 March 2024	**1,975**	**1,975**
At 31 March 2023	1,975	1,975

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. Investment properties held for sale is £1,975,000 (2023: £1,975,000).

The value of the investment properties were they to be held at historic cost would be £1,492,000 (2023: £1,492,000).

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 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 last formal market valuation was conducted in the year to 31 March 2021 by Fenn Wright and Lambert Smith Hampton, Commercial Property Consultants and subsequently reclassified as held for sale at this valuation. The property is currently being marketed for sale and expected to sell within the next twelve months.

Notes to the financial statements continued

for the year ended 31 March 2024

18 Investments

Company	2024 £'000	2023 £'000
Cost of investment in subsidiary undertakings:		
As at 1 April	**10,372**	10,372
Additions – acquisitions	**10,796**	—
As at 31 March	**21,168**	10,372

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
Microwave Technology 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

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. The above all share the same reporting date as the Company, with the exception of the two 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 2024.

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	301 North Main Street, Suite 2206, Winston Salem, NC 27101, USA
Microwave Technology Inc	4268 Solar Way, Fremont, CA, 94538, USA
CML Microcircuits (Singapore) Pte Ltd	150 Kampong Ampat, 05-03A KA Centre, Singapore 368324
Wuxi Sicomm Technologies, Inc	Room 101, Chuangyuan Building, No. 21-1 Changjiang Road, Wuxi, Jiangsu, China
Shanghai Futiake Investment Consulting Co., Ltd	Room B02, F16, No. 2188 Huangxing Road, Yangpu District, Shanghai, China

Notes to the financial statements continued

for the year ended 31 March 2024

19 Inventories

	Group	
	2024 £'000	2023 £'000
Raw materials	**1,641**	910
Work in progress	**967**	816
Finished goods	**1,064**	699
	3,672	2,425

20 Trade receivables and prepayments

	Group		Company	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
Amounts falling due within one year:				
Trade receivables	**2,647**	1,405	**—**	—
Trade receivables – intercompany	**—**	—	**195**	173
Other receivables	**190**	126	**9**	—
Other receivables – intercompany	**—**	—	**1,250**	2,000
Prepayments and accrued income	**897**	882	**120**	281
	3,734	2,413	**1,574**	2,454

Disclosure of credit risk and associated disclosures are provided in note 22.

21 Cash, cash equivalents and fixed term deposits

	Group		Company	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
Cash equivalents	**3,095**	13	**—**	13
Cash at bank	**8,167**	21,028	**8,093**	17,749
	11,262	21,041	**8,093**	17,762
Short-term cash deposits	**6,951**	1,218	**5,000**	—
	18,213	22,259	**13,093**	17,762

Disclosure of foreign currency risk is provided in note 22. Cash, cash equivalents and fixed term deposits as per the Statement of Cash Flows includes cash equivalents and cash at bank totalling for the Group £11,262,000 (2023: £21,041,000) and the Company £8,093,000 (2023: £17,762,000). There is an unlimited cross guarantee between the parent company and the two UK subsidiaries as listed in note 18.

22 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 £500,000 (2023: £500,000), and US$100,000 (2023: US$100,000), and is subject to renewal annually.

Notes to the financial statements continued

for the year ended 31 March 2024

22 Financial instruments continued

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 2024, the Group had cash and cash equivalents denominated in foreign currencies of approximately £4.4m (2023: £5.3m), of which approximately 92% (2023: 81%) was denominated in US Dollars, 5% in Chinese Renminbi (2023: 19%) and 3% (2023: 1%) 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 loss of £127,000 (2023: loss of £10,000).

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	
	2024 Amortised cost £'000	2023 Amortised cost £'000	**2024 Amortised cost £'000**	2023 Amortised cost £'000
Current financial assets				
Trade and other receivables	**2,837**	1,531	**1,454**	2,173
Fixed term deposits	**6,951**	1,218	**5,000**	—
Cash equivalents	**3,095**	13	**—**	13
Cash at bank	**8,167**	21,028	**8,903**	17,749
Total	**21,050**	23,790	**15,357**	19,935

Trade and other receivables are all due within six months.

At 31 March 2024, £574,000 (2023: £727,000) of trade receivables were denominated in Sterling, £2,073,000 (2023: £680,000) in US Dollars, and £Nil in Chinese Renminbi (2023: £Nil). The Directors consider that the carrying amount of trade and other receivables approximate to their fair value. Cash, cash equivalents and deposits of £18,213,000 (2023: £22,259,000) comprise cash and short-term deposits held by the Group treasury function. The carrying amount of these assets approximates to their fair values.

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 42 days (2023: 25 days). There were no impairment losses recognised on any financial assets measured at amortised cost as at 31 March 2024 (2023: £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, £15,000 loss allowance provision has been recognised. At 31 March 2024, of the £2,647,000 (2023: £1,405,000) trade receivables outstanding, they were all within 0-60 days (2023: 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.

Notes to the financial statements continued

for the year ended 31 March 2024

22 Financial instruments continued

	Group		Company	
	2024 Amortised cost £'000	2023 Amortised cost £'000	**2024 Amortised cost £'000**	2023 Amortised cost £'000
Current financial liabilities				
Trade and other payables	**5,364**	731	**6,200**	237
Accruals	**1,502**	1,110	**435**	249
Lease liabilities	**219**	210	**—**	—
Total	**7,085**	2,051	**6,635**	486

	Group		Company	
	2024 Amortised cost £'000	2023 Amortised cost £'000	**2024 Amortised cost £'000**	2023 Amortised cost £'000
Non-current financial liabilities				
Trade and other payables	**2,509**	—	**—**	—
Lease liabilities	**637**	842	**—**	—
Total	**3,146**	842	**—**	—

At 31 March 2024, the total financial liabilities consisted of £1,870,000 (2023: £1,584,000) denominated in Sterling, £2,043,000 (2023: £1,114,000) in US Dollars, and £358,000 in Chinese Renminbi (2023: £294,000).

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 and deferred consideration of the acquisition of Microwave Technology Inc are all less than six months. Group financial liabilities totalling £3,334,000 (2023: £1,841,000) and Company financial liabilities totalling £522,000 (2023: £486,000) equal the gross contractual cash flows. The gross contractual cash flows relating to lease liabilities for the Group total £928,000 (2023: £1,166,000) with £249,000 (2023: £248,000) within twelve months and £679,000 (2023: £918,000) greater than twelve months. The gross contractual cash flows relating to deferred consideration for the Group and Company total £6,113,000 with £3,603,000 within twelve months and £2,510,000 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	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
10% movement in rates will have an impact on:				
Profit before taxation	**664**	702	**(29)**	25
Cash	**402**	431	**20**	99
Equity	**905**	884	**336**	448

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 2024

23 Trade and other payables

	Group		Company	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
Amounts falling due within one year:				
Trade payables	**797**	687	**49**	229
Other taxation and social security costs	**585**	832	**87**	538
Deferred income	**76**	149	**—**	—
Other payables	**4,567**	258	**3,642**	8
Accruals	**1,503**	1,110	**435**	250
	7,528	3,036	**4,213**	1,025

Other payables in both the Group and Company includes the deferred consideration on the acquisition of Microwave Technology Inc, £3,603,000 (2023: £Nil).

	Group		Company	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
Amounts falling due within one year:				
Provisions	**208**	—	**—**	—
	208	—	**—**	—

A provision of £208,000 (2023: £Nil) has been recognised on acquisition of MwT in relation to building lease dilapidations.

	Group		Company	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
Amounts falling due more than one year:				
Other payables	**2,509**	—	**2,509**	—
	2,509	—	**2,509**	—

Other payables in both the Group and Company includes the deferred consideration in the acquisition of Microwave Technology Inc. £2,509,000 (2023: £Nil).

Leased liabilities

	Group		Company	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
Current lease liabilities	**219**	210	**—**	—
Non-current lease liabilities	**637**	842	**—**	—
	856	1,052	**—**	—

	£'000
1 April 2022	468
Additions	723
Lease modifications	135
Interest expense	47
Repayment of lease liabilities	(321)
At 31 March 2023	1,052
Acquisition	**44**
Additions	**273**
Disposals	**(44)**
Interest expense	**33**
Repayment of lease liabilities	**(502)**
31 March 2024	**856**

The Group's total cash outflow for all leases in the year was £502,000 (2023: £321,000).

24 Current tax liabilities/assets

	Group		Company	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
Current tax liabilities	**(16)**	(78)	**—**	—
Current tax assets	**190**	1,659	**—**	—

£178,000 (2023: £1,659,000) of the current tax asset is an R&D claim that by its nature is subject to HMRC approval.

Notes to the financial statements continued

for the year ended 31 March 2024

25 Deferred tax

	Group		Company	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
Provision for deferred taxation comprises:				
Accelerated capital allowances	**(1,297)**	(1,268)	**(940)**	(931)
Tax losses carried forward	**109**	162	**—**	91
Pensions	**424**	301	**424**	301
Share-based payments	**43**	—	**43**	—
Research and development	**(3,077)**	(2,960)	**—**	—
Other	**(638)**	188	**1**	256
	(4,436)	(3,577)	**(472)**	(283)
Deferred tax asset	**788**	766	**468**	648
Deferred tax liability	**(5,224)**	(4,343)	**(940)**	(931)
	(4,436)	(3,577)	**(472)**	(283)
At 1 April	**(3,577)**	(2,152)	**(283)**	50
Foreign exchange difference	**4**	3	**—**	—
Deferred tax liability introduced on acquisition	**(414)**	—	**—**	—
Deferred tax charged in income statement for year (see note 9)	**(281)**	(1,270)	**(21)**	(175)
Deferred tax (charged) credited on share-based payments	**(258)**	190	**(258)**	190
Deferred tax charged/(credited) to Statement of Total Comprehensive Income	**90**	(348)	**90**	(348)
At 31 March	**(4,436)**	(3,577)	**(472)**	(283)

The financial statements include a deferred tax asset of £788,000 (2023: £766,000) of which £Nil (2023: £162,000) 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 loss of £90,000 (2023: deferred gain of £348,000) relates to the retirement benefit obligation (see note 26). 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.

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.

26 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.

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% (2023: 6%) of eligible salary but are subject to minimum employee contributions.

Notes to the financial statements continued

for the year ended 31 March 2024

26 Retirement benefit obligations continued

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

Following the triennial valuation of the defined benefit scheme as at 31 March 2023, 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 total contributions to the schemes over the year were:

	2024 £'000	2023 £'000
Pension contributions		
UK defined benefit pension scheme (discussed further below)	—	—
Defined contribution pension schemes (UK and overseas)	1,108	944
	1,108	944

In relation to the UK defined contribution scheme, the Group had outstanding contributions of £73,300 (2023: £68,000). Contributions to the UK defined benefit pension scheme for administrative expenses are discussed further below in this note.

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 Statement of 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 is 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 2023. 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. Most recent Statutory Funding Objective triennial actuarial valuation carried out by an independent professionally qualified actuary, as at 31 March 2023, resulted in a net pension surplus of £126,000 (1 April 2020: net pension (deficit) of £2,242,000). The market value of the assets of the scheme as at 31 March 2023 was £15,695,000 (1 April 2020: £19,144,000) and the actuarial valuation showed that these assets had sufficient coverage at 101% (1 April 2020: 90%) 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 5.4% pa. both before and after retirement; pensions accrued prior to 6 April 1997 and after April 2005 will increase in payment at 3% pa. compound; pensions accrued between 6 April 1997 and 6 April 2005 will increase in payment at 5% pa.; ie. in line with RPI subject to a minimum 3% pa.; pensions accrued between 6 April 2005 and 31 March 2009 will increase in payment at 3% pa. compound and early leaver revaluations will be at 2.45% pa.

The valuation calculated under the funding valuation basis of £126,000 pension surplus above is different to the accounting valuation presented in the Group Consolidated Statement of Financial Position, which shows a net pension liability of £1,696,000. 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 2023 and 31 March 2024. 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 4.8%.

Notes to the financial statements continued

for the year ended 31 March 2024

26 Retirement benefit obligations continued

Triennial actuarial funding valuation and IAS 19 Employee Benefits accounting valuation continued

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 2024 until the earlier of any revised settlement arising from the next triennial valuation or by 31 March 2027 ("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 eg. Pensions Regulator levies) will be paid from the scheme and will not be reimbursed by the employer. The next triennial actuarial funding valuation will be as at 31 March 2026.

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 2024, using assumptions further in this note. As at the last valuation date, the present value of the defined benefit obligation included approximately £8,101,000 (2023: £9,364,000) relating to deferred members and £9,124,000 (2023: £7,565,000) 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

	2024	2023
Discount rate	**4.8%**	4.8%
Future salary increases	**n/a**	n/a
Expected duration of liabilities (years)	**10**	10
Pension revaluation in deferment (Consumer Prices Index – max. 5.0%)	**2.2%**	2.2%
Pension escalation in payment (Retail Prices Index – max. 5.0%, min. 3.0% from 6 April 1997 to 5 April 2005)	**3.2%**	3.2%
Proportion of employees opting for early retirement	**0%**	0%
Inflation assumption	**3.6%**	3.6%

The difference between the expected investment returns on the scheme's assets and the actual investment return was a loss of £452,000 (2023: loss of £4,945,000).

b) Demographic assumptions

	2024	2023
Assumed life expectancy in years, on retirement at 65		
Retiring today		
Males	**21.5**	22.0
Females	**23.9**	24.4
Retiring in 20 years		
Males	**22.7**	23.3
Females	**25.3**	25.8

Notes to the financial statements continued

for the year ended 31 March 2024

26 Retirement benefit obligations continued

Financial and demographic assumptions continued

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 2024 and 31 March 2023 are as follows:

	2024 £'000	2023 £'000
Amounts recognised in the Consolidated Income Statement are as follows:		
Administration expenses (see details above)	**(72)**	(91)
Net interest on deficit	**(59)**	(67)
Total	**(131)**	(158)
Amounts recognised in the Consolidated Statement of Total Comprehensive Income:		
Actual return on assets less return implied by net interest income	**(250)**	(3,681)
Experience (loss)/gain on liabilities	**(563)**	129
Change in assumptions:		
Discount rate	**—**	4,693
Inflation rate	**—**	252
Demographic assumptions	**452**	—
Re-measurement of defined benefit obligation recognised in equity	**(361)**	1,393
Amounts recognised in the Consolidated Statement of Financial Position:		
Present value of funded obligations	**(17,225)**	(16,929)
Fair value of plan assets	**15,529**	15,725
Deficit under IAS 19 as reported by the actuary	**(1,696)**	(1,204)

The main reason for the decreased deficit in the IAS 19 accounting position relates to the changes in assumptions as shown in a) Financial assumptions contained in this note. 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% pa.	-5.5%/+6.0%
RPI	+/- 0.5% pa.	+1.9%/-1.8%
Assumed life expectancy	+1 year	+3.5%

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:

	2024 £'000	2023 £'000
Funded status at start of period	**(1,204)**	(2,439)
Amount charged to income statement	**(131)**	(158)
Actuarial (loss)/gain (recognised in other comprehensive income)	**(361)**	1,393
Funded status at end of period	**(1,696)**	(1,204)

The weighted average duration of scheme liabilities at the end of the year is 10 years (2023: 10 years).

Notes to the financial statements continued

for the year ended 31 March 2024

26 Retirement benefit obligations continued

Present value of the defined benefit obligation

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

	2024 £'000	2023 £'000
Opening defined benefit obligation	**16,929**	23,511
Expenses incurred (including GMP equalisation)	**72**	91
Interest cost	**798**	626
Actuarial (loss)/gain	**111**	(5,074)
Benefits paid (including expenses)	**(685)**	(2,225)
Closing defined benefit obligation	**17,225**	16,929
Comprising:		
Deferred members	**8,101**	9,364
Pension members	**9,124**	7,565

The actuarial gain due to the change in demographic assumptions was £452,000 (2023: actuarial gain of £Nil) and the actuarial loss due to the change in financial assumptions was £(250,000) (2023: actuarial loss of £3,681,000).

Fair value of defined benefit plan assets

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

	2024 £'000	2023 £'000
Opening fair value of plan assets	**15,725**	21,072
Interest income on assets	**739**	559
Actuarial loss on assets	**(250)**	(3,681)
Benefits paid	**(613)**	(2,134)
Expenses paid	**(72)**	(91)
Closing fair value of plan assets	**15,529**	15,725

The return on plan assets excluding net interest was £489,000 (2023: £(3,122,000)). 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 (2023: £Nil) 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 2024		Year ended 31 March 2023	
Asset class	Market value £'000	% of total assets	Market value £'000	% of total assets
Equities (all quoted)	**7,510**	**48%**	10,415	66%
Cash	**5,147**	**33%**	476	3%
Bonds	**2,189**	**14%**	—	—
Diversified growth funds	**—**	**0%**	1,541	10%
Diversified credit funds	**—**	**0%**	114	1%
Liability-driven investments	**—**	**0%**	2,698	17%
Other	**683**	**5%**	481	3%
Closing fair value of plan assets	**15,529**	**100%**	15,725	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.

Notes to the financial statements continued

for the year ended 31 March 2024

26 Retirement benefit obligations continued

Fair value of defined benefit plan assets continued

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 0% of liability matching assets and 100% 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.

27 Share capital and share options

	2024 £'000	2023 £'000
Authorised		
25,000,000 ordinary shares of 5p each (2023: 25,000,000 ordinary shares of 5p each)	**1,250**	1,250
Issued and fully paid		
At 1 April		
15,912,744 ordinary shares of 5p each (at 1 April 2023: 17,299,399)	**796**	865
Issued in year: 592,010 ordinary shares (2023: 360,625) of 5p were issued in the year as a result of Microwave Technology acquisition (2023: employees exercising their options)	**29**	18
Cancelled in the year: Nil ordinary shares (2023: 1,747,280) of 5p were cancelled in the year that had been placed into treasury	**—**	(87)
At 31 March		
16,504,754 ordinary shares of 5p (at 31 March 2023: 15,912,744)	**825**	796

In April 2023 the Company announced a share buyback programme with the principal purpose of reducing the issued share capital of the Company, 337,900 shares were purchased in the year and placed into treasury.

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.

Notes to the financial statements continued

for the year ended 31 March 2024

27 Share capital and share options continued

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					
	2023 Number	Granted Number	Cancelled Number	Exercised Number	Forfeited Number	**2024 Number**
From 31 March 2025 to 30 March 2032 at £0.05	49,420	—	—	—	—	**49,420**
From 31 March 2026 to 30 March 2033 at £0.05	36,258	—	—	—	—	**36,258**
	85,678	—	—	—	—	**85,678**

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

Share options

The Company has a number of approved and unapproved share option schemes in place for the benefit of its employees. At the 2008 AGM an 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				
	2023 Number	Granted Number	Exercised Number	Forfeited Number	**2024 Number**
From 25 September 2018 to 25 September 2025 at £3.51	53,758	—	—	—	**53,758**
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	33,330	—	—	(2,419)	**30,911**
From 19 March 2022 to 18 March 2029 at £2.79	5,150	—	(2,992)	—	**2,158**
From 19 March 2022 to 18 March 2029 at £2.79	105,000	—	—	—	**105,000**
From 4 April 2023 to 3 April 2030 at £2.31	222,260	—	(46,867)	—	**175,393**
From 27 September 2024 to 26 September 2031 at £4.05	348,993	—	—	(26,259)	**322,734**
From 6 September 2025 to 5 September 2032 at £3.83	15,000	—	—	—	**15,000**
From 14 August 2026 to 13 August 2033 at £4.34	—	23,514	—	—	**23,514**
From 2 October 2026 to 1 October 2033 at £4.35	—	70,686	—	—	**70,686**
From 7 December 2026 to 6 December 2033 at £3.72	—	33,602	—	—	**33,602**
	803,491	127,802	(49,859)	(28,678)	**852,756**

Notes to the financial statements continued

for the year ended 31 March 2024

27 Share capital and share options continued

Share options continued

Of the total outstanding at the end of the year, 387,220 share options were potentially exercisable at the prices detailed in the table above (2023: 217,238 share options). The weighted average market price of the share options exercised in the year was 466.3p (2023: 400.0p). The weighted average exercise price of options exercised in the year was 233.9p (2023: 333.0p). 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 409.50p (2023: 387.3p). The weighted average exercise price of all options exercisable is 286.2p (2023: 332.7p) and the weighted average expected remaining contractual life is three years (2023: three years).

During the year the Company issued 23,514 share options over its own 5p ordinary shares at a price of £4.34p per share on 14 August 2023, 70,686 share options over its own 5p ordinary shares at a price of £4.35p per share on 2 October 2023 and 33,602 share options over its own 5p ordinary shares at a price of £3.72 on 7 December 2023 to staff.

28 Other equity reserves

	Group		Company	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
Share premium				
At 1 April	**2,462**	1,362	**2,462**	1,362
Issued in year: Nil ordinary shares (2023: 360,625 shares of 5p were issued in the year as a result of employees exercising their options)	**—**	1,100	**—**	1,100
Issued in the year 49,859 ordinary shares from treasury as a result of employees exercising their options	**(135)**	—	**(135)**	—
At 31 March	**2,327**	2,462	**2,327**	2,462

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

	Group		Company	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
Capital redemption reserve				
At 1 April	**8,372**	8,285	**8,372**	8,285
Cancellation of treasury shares	**—**	87	**—**	87
At 31 March	**8,372**	8,372	**8,372**	8,372

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. On 26 September 2022, the Company cancelled 1,747,280 of its own 5p ordinary shares at a price if £0.05 per share for cancellation. An amount equal to the nominal value of the cancelled shares was transferred to a capital redemption reserve.

	Group		Company	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
Other reserve				
At 1 April	**—**	—	**—**	—
Issued in the year 592,010 ordinary shares as a result of Microwave Technology Inc acquisition	**3,073**	—	**3,073**	—
At 31 March	**3,073**	—	**3,073**	—

This reserve is a result of shares issued over their par value.

Notes to the financial statements continued

for the year ended 31 March 2024

28 Other equity reserves continued

	Group				Company			
	2024 Number	**2024 £'000**	2023 Number	2023 £'000	**2024 Number**	**2024 £'000**	2023 Number	2023 £'000
Treasury shares – own share reserve								
At 1 April	**72,634**	**(324)**	638,467	(1,670)	**72,634**	**(324)**	638,467	(1,670)
Purchased in the year	**337,900**	**(1,750)**	1,181,447	(4,767)	**337,900**	**(1,750)**	1,181,447	(4,767)
Issued in the year	**(49,859)**	**252**	—	—	**(49,859)**	**252**	—	—
Cancelled in the year	**—**	**—**	(1,747,280)	6,113	**—**	**—**	(1,747,280)	6,113
At 31 March	**360,675**	**(1,822)**	72,634	(324)	**360,675**	**(1,822)**	72,634	(324)

The treasury shares reserve represents the nominal value of own shares purchased by the Company. 337,900 treasury shares were purchased in the year. The maximum number of treasury shares held at any point during the year was 410,534.

	Group		Company	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
Share-based payments reserve				
At 1 April	**488**	490	**488**	490
Options exercised or released	**(36)**	(236)	**(36)**	(236)
Charged in year	**214**	234	**214**	234
At 31 March	**666**	488	**666**	488

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 £214,000 (2023: £234,000).

Notes to the financial statements continued

for the year ended 31 March 2024

28 Other equity reserves continued

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

Long-term incentive plan

Grant date	31/03/23	31/03/22
Share price at grant date (£)	5.25	3.38
Exercise price (£)	0.05	0.05
Number of employees	2	1
Shares under option	36,258	49,420
Vesting period (years)	4	4
Expected volatility	31.04%	25.81%
Option life (years)	10	10
Expected life (years)	4	4
Risk-free rate	3.49%	1.74%
Expected dividend yield	2.26%	1.00%
Possibility of ceasing employment before vesting	4.5%	4.5%
Fair value per option (£)	4.75	3.20

Share option plan

Grant date	07/12/23	02/10/23	14/08/23	06/09/22	27/09/21
Share price at grant date (£)	3.72	4.35	4.34	3.83	4.05
Exercise price (£)	3.72	4.35	4.34	3.83	4.05
Number of employees	1	18	1	1	125
Shares under option	33,602	70,686	23,514	15,000	373,709
Vesting period (years)	3	3	3	3	3
Expected volatility	26.56%	24.19%	27.98%	24.46%	44.64%
Option life (years)	10	10	10	10	10
Expected life (years)	3	3	3	3	3
Risk-free rate	3.99%	4.39%	4.60%	3.01%	1.08%
Expected dividend yield	2.35%	2.32%	2.31%	2.29%	3.32%
Possibility of ceasing employment before vesting	4.5%	4.5%	4.5%	4.5%	4.5%
Fair value per option (£)	0.71	0.78	0.90	0.63	0.46

Notes to the financial statements continued

for the year ended 31 March 2024

28 Other equity reserves continued

Share option plan continued

Grant date	04/04/20	19/03/19	01/08/17	22/12/16	25/09/15
Share price at grant date (£)	2.31	2.79	4.58	3.70	3.475
Exercise price (£)	2.31	2.79	4.58	3.70	3.51
Number of employees	9	203	47	1	158
Shares under option	227,122	703,400	84,521	20,000	400,131
Vesting period (years)	3	3	3	3	3
Expected volatility	31.42%	31.63%	19.37%	16.02%	33.20%
Option life (years)	10	10	10	10	10
Expected life (years)	3	3	3	3	3
Risk-free rate	0.31%	1.19%	1.10%	1.15%	1.83%
Expected dividend yield	2.49%	1.67%	1.84%	1.86%	1.92%
Possibility of ceasing employment before vesting	4.5%	4.5%	4.5%	4.5%	4.5%
Fair value per option (£)	0.41	0.56	0.54	0.35	0.73

The expected volatility is based on 90 days' trading prior to the grant date. The expected life is the average expected period to exercise. The risk-free rate of return is the yield to redemption on UK gilt strips with four-year maturity.

Company only	**2024 £'000**	2023 £'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	**2024 £'000**	2023 £'000
Foreign exchange reserve		
At 1 April	**1,042**	1,182
Retranslation of overseas subsidiaries	**(1,153)**	(140)
At 31 March	**(111)**	1,042

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

Notes to the financial statements continued

for the year ended 31 March 2024

28 Other equity reserves continued

	Group		Company	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
Retained earnings				
At 1 April	**37,918**	39,339	**22,369**	26,486
Profit for the year	**2,060**	4,810	**450**	2,114
Cancellation of treasury shares	**—**	(6,113)	**—**	(6,113)
Dividend paid	**(1,739)**	(1,589)	**(1,739)**	(1,589)
Cancellation/transfer of share-based payments	**36**	236	**36**	236
Net actuarial (loss)/profit	**(361)**	1,393	**(361)**	1,393
Deferred tax gain on actuarial loss	**90**	(348)	**90**	(348)
Deferred tax on share-based payments	**(258)**	190	**(258)**	190
At 31 March	**37,746**	37,918	**20,587**	22,369

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

29 Capital commitments

Capital commitments which have been authorised by the balance sheet date represent a three-year purchasing commitment with two suppliers for £349,000 (2023: £434,000) and £48,000 (2023: £30,000) in relation to intangible assets. No provision has been made in these financial statements for these capital commitments.

30 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	464	8	14	486
Charged to operating profit	**464**	**8**	**14**	**486**
Finance expense – lease liabilities	29	2	2	33
Charged to profit before taxation	**29**	**2**	**2**	**33**

At 31 March 2024, 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 £Nil (2023: £Nil). The investment property is classified as held for sale.

Notes to the financial statements continued

for the year ended 31 March 2024

31 Notes to the cash flow statement

Group	2024 £'000	2023 £'000
Movement in working capital:		
Increase in inventories	**(405)**	(167)
Increase in receivables	**(685)**	(214)
Decrease in payables	**(876)**	(272)
	(1,966)	(653)

Analysis of changes in net cash – Group:

	Net cash at 1 April 2023 £'000	Cash flow £'000	Exchange movement £'000	Net cash at 31 March 2024 £'000
Cash and cash equivalents	21,041	(9,682)	(97)	**11,262**
Fixed term deposit	1,218	5,817	(84)	**6,951**
	22,259	(3,865)	(181)	**18,213**

Company	2024 £'000	2023 £'000
Movement in working capital:		
Decrease/(increase) in receivables	**130**	(1,129)
(Decrease)/increase in payables	**(452)**	406
	(322)	(723)

Analysis of changes in net cash – Company:

	Net cash at 1 April 2023 £'000	Cash flow £'000	Exchange movement £'000	Net cash at 31 March 2024 £'000
Cash and cash equivalents	17,762	(9,667)	(2)	**8,093**
Fixed term deposit	—	5,000	—	**5,000**
	17,762	(4,667)	(2)	**13,093**

32 Acquisition of Microwave Technology Inc

Following the announcement on 17 January 2023 that a definitive agreement had been signed to acquire Silicon Valley based semiconductor company Microwave Technology, Inc (MwT) and having obtained US regulatory clearance, the acquisition completed on 2 October 2023. The Group acquired 100% of the issued share capital for a total consideration of $13.18m, of which $7.65m is payable in cash and $5.53m is payable in shares.

Founded in 1982, MwT is a recognised leader in the design, manufacture and marketing of GaAs and GaN based MMICs, Discrete Devices and Hybrid Amplifier Products for Commercial Wireless Communication, Defence, Space, and Medical (MRI) applications.

The acquisition expands the Group's product portfolio, strengthens and enhances its support resources and increase its R&D capabilities, providing essential know-how and experience in system level understanding, product manufacturing and packaging techniques. MwT's products are complementary to CML's existing offering. For this reason, combined with the anticipated synergies to arise from integrating the MwT business into existing Group businesses, the Group paid a premium over the acquisition net assets, giving rise to goodwill. All intangible assets in accordance with IFRS 3 Business Combinations were recognised at their provisional fair values on the date of acquisition, with the residual excess over net assets being recognised as goodwill. Intangibles arising from the acquisition consist of R&D, brand values, customer relationships and intellectual property and have been independently valued by professional advisors.

Details of the purchase consideration and provisional fair values of assets acquired, and liabilities assumed at the date of acquisition:

Purchase consideration:	£'000
Cash paid	6,266
Ordinary shares issued	4,530
Total purchase consideration	**10,796**

The fair value of the 864,349 shares issued as part of the consideration paid for MwT was based on the published share price on 16 January 2023 of 492.49p per share. The consideration value of £4.53m is based upon a share for share exchange of 5.87 MwT shares for 1 CML share.

Notes to the financial statements continued

for the year ended 31 March 2024

32 Acquisition of Microwave Technology Inc continued

The provisional fair values of assets acquired, and liabilities assumed at the date of acquisition are as follows:

	£'000
Property, plant and equipment	42
Right of use asset	44
Intangible fixed assets:	
Brands and trademarks	631
Customer relationships	1,349
Intellectual property	849
Inventory	841
Trade receivables and prepayments	639
Cash and cash equivalents	1,016
Trade and other payables	(1,759)
Lease liability	(44)
Provisions	(208)
Deferred tax asset	414
Deferred tax liabilities	(707)
Net assets acquired	3,107
Goodwill	7,689
Consideration	**10,796**

The goodwill is attributable to the workforce and the high profitability of the acquired business. It will not be deductible for tax purposes.

There are no non-controlling interests in relation to the MwT acquisition. Fair values in the above table have only been determined provisionally and may be subject to change in the light of any subsequent new information becoming available in time. The review of the fair value of assets and liabilities acquired will be completed within twelve months of the acquisition date. Receivables at the date of acquisition are expected to be collected in accordance with the gross contractual amounts.

MwT has a 31 December 2023 financial period end; in the six months to 31 March 2024, MwT contributed revenue of £3,307,000 and a net gain before taxation of £478,000. If MwT had been part of the Group for the full reporting period the contributed revenue would have been £5,806,000 with a net loss before taxation of £(695,000).

Net cash outflow arising on acquisition:

	£'000
Cash consideration paid (less cash retention)	1,581
Cash and cash equivalents	(1,016)
Total consideration	**565**

In addition to the cash consideration paid of £1,581,000, other payables includes retention along with £1,427,421 (272,339 shares) ordinary share issue retention. The retention is payable over a three-year period, cash consideration £956,325 on 2 April 2024, cash consideration £2,171,783 and £475,807 (90,780 shares) on 2 October 2024, cash consideration of £1,557,331 and £475,807 (90,780 shares) on 2 October 2025 and £475,807 (90,779 shares) on 2 October 2026.

Other costs relating to the acquisition have not been included in the consideration cost. Directly attributable acquisition costs include external legal and accounting costs incurred in compiling the acquisition legal contracts and the performance of due diligence activity and amount to £732,000. These costs have been charged to distribution and administrative expenses in the consolidated income statement over a two-year period, with £268,066 included in the current year.

Notes to the financial statements continued

for the year ended 31 March 2024

33 Related party transactions

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

Company	2024 £'000	2023 £'000
Management fees charged to subsidiary undertakings by parent:		
CML Microcircuits (UK) Ltd	**1,248**	1,248
PRFI Ltd	**180**	180
	1,428	1,428
Dividends paid to parent:		
Received from CML Microcircuits (Singapore) Pte Ltd	**275**	287
Received from Wuxi Sicomm Technologies, Inc	**781**	590
Received from PRFI Ltd	**—**	350
	1,056	1,227
Trade balances outstanding:		
Owed to CML Microsystems Plc by Wuxi Sicomm Technologies, Inc	**195**	173
Owed to CML Microsystems Plc by CML Microcircuits (UK) Ltd	**1,250**	2,000
	1,445	2,173

Contributions to the Group's pension schemes

Contributions to the Group's defined contribution pension schemes by the Group as employer consisted of £1,108,000 in the year (2023: £944,000).

Group and Company

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

Group and Company	2024 £'000	2023 £'000
Employee benefits	**596**	665
Pension contributions	**39**	28
Share-based payments	**70**	28
	705	721

34 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.

35 Post balance sheet events

In April 2024 the Company purchased 42,500 ordinary shares as a share buyback and these shares are held in Treasury for the principal purpose of reducing the issued share capital of the Company and returning funds to Shareholders.

Five-year record

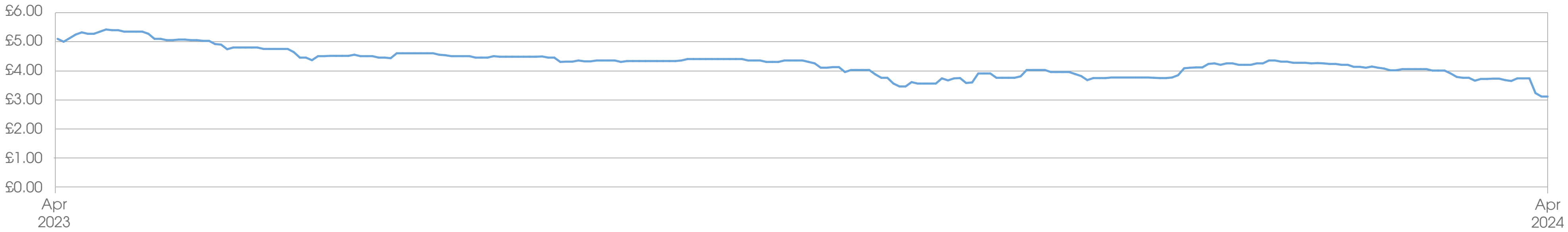
	2024 £'000	2023 £'000	2022 £'000	2021 Restated £'000	2020 Restated £'000
Income statement					
Revenue (continuing operations)	**22,893**	20,643	16,964	13,101	15,565
Revenue (discontinued operations)	**—**	—	—	9,505	11,457
Total revenue[1]	**22,893**	20,643	16,964	13,101	27,022
Gross profit[1]	**16,210**	15,611	12,795	9,455	11,930
Gross profit percentage[1]	**70.81%**	75.62%	75.42%	72.17%	76.65%
Profit before taxation[1]	**2,515**	5,216	1,737	10	1,178
Profit after taxation[1]	**2,060**	4,810	1,238	802	1,371
Adjusted EBITDA[2]	**5,703**	5,901	4,308	2,731	4,483
EPS[1]					
Basic	**13.00p**	30.29p	7.45p	141.13p	8.98p
Diluted[1]	**12.86p**	29.93p	7.35p	140.56p	8.94p
Statement of financial position					
Shareholders' equity[1]	**51,077**	50,754	49,853	53,447	42,390
Net cash, cash equivalents and fixed term deposits	**18,213**	22,259	25,042	31,914	8,479
Dividends per ordinary share					
Dividends proposed/paid per 5p ordinary share[1]	**11.00p**	11.00p	9.00p	52.00p	4.00p

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.

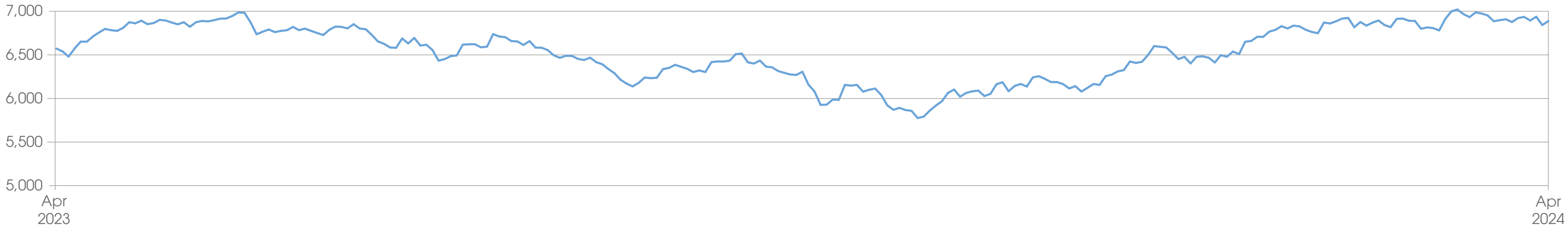
	Number of shares 2024	Number of shares 2023	Number of shares 2022	Number of shares 2021	Number of shares 2020
Ordinary shares of 5p allotted, issued and fully paid, excluding shares held in treasury	**16,144,079**	15,840,110	16,660,932	16,551,685	17,154,185
Shares held in treasury	**360,675**	72,634	638,467	638,467	23,467
Total ordinary shares of 5p allotted, issued and fully paid	**16,504,754**	15,912,744	17,299,399	17,190,152	17,177,652

Shareholder information

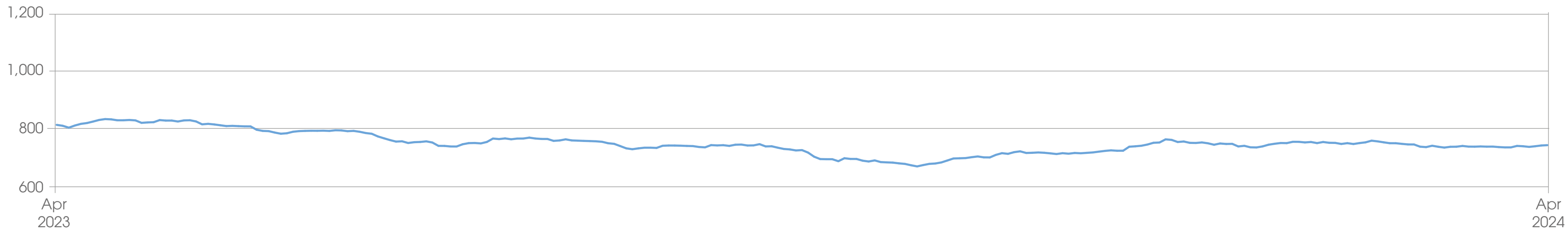
CML Microsystems Plc share price – for the year ended 31 March 2024



TechMark 100 Index – for the year ended 31 March 2024



AIM All Share – for the year ended 31 March 2024



Shareholder information continued

Financial calendar

2024

13 August	AGM
30 September	Half-year end
19 November	Anticipated date for half-year results

2025

31 March	Year end
23 June	Anticipated date for results announcement of year-end 2025 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
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
RDEC	Research and development expenditure credit
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

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