CML Microsystems Plc

semiconductors for a connected world

Annual Report and Accounts

FY20

USER GUIDE

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

semiconductors for a connected world

CML Microsystems Plc designs, manufactures and markets semiconductors, primarily for global communication and solid state storage markets.

Founded in 1968, CML operates internationally with subsidiaries across the UK, the US, Germany, China, Singapore and Taiwan.

Section 1
Strategic report

Section 2
Directors' report

Section 3
Financial statements

Section 4
Other information

financial highlights

Revenue (£m)

26.42

-6.12%

2020	**26.42**
2019	28.14
2018	31.67
2017	27.74
2016	22.83

Pre-tax profit (£m)

1.37

-54.03%

2020	**1.37**
2019	2.98
2018	4.58
2017	4.21
2016	3.32

Adjusted EBITDA[1] (£m)

8.27

-5.60%

2020	**8.27**
2019	8.76
2018	10.00
2017	8.84
2016	6.97

Shareholders' equity (£m)

42.39

+0.17%

2020	**42.39**
2019	42.32
2018	41.77
2017	37.64
2016	32.58

Net cash (£m)

8.48

-33.80%

2020	**8.48**
2019	12.81
2018	13.82
2017	12.45
2016	13.60

Basic earnings per share (p)

8.98

-43.06%

2020	**8.98**
2019	15.77
2018	24.52
2017	23.09
2016	18.03

1. For definition and reconciliation see note 12.

operational highlights

Communications

- 57% of Group revenue (2019: 54%).
  - Revenue £15.0m (2019: £15.20m).
  - Solid performance from mission critical and commercial mobile radio customers.
  - Encouraging contribution from chip-set shipments into data-centric wireless networking.
  - Post period end, release of Group's first 2.4GHz wireless transceiver solution.

Find out more on page 14

Storage

- 43% of Group revenue (2019: 46%).
  - Revenue £11.42m (2019: £12.94m).
  - Sales into Cellular infrastructure and Industrial Automation markets were firmer.
  - Shipments into Automotive infotainment and networking markets weaker.
  - New industrial SATA3 controller launched and selectively sampled.

Find out more on page 15

Global reach and world-class customers

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

Our global footprint

4 Design facilities

Engineers **>45%**

Established **1968**

Offices **11**

Employees worldwide **211**

● **Group operations**

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

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

Our brands

Communications

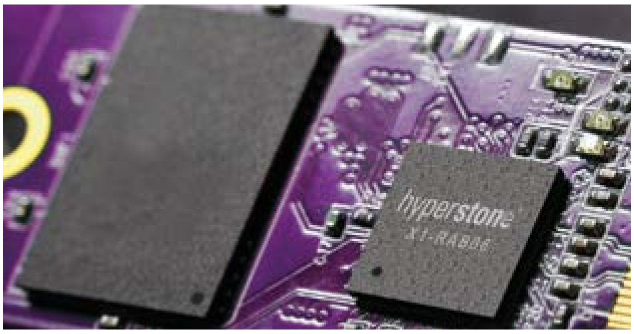
CML Microcircuits

SICOMM

Find out more on page 14

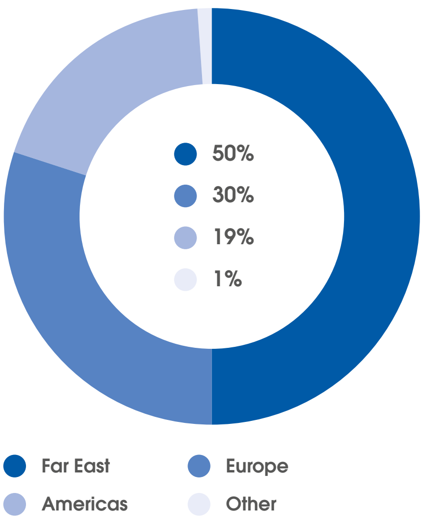
Storage

hyperstone®

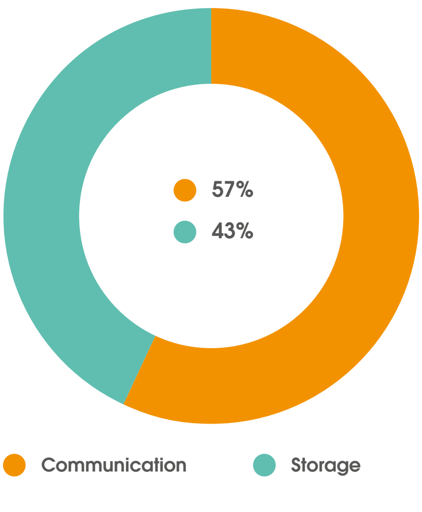


Find out more on page 15

2020 revenue split by region (%)



2020 revenue split by application area (%)



group chairman's statement

> Against a challenging backdrop, the Group has delivered a year of stabilisation.

Nigel Clark
Group Non-Executive Chairman and Group Finance Director

Governance highlights

The governance report on pages 22 to 23 describes the Group's approach to governance and how it supports the delivery of our strategy. During the year, the following took place:

- supported the Board in providing the viability statement;
- monitored the Group's systems of risk management and internal controls; and
- reviewed significant judgements made by management in preparing the 2020 financial statements.

Remuneration committee

- Reviewed the framework for executive remuneration.
- Approved the Executive Directors' 2020 remuneration and bonus payments.

Read more on pages 24 to 29

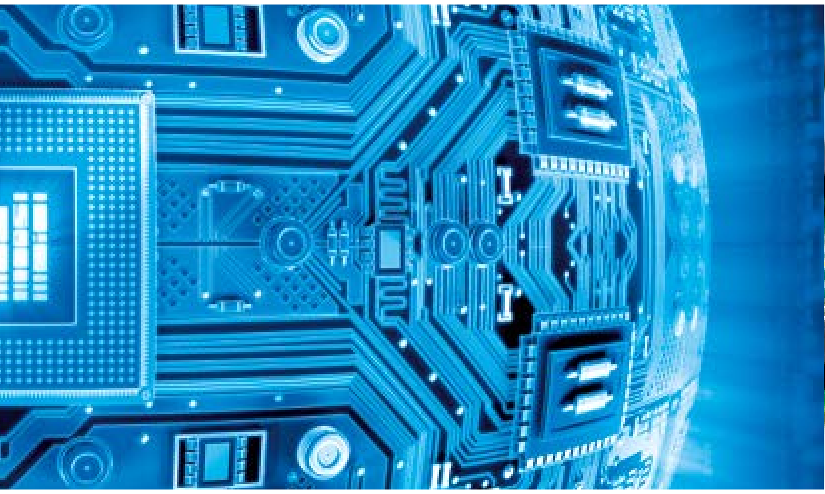
Introduction

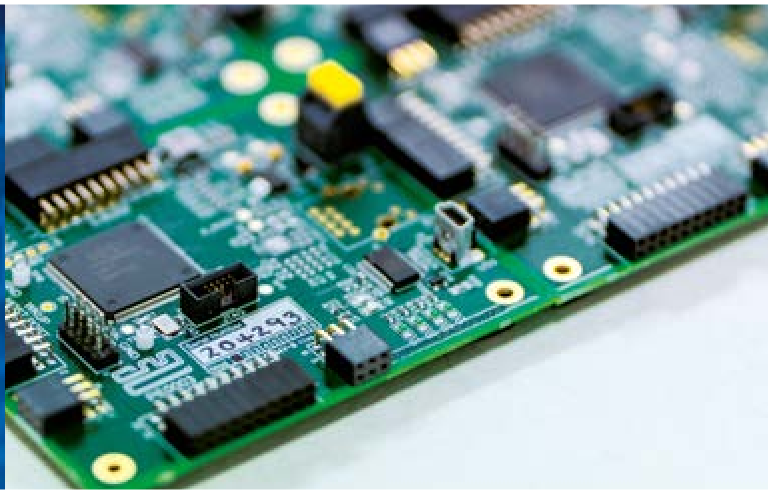
As I look back over the year, I take pride in the resilience of the Group; its people, operational structure and balance sheet strength. We entered the year faced with the ongoing market-wide challenges of extended raw material supply times and the US/China trade war, and we closed the year facing the unprecedented challenge presented by COVID-19. However, against this backdrop, the Group has delivered a year of stabilisation. While COVID-19 may impact a return to growth in the short term, the depth and quality of our product portfolio, the breadth of our customer base and the strength of our extended sales operation mean the long-term opportunity for the Company is undiminished.

Results and dividend

Revenues for the year fell by 6.1% to £26.42m (2019: £28.14m). With costs of £0.7m relating to M&A activities and restructuring announced in November 2019, profit before taxation fell by 54% to £1.37m (2019: £2.98m) and basic EPS by 43% to 8.98p (2019: 15.77p). Net cash at the year end was £8.48m, a drop of £4.33m (2019: £12.81m), reflecting record R&D investment, the acquisition of PRFI and two dividend payments totalling £1.33m.

The Group continues to benefit from a strong balance sheet with a healthy net cash position and operating cash generation. The Board remains committed to its dividend policy of being progressive in line with revenues and profitability. Despite the ongoing uncertainty caused by the COVID-19 pandemic, the Board is confident in the Group's ability to continue to generate cash underpinned by a robust balance sheet. As such, the Board has recommended a final dividend of 2.0p per ordinary 5p share, equating to a total for the year of 4.0p (2019: 7.8p). If approved, this will be paid on 7 August 2020 to shareholders whose names appear on the register at close of business 24 July 2020.





Strengthened operational structure

This has been a year of significant strategic activity across the Group, to ensure our resources and capabilities are closely aligned with our ambitions. This activity has resulted in global operational changes that will improve our effectiveness and efficiency as we enter the next financial year and help accelerate delivery of the business strategy. The acquisition of Cambridge-based specialist design house, Plextek RFI Ltd ("PRFI"), in March 2020 was another important element of this activity, complementing our plans for expansion within the Communications markets.

COVID-19

Our primary focus since January has been the welfare of our teams around the world in the face of the COVID-19 pandemic. We have closed locations in a timely manner as government legislation has required us to do so, and only maintained production activity where it has been deemed possible to achieve within government safety guidelines. At this time, our China operations based in Wuxi and Shanghai are once again fully operational, in line with all relevant government safeguarding legislation. Travel restrictions within China are gradually being lifted. We have maintained a reduced production team at our UK operations, with all office-based staff working remotely. We have had no requirement to furlough any staff. Supply chain disruptions to date are minimal and of a short-term nature.

Given the nature of the professional markets in which we operate, we anticipate our end customers being insulated from a consumer downturn to some extent, although the roll-out of some new products may be delayed, dampening demand for our semiconductors. Our current order book is strong, however it is not yet clear as to whether this will be a long-term trend or reflects a precautionary increase in inventory by our customers.

Employees

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

While many of us have not been able to meet our new colleagues from PRFI face to face, they have integrated well and we have enjoyed welcoming them into the Group. As we continue to face the challenges of COVID-19, we do so with the support of a dedicated, talented team around the world.

Our Company has a rich culture having been in operation for over 50 years, which runs through all of our operations and with a combined sense of purpose is evident in every facet of our business.

The Board

As announced in November 2019, our CFO Neil Pritchard resigned to pursue other business opportunities and the Board would like to thank him for his service to the Company. Having previously held the position of Group CFO, I re-assumed the role on an interim basis until such time as we are able to commence a full recruitment process, which at this stage we anticipate will be in the second half of the current financial year. In the meantime, I have stepped off the Audit Committee until such time as a replacement CFO has been recruited.

Prospects and outlook

Clearly these are difficult times with a global pandemic, geo-political trade issues and Brexit looming but, as a Board, 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, coupled with a sound product portfolio that addresses markets that have a positive outlook. The strategy in place, when eventually these current global uncertainties and negative influences subside, should mean we are well placed to return a meaningful uplift in the Group's performance.

Nigel Clark

Group Non-Executive Chairman and Group Finance Director

19 June 2020

Addressing growing market sectors

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

Key market trends

1:
Demand for data

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

2:
Speed

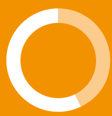
Increasing amounts of data need to be retrieved, communicated and stored, faster and more securely.

3:
Reliability

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

Our market application areas:

Communications



57%
Revenues

Incorporates Wireless and Wireline business

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

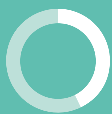
Key end markets:
Voice-centric mission/business critical communications (military, commercial, construction, transportation)

Non-cellular wireless data communications; satellite M2M; asset tracking; SCADA

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

Find out more on page 14

Storage



43%
Revenues

Hyperstone-branded products

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

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

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

Find out more on page 15

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.

Our areas of expertise:

Superior performance for targeted application areas

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

Time-to-market

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

Proprietary Intellectual Property (IP)

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

High levels of customer design-in support and service

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

Customer relationships

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

Focus on research and development and scalability

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

Delivering long-term sustainable growth

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

Inputs

Innovation

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

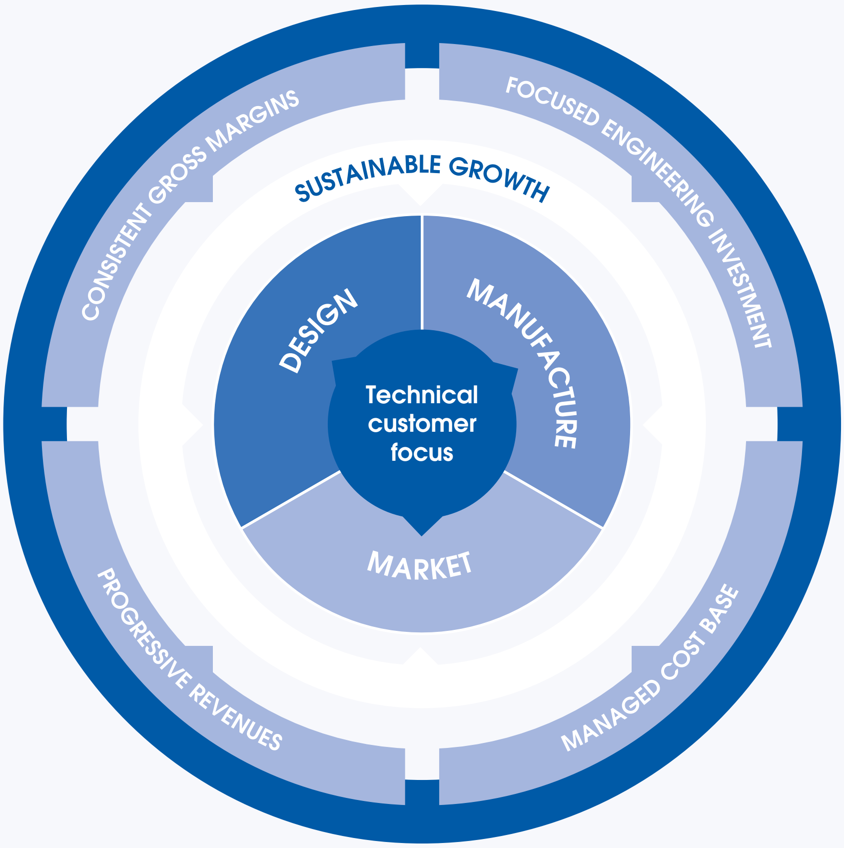
Quality

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

Support

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

How we do it



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

KPIs and risks

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

KPIs[1]

Revenue (£m)

2020	**26.42**
2019	28.14
2018	31.67
2017	27.74
2016	22.83

Net cash (£m)

2020	**8.48**
2019	12.81
2018	13.82
2017	12.45
2016	13.60

Gross profit (£m)

2020	**19.57**
2019	20.25
2018	22.24
2017	19.82
2016	16.25

Profit from operations (£m)

2020	**1.50**
2019	2.81
2018	4.55
2017	4.31
2016	3.39

Basic earnings per share (p)

2020	**8.98**
2019	15.77
2018	24.52
2017	23.09
2016	18.03

Adjusted EBITDA[2] (£m)

2020	**8.27**
2019	8.76
2018	10.00
2017	8.84
2016	6.97

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

These KPIs include revenue, gross profit, profit from operations, basic EPS and cash, summary details of which are shown above and discussed within the Group Chairman's statement on page 04 and the Group Managing Director's Review on page 10.

Principal risks and uncertainties

Key risks of a financial nature

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

Key risks of a non-financial nature

The Group is a small player operating in a highly competitive global market that is undergoing continual and geographical change. The Group's ability to respond to many competitive factors including, but not limited to, pricing, technological innovations, product quality, customer service, raw material availabilities, manufacturing capabilities and employment of qualified personnel will be key in the achievement of its objectives, but its ultimate success will depend on the demand for its customers' products since the Group is a component supplier.

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

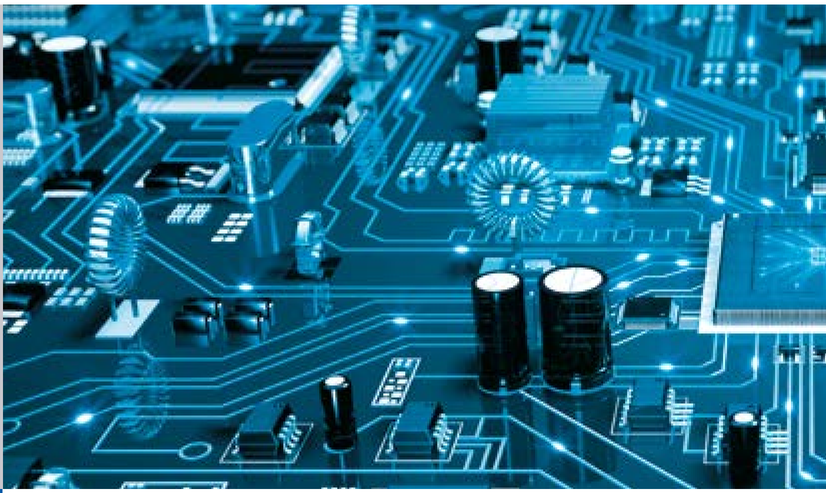
Understanding of the development, performance or position of the Company's business

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), anti-corruption and bribery matters and social, community and human rights issues are needed for an understanding of the development, performance or position of the Company's business and accordingly have not included this within the Strategic Report but have added these to the Directors' Report and Corporate Social Responsibility sections of this Annual Report.

COVID-19

During the period leading up to the date of this report the global impact of COVID-19 escalated. The Board has considered possible impacts of the COVID-19 outbreak on the Group's trading and cash flow forecasts. In preparing this analysis a number of scenarios were modelled based on the management's current understanding of potential income. In each scenario, mitigating actions within the control of management, including reductions in discretionary spend and tighter internal controls, have been modelled, but no fixed costs reductions have been assumed.

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



"The performance of the business at an operational level has been particularly encouraging given the environment created by the COVID-19 pandemic.

Chris Gurry
Group Managing Director

Highlights

- Communications:
  - revenue £15.0m (2019: £15.20m);
  - solid performance from mission critical and commercial mobile radio customers;
  - encouraging contribution from chip-set shipments into data-centric wireless networking; and
  - post period-end release of Group's first 2.4GHz wireless transceiver solution.
- Storage:
  - revenue £11.42m (2019: £12.94m);
  - sales into Cellular infrastructure and Industrial automation markets were firmer;
  - shipments into Automotive infotainment and networking markets weaker; and
  - new industrial SATA3 controller launched and selectively sampled.
- Record R&D investment of £8.46m (2019: £8.24m).
- Progress with diversifying customer base.
- Expanded sales and marketing capabilities.

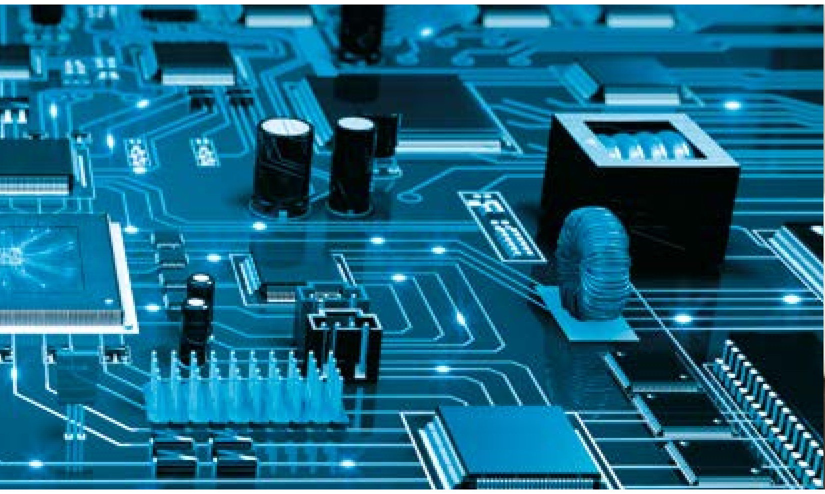
Operational and Financial Review

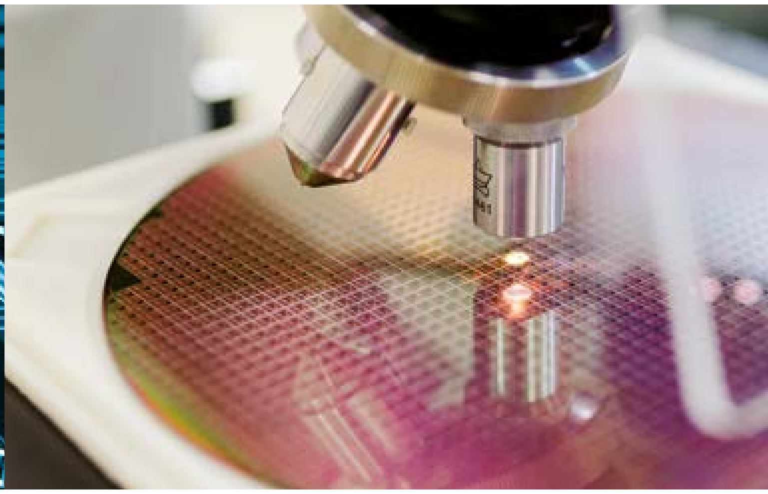
Introduction

As we entered into the 2019/2020 financial year our strong belief was that it would prove to be a year of stabilisation, following previous periods of inventory correction, raw material constraints and political headwinds. I'm pleased to report that despite the highly challenging conditions, including the COVID-19 pandemic, this has proved to be the case. The first half of the financial year confirmed our view that there was no further deterioration in our end markets with sequential six-monthly order bookings a little ahead. A shortening of the timescale between customer order placement and requested delivery date was also evidenced, which is another good indicator for our business.

Following the interim results announcement in November 2019, order intake was improving before the outbreak of the coronavirus hampered this progress as companies, firstly in China and then globally, initiated their business continuity processes. Nevertheless, overall revenues for the second half were similar to those of the first half.

During the course of the year we have continually assessed the resources and capabilities within CML to ensure that they are aligned with the direction of travel for our business and a number of operational changes have been made which will improve our effectiveness and efficiency. These follow the investments made in previous periods to broaden and augment our sales reach, which have improved our pipeline of opportunities. In tandem with this, in March we acquired Plextek RFI Ltd ("PRFI") a UK-based design house specialising in the design and development of RF, Microwave and Millimetre-wave (mm-wave) ICs and modules. PRFI's design expertise expands upon the Group's existing skills and provides a new independent services and consulting income stream for CML. Most of the costs associated with these operational changes and corporate activities have been recognised in this year under review, which impacted pre-tax profits for the year.





Financial Review

Total revenues for the year fell by 6.1% to £26.42m (2019: £28.14m) including a small one-month contribution (£0.06m) from the acquisition of PRFI Ltd during March 2020. At the gross profit level, an improved margin helped reduce the decline to just over 3%, delivering a gross profit of £19.57m (2019: £20.25m).

Geographically, the Far East region was the single largest contributor to the overall drop in sales, delivering a reduction of £2.17m (16%) and exceeding the overall Group revenue drop of £1.72m. The remaining regions either grew or were robust by comparison. The Far East accounted for 50% of Group revenues with sales into Europe, the Americas and Others representing 30%, 19% and 1% of Group revenues respectively.

Distribution and administration costs increased to £18.75m (2019: £18.07m) driven by abnormal costs of £0.7m and higher R&D amortisation charges. These abnormal costs result from a combination of M&A activities, one of which resulted in the acquisition of PRFI Ltd, along with global restructuring expenses that were incurred following completion of an assessment of the Group's resources and capabilities, first communicated to the market in November 2019.

Total R&D spend for the year rose slightly to £8.46m (2019: £8.24m) with associated amortisation of development costs climbing £0.56m to £5.71m (2019: £5.15m).

The Group operated a tight cost control policy throughout the year under review and aside from non-recurring expenses and the increased R&D spend, underlying costs were relatively stable.

The Group recorded a small loss of £0.05m from foreign currency exchange compared to a gain of £0.26m in the prior year although continues to have a somewhat natural hedge at the gross profit line in respect of foreign currency exposure, given that the majority of both revenues and raw material costs are US Dollar denominated.

Other operating income for the year amounted to £0.69m (2019: £0.64m) and was a result of rental income obtained from ex-operational property assets, grant income received from R&D activities and an element of profit on third-party product re-sales.

Profit from operations fell by 44% to £1.50m (2019: £2.81m).

After adjusting for the combined effects of share-based payments and finance income, a profit before taxation figure of £1.37m was achieved (2019: £2.98m) which included a small loss of £0.02m from newly acquired PRFI Ltd.

An income tax credit of £0.16m was recorded for the year against a charge of £0.29m in the preceding year reflecting lower profitability for the year and the ongoing benefit of UK R&D tax credits. Profit after tax was £1.54m (2019: £2.69m).

The Group, along with many other companies under IFRS GAAP, adopted the new leasing standard (IFRS 16) with effect from 1 April 2019. The overall effect has been to record operating leases (such as property, vehicle and office equipment rentals etc.) as an asset on the balance sheet as if those items had been purchased, with the corresponding lease payments recognised as a liability. The net result of these changes is negligible. Rentals are now replaced by depreciation and interest which has had little impact on net profitability, but the EBITDA calculation shows the depreciation for these 'right-of-use' assets as an additional add-back adjustment of £0.46m for the period. Adjusted EBITDA was £8.27m (2019: £8.75m) and assisted by an improved tax rate, the basic earnings per share figure recorded was 8.98p (2019: 15.77p).

group managing director's review **continued**

Operational and Financial Review continued

Financial Review continued

Cash management across the Group remained an important focus area throughout the year. Net cash reserves at 31 March 2020 stood at £8.48m (31 March 2019: £12.81m) following record R&D investment, the acquisition of PRFI and two dividend payments totalling £1.33m; being the final payment for the FY19 financial year (£0.99m) and an interim payment in respect of FY20 (£0.34m).

Overall inventory levels at the financial year end were 17% lower than the beginning of the year at £2.39m (2019: £2.88m) with finished goods stocks in particular at very low levels. The policy that the Group had in place to mitigate certain supply chain difficulties helped react promptly to the improving order intake that was seen as we entered the current calendar year.

The pension deficit associated with the Group's historic final salary scheme, as calculated under IAS 19, increased to £4.70m (2019: £3.55m). The assets of the scheme fell to £19.18m (2019: £20.63m) with the present value of funded obligations reducing to £23.87m (2019: £24.18m). The main reasons for the increased deficit in the IAS 19 accounting position relate to (i) changes in the assumptions in using a lower discount rate due to the fall in corporate bond yields at the period end; and (ii) the scheme's investments return was lower than the IAS 19 mandated increase in the obligation over the year.

Revenue (£m)

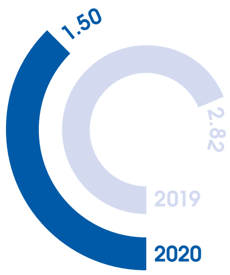
26.42 -6.12%

Gross profit (£m)

19.57 -3.36%

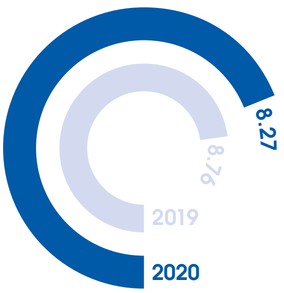
Profit from operations (£m)

1.50 -46.81%



Adjusted EBITDA[1] (£m)

8.27 -5.60%

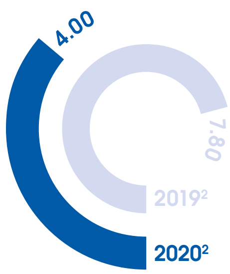


Shareholders' equity (£m)

42.39 +0.17%

Dividend (p)

4.00 -48.72%



1. For definition and reconciliation see note 12.
2. Incorporates an interim dividend of 2.0p (2019: 2.0p) and a proposed final dividend of 2.0p (2019: 5.8p), providing a total dividend of 4.0p (2019: 7.8p) (see note 10).

Separately from the IAS 19 calculation, the most recent triennial actuarial valuation on the scheme carried out by an independent professionally qualified actuary, as at 31 March 2017, resulted in a net pension surplus of £1.89m. An approximate update of the funding position was carried out as at 31 March 2019 which, when viewed as a continuing scheme, showed a net surplus of £3.15m (31 March 2018: £3.17m). The report further stated that the scheme assets remained sufficient to cover 118% of the benefits accrued to members, after allowing for future increases in these benefits.

COVID-19

The welfare and safety of our employees has been of paramount importance throughout the pandemic and remains a priority. Our China-based operations were the first to be affected in January and we were swift to implement the necessary precautions and measures in line with guidance and were able to supply our workforce there with personal protective equipment that was scarce locally. Our experience in China helped us as we implemented similar processes throughout our operations as the virus spread, again in line with all local guidance.

Due to the nature of our work, our facilities, and indeed those of our key suppliers, are clean and manufacturing facilities need to meet strict hygiene regulations, with access limited to the workforce. As at the time of publication of this report, our operations are fully functional, albeit through a change in working methodologies, and it is comforting to note that we have had no confirmed incidences of COVID-19 related ill health. Travel restrictions, both within individual countries as well as internationally, affect our sales teams' ability to mobilise and physically meet with customers but they have reacted well to remote working.

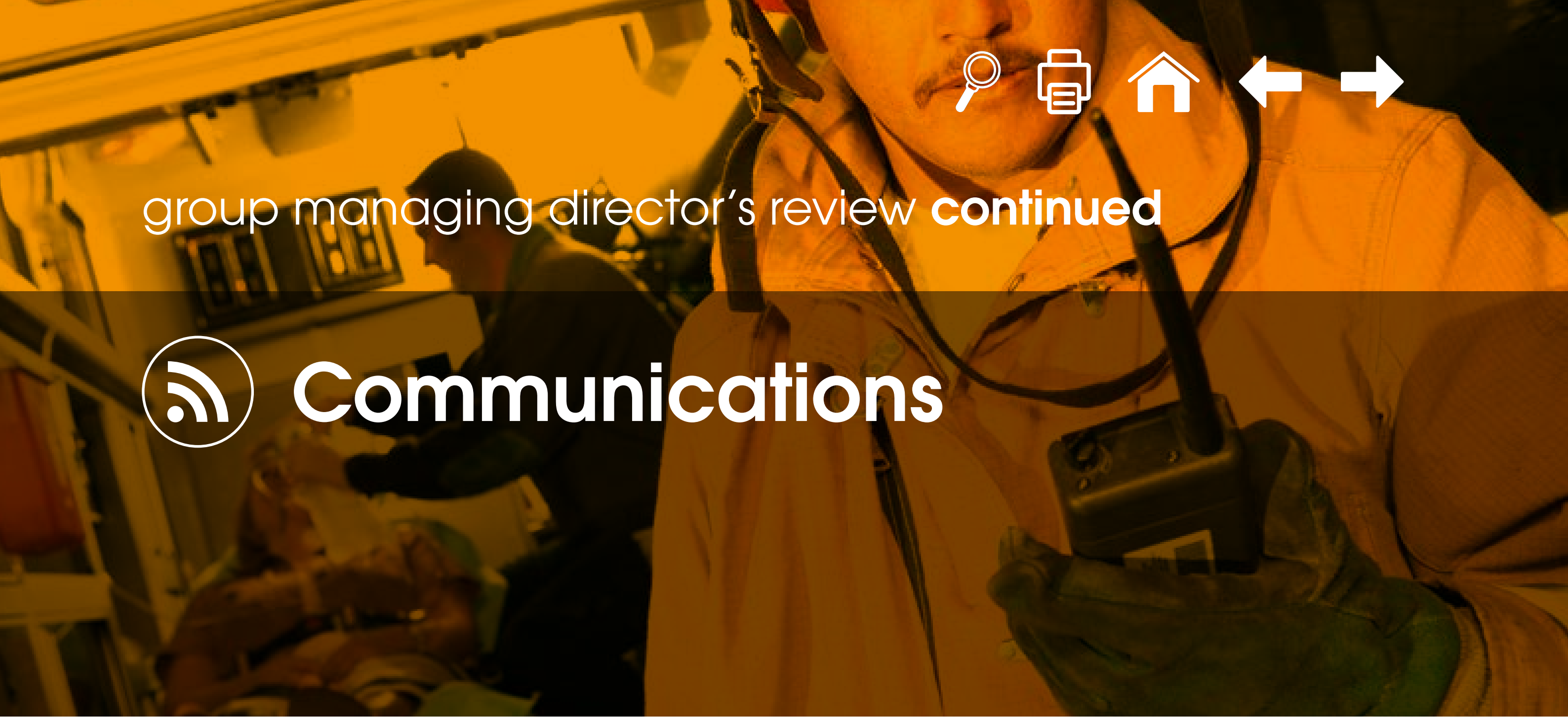
Strategy overview

The Group's strategy today remains consistent with that previously communicated. Our business remains focused on two important markets, namely industrial Communications and industrial Storage, where our proprietary IP along with the quality and reliability of our technology sets us apart from our peers and makes us an integral part of our customers' products. We have developed a strong reputation in both of these markets and we continue to supply a growing world class customer base. This coupled with an extensive sales network and expanded presence globally, will enable us to scale further once market conditions ease.

Growth in both markets is continually being driven by the persistent demand for increasing amounts of data to be delivered faster and stored more reliably and securely. We remain committed to generating a diverse revenue stream across a broad range of customers. We are a single-source supplier to our customers, meaning that once designed in, the displacement of our chips would require our customers to undertake an element of product redesign. This has served us particularly well recently as geo-political issues have made international trade between certain countries more difficult. Rather than sourcing locally produced goods as potential replacements, the evidence is that customers are insisting on our products due to their proven quality and reliability.

R&D remains a key tenet of our growth strategy. Our focus is on developing products which will lead to design wins with new and existing customers that we believe have the potential to develop into long-term, significant revenue generators. Throughout the difficult trading conditions, we have continued our investment into R&D as we have no doubt that this approach will serve us best in the long run and deliver superior, sustainable returns for our shareholders. With that said, as a Board we are mindful of the ongoing conditions and continue to monitor investment levels carefully.

The acquisition of PRFI was a further example of our desire to add businesses which can help us achieve our strategic goals and complement our organic growth. The Company has a proven track record of successful corporate activity and will continue to seek and evaluate appropriate opportunities.



Communications

Our strategy within the Communications market is to grow revenues through wider customer engagement and drive a larger serviceable market from an expanded semiconductor product range that builds upon an extensive intellectual property library.

The Group has been a key component supplier to major blue chip OEMs within numerous sub-sectors of the global Communications market for a number of decades. Product functionality over time has evolved from tone switches and decoders through to signal processing solutions, baseband processors and integrated modem solutions for a variety of dedicated industrial wireless networks around the world.

The feature sets of those products are generally radio frequency ("RF") agnostic, but over the last ten years or so, significant investments have been made into engineering skills and associated R&D activities to introduce a range of RF components. The resulting combined chip-sets now cover customer functionality needs from the antenna through to the microprocessor of choice. Initial product releases focused on operating frequency bands below 1GHz, while more recently the range has been extended to encompass frequencies up to 3.6GHz.

Sales revenues from applications within the Communications sector were slightly down year on year and amounted to £15.00m (2019: £15.14m). Shipments into wireless public safety customers were generally quite robust while the situation across a wide range of data-centric Industrial Internet of Things (IIoT) customers was mixed and biased towards customer products prioritising high performance and reliability. Revenues from the Americas and Europe posted good gains but were unable to make up a significant shortfall from the Far East customer base.

Continued uncertainty over the trade war with the USA remains, including expectations that phase two of a trade agreement will not be in place ahead of the US elections in the autumn. This is still impacting government spending on some local infrastructure projects, such as railway and power, whilst customers in surrounding countries who depend upon exports into China are also affected.

Five new products were released across the year targeted at a number of communications sub-markets including satellite communications, wireless power telemetry networks and marine collision avoidance. Associated demonstration and development platforms were also released, including the Group's first Raspberry Pi platform bringing the advanced features of the CMX655D audio codec, launched during the prior year, to the Raspberry Pi community. The Raspberry Pi is a series of small single-board computers originally developed in the United Kingdom by the Raspberry Pi Foundation to promote teaching of basic computer science in schools and in developing countries. As time has progressed, alongside traditional educational use, more serious industrial and commercial uses are foreseen making it a viable solution for "IIoT" applications.

The Communications market continues to exhibit a number of growth areas including the transition to higher-capacity digital networks within voice-centric markets and, in data-centric markets, the increasing data throughput and reliability requirements from terrestrial and satellite communications applications. The latter is required to meet the needs of the growing Machine-to-Machine ("M2M") and IIoT sectors.

Application areas

Professional and industrial voice and/or data communications products

Markets served

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

Storage

The focus within the Storage market sector has been on expanding our product portfolio to include all major interface standards used within the target industrial end-markets and to ensure interoperation with all relevant third-party flash memory devices from a number of leading global suppliers. This enables customers to benefit from bill-of-materials cost efficiencies linked to new flash technologies.

Over the last few years, the product portfolio has transitioned from a narrow "Controller" product portfolio with only CompactFlash as the available interface, to an enlarged product range that now also includes USB, SD, SATA & MMC interface technologies. An associated proprietary Application Programmers Interface ("API") enables customers to either develop or "port" their own solutions to the Group's standard Controller solutions and benefit from the class-leading levels of reliability and durability that the Group's Hyperstone brand is becoming increasingly recognised for globally.

Storage revenue for the majority of the year continued to feel the combined effects of customer inventory over build and the economic trade conflict between the USA and China. The challenges associated with this environment resulted in a revenue decline of 11% for the year as a whole to £11.42m (2019: £12.94m). That said, sales in the six months to 31 March 2020 were up 12% sequentially following a stronger period of order bookings and subsequent shipments during the closing months of the year. As with the Communications sector, uncertainties persist around US-China trade relations but, encouragingly, there are one or two end application areas that are bucking the trend.

At the interim stage, we reported that 4G/5G infrastructure design wins and a number of industrial SATA SSD opportunities were poised to drive growth in the future. It is therefore pleasing to report that at the turn of the calendar year the situation began to improve, evidenced by increased order bookings and subsequent shipments related to a number of prior design wins in multi-year growth application areas, including 5G infrastructure and data security for point of sale applications.

In November 2019 we announced mass production availability of the X1 SATA3 controller following its sampling availability in the early part of the calendar year. The product has subsequently achieved design-in status across a number of major industrial customers with several customer designs ongoing including mSATA and CFAST industrial form factors. Three new products were released over the period, targeted at specific CompactFlash and USB host interface variants. Several new API customers were secured and the evolution of the hyMap firmware continued, specifically related to functionality and flash memory compatibility which are essential factors in the success of the complete controller product range. Advanced health monitoring and SMART tools were also developed to optimise Controller solutions for specific applications and ensure fail safe operation.

The industrial data storage market has several specific areas which represent attractive growth opportunities playing to the core strengths of the business. These include applications within industrial automation, the telecoms/network infrastructure market and an increasing number of security conscious sub-markets where the Group's proprietary technology and bespoke programming capabilities offer customers enhanced levels of security compared to competitor products.

Application areas

Industrial flash memory cards; solid state drives; embedded storage

Markets served

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

Operational and Financial Review continued

Market developments

The underlying growth trends within our two main industrial application areas continue to strengthen and underpin confidence in our strategy. The persistent demand for increasing amounts of data to be transmitted and stored more quickly and securely remains. For Communications markets this equates to more product opportunities through higher speed requirements, enhanced error correction techniques and operation at higher radio frequencies where wider RF channels are permitted. Within industrial Storage markets, the transition to solid state technology from hard disk drives is well and truly underway at a time when our product portfolio has expanded, positioning the business well to capture share over time.

Operational developments

The performance of the business at an operational level has been particularly encouraging given the environment created by the COVID-19 pandemic. A new global Enterprise Resource Planning (“ERP”) system that commenced live rollout in the prior calendar year has been successfully deployed throughout the Group with the exception of the China operations due to travel restrictions associated with COVID-19. That aside, the Group benefited from the efficiencies associated with running a unified system during the year.

The Group has continued to perform well at an operational level with disciplined execution across a number of areas. The operations team overcame several challenges associated with a combination of temporary and permanent supplier factory closures across the year and it is a great credit to our operations team that impact on the business was limited.

The investments made in sales and marketing capabilities during prior years has helped to increase the pipeline of opportunities and improved our overall reach and routes to market. As a consequence, further enhancements and efficiencies were made to the sales channels over the last year, resulting in the appointment of additional distribution partners in the USA, the consolidation of existing sales channels within Europe and the closing of our own warehousing facility in North America.

We periodically assess the wider resource levels and capabilities within the Group to ensure that they reflect the direction of travel on which the Group is heading. As a result, various changes have been made during the year, touching operations in the UK, Asia and the Americas. The resulting structure and associated capability mix positions us well for growth.

Outlook

There is no hiding from the fact that the year under review has been difficult, and the current environment is delaying realisation of the benefits to come from the hard work taking place behind the scenes.

The current financial year did commence with a healthier order book than the prior year, although it remains to be seen how this translates to actual market consumption as there may be an element attributable to COVID-19 related supply concerns amongst the customer base.

Nevertheless, following the operational adjustments made across the prior year, the business is tuned to react swiftly to a revival in demand and the Board remains convinced that a return to growth will be secured as conditions improve.

Chris Gurry
Group Managing Director
19 June 2020

our stakeholders

Our approach

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

	Why our stakeholders are important to us	How we have engaged with them
Shareholders		
Group strategy is aimed at driving growth and creating value for our shareholders.	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.	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 experienced, diverse and dedicated team of employees that are fundamental to the success of our business.	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.	We have an open, collaborative and inclusive structure and engage regularly with our employees. We try to foster a suitable environment to allow them to realise their full potential.
Customers		
We serve a broad spectrum of customers across a variety of end markets.	Without customers the Company cannot survive. They help drive innovation, quality and value.	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 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.	Effective supplier management is important to gain a competitive advantage through achieving operating efficiencies, driving innovation and complying with legal and regulatory obligations. Strong working relationships enhance the efficiency of our business.	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 are committed to being a responsible member of the communities in which we operate, including local government, local businesses, residents and the wider public.	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.	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.

Section 172 of the Companies Act 2006

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

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

corporate social responsibility

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

Employees

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

Breakdown of employees as at 31 March by gender and management

	2020			2019		
	Male	**Female**	**Total**	Male	Female	Total
Plc Board Directors	**5**	**—**	**5**	6	—	6
Senior management	**17**	**4**	**21**	14	2	16
Staff	**133**	**52**	**185**	140	59	199
Total	**155**	**56**	**211**	160	61	221

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

The Group encourages employees to participate directly in the success of the business through a free flow of information and ideas, along with Company share ownership. Options over shares in employee share plans do not hold the rights of the ordinary shares themselves.

Environmental issues and greenhouse gas emissions

The Board recognises its responsibility as a manufacturing concern to reduce, where economically sound, the energy it uses and where possible take advantage of recycling opportunities, complying with local laws as a minimum standard. The direct impact of the Company's own business on the environment is little more than that of a normal office environment so has minimal effect. This is due to the fact that the Company mainly uses a sub-contractor model for the manufacture of its products.

Greenhouse gas emissions in tonnes of CO_2 equivalents

Tonnes of CO_2e	**2020**	**% of total emissions**	2019	% of total emissions
Scope 1	**127.43**	**33.47%**	112.51	26.85%
Scope 2	**253.27**	**66.53%**	306.58	73.15%
Total controlled emissions	**380.70**	**100.00%**	419.09	100.00%

Source of emissions

Tonnes of CO_2e	**2020**	**% of total emissions**	2019	% of total emissions
Scope 1				
Fuel – Company owned vehicles	**32.97**	**8.66%**	26.26	6.27%
Gas – heating	**94.46**	**24.81%**	86.24	20.58%
Refrigerant	**0.00**	**0.00%**	0.01	0.00%
Total scope 1 emissions	**127.43**	**33.47%**	112.51	26.85%
Scope 2				
Electricity – office and manufacturing	**253.27**	**66.53%**	306.58	73.15%
Total scope 2 emissions	**253.27**	**66.53%**	306.58	73.15%

Geographical breakdown

2020 Tonnes of CO_2e	**Scope 1**	**Scope 2**	**Total**	**% of total emissions**
UK	**109.16**	**208.03**	**317.19**	**83.32%**
Taiwan	**7.01**	**12.60**	**19.61**	**5.15%**
Singapore	**0.00**	**2.68**	**2.68**	**0.70%**
China	**2.66**	**8.04**	**10.70**	**2.81%**
Germany	**8.60**	**21.92**	**30.52**	**8.02%**
Total emissions	**127.43**	**253.27**	**380.70**	**100.00%**

2019 Tonnes of CO_2e	Scope 1	Scope 2	Total	% of total emissions
UK	99.42	263.23	362.65	86.53%
Taiwan	7.60	13.77	21.37	5.10%
Singapore	0.00	3.00	3.00	0.71%
China	5.49	9.86	15.35	3.66%
Germany	0.00	16.72	16.72	4.00%
Total emissions	112.51	306.58	419.09	100.00%

Intensity of emissions

Tonnes of CO_2e/£'000 turnover	**2020**	2019
Scope 1	**0.00**	0.00
Scope 2	**0.01**	0.01
Total	**0.01**	0.01

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. This includes all material emission sources which we deem ourselves to be responsible for. These sources are within our organisational boundary and align with our own internal and financial control. We do not have responsibility for any emission sources outside this boundary such as commercial flights (scope 3) since they are not within our control and therefore are not considered to be our responsibility.

As the table demonstrates absolute emissions have decreased by 9.2%, this reduction is principally due to the Group's continued approach to its carbon footprint.

Quantity of energy consumed for the Group was 1,576 kWh, of which 84.75% relates to the UK. The UK energy consumption relates to gas and electric for manufacturing plants of 792 kWh and offices of 544 kWh.

directors

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

Nigel Clark

Group Non-Executive Chairman and Group Finance Director

Nigel joined the Company in 1980.

He was appointed Company Secretary in 1983 and Group Financial Director in 1985. Prior to joining CML, he was with Touche Ross & Co. (which subsequently merged with Deloitte in 1989) and is a qualified chartered accountant, holding an FCA. Nigel became Group Non-Executive Chairman in January 2015. On 1 January 2020, Nigel took up the post of Group Finance Director on an interim basis.

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

R

Chris Gurry

Group Managing Director

Chris joined the Group in 1994.

He was appointed to the Board in 2000 as Business Development Director and became Group Managing Director in October 2007. Prior to joining CML, he worked within the electronics industry and has over 30 years' experience within communications markets. He is a member of the Remuneration Committee.

R

Hugh Rudden

Group Sales and Marketing Director

Hugh joined the Company in June 2014.

He has over 30 years' sales and marketing experience in the semiconductor industry. Prior to joining the Company, he divided his time between leading a VC-backed photovoltaic start-up company through early stage financing and providing business and management consultancy services across a number of sectors.

Prior to this, he was CEO at Bede Plc (acquired by Jordan Valley Semiconductors in 2008), and also spent 14 years at Memec Group (acquired by Avnet in 2005), a global semiconductor distribution and design services organisation where his roles included product marketing manager, regional CEO and VP global design services solutions. Hugh speaks German and holds a BSc in Physics from the University of Durham.

Jim Lindop
Non-Executive Director

Jim joined the Company in April 2013.

He has extensive innovative leadership experience in the technology and engineering sectors, having spent over 30 years in the industry. Most recently he was founder and CEO of Jennic Ltd, a privately held semiconductor company established in 1996 and subsequently acquired by NXP Semiconductors in 2010. Prior to Jennic, he consulted to companies in Cambridge, UK, including Symbionics, building and leading project teams in new wireless technologies.

Earlier experience includes working at Rolls-Royce designing electronic instrumentation for aero-engines and as a Director of engineering at Simmons Limited. Jim holds a BSc and MSc in Electronics from the University of Nottingham.

Geoff Barnes
Non-Executive Director

Geoff joined the Company in April 2017.

He is currently a Director of Baker Tilly International having transitioned to the role in June 2016 after serving as its CEO and President for 16 years. He is also Non-Executive Chairman of the Supervisory Board of Baker Tilly South-East Europe Ltd, strategic advisor on international matters to a major city law firm and chairman of the International Advisory Panel of the Institute of Chartered Accountants in England and Wales.

In 2015, Geoff was awarded the prestigious lifetime achievement award by the International Accounting Bulletin for services to global public accounting. Previous roles include 18 years with Casson Beckman, culminating in the position of Executive Chairman, and 6 years with Deloitte Haskins & Sells in London where he qualified as a chartered accountant. Geoff is Chairman and member of the Audit Committee and is a member of the Remuneration Committee.

A R

Key:

R Chairman of the Remuneration Committee

A Chairman of the Audit Committee

R Member of the Remuneration Committee

A Member of the Audit Committee

"

The Company is committed to high standards of corporate governance.

Nigel Clark
Group Non-Executive Chairman and Group Finance Director

Board	
Audit Committee	**Remuneration Committee**
Geoff Barnes (Chair)	Nigel Clark (Chair)
	Geoff Barnes
	Chris Gurry

Nigel Clark has stepped down from being a member of the Audit Committee for the period he acts in the role of Group Finance Director following the departure of Neil Pritchard, the previous Group Finance Director.

Articles of Association

Any amendment to the Articles may be made in accordance with the provisions of applicable English law concerning companies, specifically the Act (as amended from time to time), by way of special resolution at a general meeting of the shareholders.

Powers of the Directors

The Board sets the overall direction and control of the Group and has the powers and duties set out in the Companies Act 2006 (the "Act") and the Company's Articles of Association. The Board delegates certain matters to the Board Committees and delegates the day-to-day operation of the business to the Directors.

Changes to the Directors

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.

Statement of the application of principles in the UK Corporate Governance Code 2018 (the "Code")

The Board acknowledges the importance of the UK Corporate Governance Code of the Financial Reporting Council 2018 (the "Code") that applies to companies with accounting periods starting on or after 1 January 2019. Companies that have a Standard listing on the London Stock Exchange are not required to comply with the Code under the Listing Rules. However there is a requirement to comply with certain disclosure and transparency rules, specifically DTR 7.2, relating to corporate governance statements.

The Company is committed to high standards of corporate governance and has sought to comply with those aspects of the Code that are considered by the Board to be practical and appropriate for an organisation of its size and nature and where, in the Board's opinion, are of material benefit to the Company and/or its stakeholders and not voluntarily adopt the complete Code. A copy of the Code is available on the Financial Reporting Council's website at www.frc.org.uk/corporate/ukcgcode.cfm.

In particular, the Company places a high degree of importance on corporate governance issues relating to internal financial control, accountability and the ability of its Directors to behave independently and appropriately. Consequently, consideration of the Code has been weighted towards these issues whilst also having due regard for the size and nature of the Group.

Board leadership and Company purpose

The Group is led and controlled by an effective and entrepreneurial Board that comprises three (2019: three) Executive Directors and two (2019: three) Non-Executive Directors. Following the resignation of the Financial Director in November 2019 and his subsequent departure at the end of February 2020, as an interim solution, the Board concluded that stakeholder interests are best served by delaying the recruitment process into the new financial year, commencing 1 April 2020. As an interim measure, the Board decided that

Nigel Clark, Group Non-Executive Chairman, would adopt the additional executive role of Group Finance Director. Nigel was formerly the Group's Finance Director and will retain this dual role until the recruitment process has been completed. Details of the Directors can be found on pages 20 and 21.

The Board meets formally a minimum of four times per year. During the year ended 31 March 2020, thirteen Board meetings were held where all Directors in post participated (2019: eight).

Although the Board delegates some matters to its committees (Remuneration and Audit), as part of its leadership and control of the Company, the Board has specific items reserved for its consideration which include business strategy, financial performance, acquisitions, divestments and major capital expenditure. The Chairman and Executive Directors make themselves freely available and regularly consult with the global workforce.

To ensure effective engagement with shareholders and stakeholders the Group Managing Director and the Group Financial Director are the Group's principal spokesmen. Communication is with all stakeholders but primarily is with investors, fund managers, the press and other interested parties. Briefings are held with institutional and private client fund managers and analysts following the announcement of half-year and preliminary results along with other ad-hoc meetings throughout the year. In general the Board welcomes all shareholders at the Annual General Meeting where they are able to question the full Board and meet with them afterwards. In light of COVID-19 this will not be possible at this year's Annual General Meeting. Details of all briefings and meetings are communicated to the full Board.

Division of responsibilities

The Group Chairman is primarily responsible for the running of the Board and the Group Managing Director is the Chief Operating Decision Maker ("CODM") with responsibility for the day-to-day running of the Group and for implementing Group strategy.

All Non-Executive Directors have sufficient time to devote to their duties as is demonstrated by their active participation in the Group's activities. They constructively challenge and help develop proposals on strategy, bringing strong independent judgement, knowledge and experience to the Board's deliberations.

The Group's wider organisational structure has clear lines of responsibility. Operating and financial responsibility for all subsidiary companies is the responsibility of the Board. The CODM monitors operating performance through the regular review of financial reports and by holding regular formal and informal discussions with senior managers and their respective senior personnel.

All Board members have full access to the Group's advisors for seeking professional advice at the Company's expense and the Group's culture is to openly discuss any important issues.

Composition, succession and evaluation

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.

In accordance with the Articles of Association, one-third of the Board excluding the Group Managing Director, is subject to re-election by rotation annually.

Audit, risk and internal control

On page 09 of this Annual Report a range of performance measures and risks are detailed. These are used to monitor and manage the business, with some of them considered key performance indicators ("KPIs").

On pages 30 to 33 of this Annual Report and Accounts there are details of the Group's internal financial control procedures and risk management practices. The Group has a long-established framework of internal financial controls and the Board recognises that the Group operates in highly competitive markets that can be affected by factors and events outside its control. Accordingly, an annual review of the material controls, including financial, operational, compliance and risk management systems, is undertaken during the year by the internal audit function.

The Audit Committee is responsible for ensuring the financial performance of the Group is properly measured and reported and for reviewing reports from auditors relating to the Group accounts and the Group's internal control systems. The Audit Committee also reviews the independence and the objectivity of the auditor and the supply of non-audit services. The Audit Committee normally comprises of the Non-Executive Chairman and an Independent Non-Executive Director, however, for an interim period where the Non-Executive Chairman has been appointed to the additional role of Group Finance Director, the Chair of the Audit Committee (see Directors section) is the sole member of the Audit Committee. During the year ended 31 March 2020, two Audit Committee meetings were held where all Directors in post participated (2019: two meetings).

Remuneration

On pages 24 to 29 is the full Remuneration Report which details the remuneration policy of the Group.

The Remuneration Committee has a long-standing and practical approach to avoiding complex remuneration packages, based upon intricate formulaic outcomes that inadvertently drive behaviour away from the long-term sustainable growth strategy.

Typically, Executive Director basic salary adjustments track global employee averages on a belated and cumulative multi-year basis. The bonus element is linked to a combination of annual performance and the successful delivery of the Company's long-term strategy, with discretion applied. This is a long-standing practice within the business and is evidenced by historic total remuneration awards.

The Remuneration Committee is mindful of promoting long-term shareholdings by the Executive Directors to support the alignment of the Executive Directors' interests with those of the shareholders.

By order of the Board

Nigel Clark

Group Non-Executive Chairman and Group Finance Director

19 June 2020

directors' remuneration report

Introduction

This report has been prepared in accordance with the regulations regarding the 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 Committee reviewed the existing policy revised in 2014 and deemed no change necessary to the current arrangements. Therefore, there has been no change in remuneration policy in 2020.

Consideration of employment conditions elsewhere in the Group

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

The Committee has not used formal comparison measures.

Remuneration Committee

The Board has established a Remuneration Committee that currently comprises Nigel Clark (Committee Chairman), Geoff Barnes and Chris Gurry. No member of the Remuneration Committee participates in deciding their personal remuneration package. During the year ended 31 March 2020, there were three meetings (2019: two meetings) two of which all Directors in post participated.

Remuneration policy

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

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

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

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

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

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

The Company has no long-term incentive plans for Directors and no separate share option scheme exists solely for Executive Directors and they therefore only participate in share option plans that are eligible to all employees. The Committee believes that share option schemes for all employees maximise shareholder value over time and therefore no specific performance conditions attach to the number of options granted to Executive Directors on an individual basis.

directors' remuneration report **continued**

Policy on payment for loss of office

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

Single total figure of remuneration (audited)

Individual Directors' remuneration was as follows:

2020	**Salary £'000**	**Bonus £'000**	**Benefits in kind £'000**	**Total excluding pension £'000**	**Contribution to pension £'000**	**Benefits total £'000**
Nigel Clark	**97**	**—**	**4**	**101**	**—**	**101**
Chris Gurry	**224**	**—**	**27**	**251**	**27**	**278**
Neil Pritchard[1]	**146**	**—**	**18**	**164**	**14**	**178**
Hugh Rudden	**154**	**20**	**9**	**183**	**15**	**198**
Geoff Barnes	**25**	**—**	**1**	**26**	**—**	**26**
Jim Lindop	**23**	**—**	**1**	**24**	**—**	**24**
	669	**20**	**60**	**749**	**56**	**805**

2019	Salary £'000	Bonus £'000	Benefits in kind £'000	Total excluding pension £'000	Contribution to pension £'000	Benefits total £'000
Nigel Clark	69	—	1	70	—	70
Chris Gurry	214	43	32	289	25	314
Neil Pritchard[1]	149	29	21	199	14	213
Hugh Rudden	147	30	9	186	14	200
Geoff Barnes	25	—	1	26	—	26
Jim Lindop	23	—	1	24	—	24
	627	102	65	794	53	847

1. N Pritchard left employment with the Company on the 29 February 2020.

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

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

Year	Group Managing Director	Total remuneration including bonus £'000	Annual bonus payout/ maximum opportunity %	Long-term incentive vesting rates against maximum opportunity %
2020	**Chris Gurry**	**278**	**0%/50%**	**n/a**
2019	Chris Gurry	314	20.0%/50%	n/a
2018	Chris Gurry	315	22.0%/50%	n/a
2017	Chris Gurry	313	22.0%/50%	n/a
2016	Chris Gurry	289	17.5%/50%	n/a

Change in Group Managing Director's remuneration:

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

	2020 £'000	2019 £'000	2018 £'000
Basic salary	**224**	214	214
Taxable benefits and pension	**54**	57	54
Annual bonus	**—**	43	47
Total remuneration of Group Managing Director	**278**	314	315
Total remuneration of employees	**13,966**	13,530	14,118

Share options (audited)

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

	Number of options at 1 April 2019 '000	Options exercised in year '000	Gain on options exercised in year '000	Options lapsed in year '000	**Number of options at 31 March 2020 '000**	Exercise price	Exercise date
Chris Gurry	20	—	—	—	**20**	£2.20	15 June 2014 to 14 June 2021[1]
	30	—	—	—	**30**	£3.51	25 Sept 2018 to 25 Sept 2025
	75	—	—	—	**75**	£2.79	19 Mar 2022 to 18 Mar 2029
Hugh Rudden	12	—	—	—	**12**	£3.125	17 Sept 2017 to 17 Sept 2024[1]
	25	—	—	—	**25**	£3.475	25 Sept 2018 to 25 Sept 2025[1]
	55	—	—	—	**55**	£5.20	28 Mar 2021 to 28 Mar 2028
	75	—	—	—	**75**	£2.79	19 Mar 2022 to 18 Mar 2029
	292	—	—	—	**292**		

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. On leaving his employment on 29 February 2020, N Pritchard's outstanding options lapsed and none were exercised in the year.

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 27 to the financial statements. The number of Directors who were members of pension schemes operated by the Company (where a member is defined as a current member, deferred member or pension member) was:

	2020 Number	2019 Number
Defined contributions scheme	**2**	3

Life assurance cover and widows' death-in-service cover was provided under a separate policy for the year ended 31 March 2020.

Company contributions of £56,000 (2019: £53,000) 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 (2019: 65 years). There are no additional benefits that will become receivable by a Director in the event of early retirement.

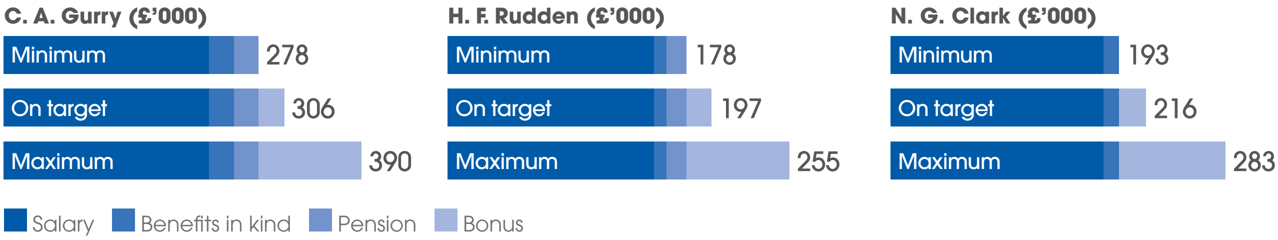
directors' remuneration report **continued**

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.

Remuneration scenarios

An indication of the possible level of remuneration that would be received by each Executive Director in the year commencing 1 April 2020 in accordance with the Directors' remuneration policy and contractual terms, is shown below:



The "minimum" remuneration consists of the base salary, benefits and pension as disclosed in the remuneration table for 2020 contained within this report. The "on target" remuneration is the minimum remuneration figure plus, as an example, a 12.5% bonus paid on the base salary element part of the minimum remuneration. There are no contractual targets set for Directors' bonuses and in the last five years bonus levels have ranged from zero to 22.5% of the base salary element. The maximum remuneration assumes a 50% bonus paid on the base salary element part of the minimum remuneration.

Non-Executive Directors

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

Directors' service contracts

Chris Gurry is employed by the Company under a written contract of employment that provides for termination by either party giving twelve months' notice. Hugh Rudden is employed by the Company under a written service contract that provides for termination by either party giving six months' notice.

Jim Lindop has a service contract effective from 1 April 2019. Nigel Clark has a service contract effective from 19 January 2015. Geoff Barnes has a service contract effective from 1 April 2017. 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.

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.

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 2020. Any movements awarded to salary are shown on page 26 and no external advice was taken in reaching this decision.

Relative importance of spend on pay

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

	2020 £'000	2019 £'000	Movement £'000	Movement %
Employee remuneration	**13,966**	13,530	436	3.2%
Group Managing Director remuneration	**278**	314	(36)	(11.5%)
Distributions to shareholders (interim and final dividends paid)	**1,332**	1,332	—	0.0%

Shareholder voting

At the AGM on 31 July 2019, there was an advisory vote on the resolution to approve the Remuneration Report the result of which is detailed below:

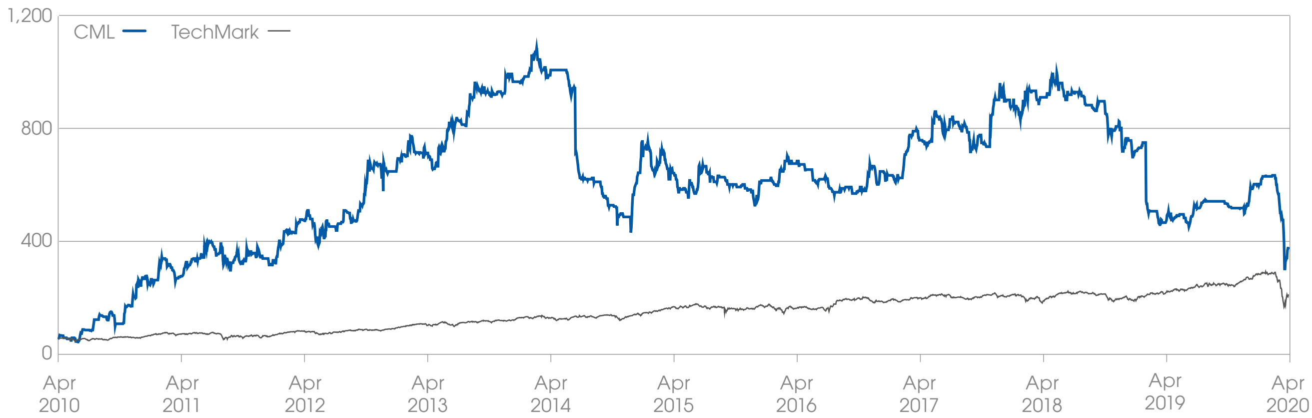
	% of votes for	% of votes against	% of votes withheld
Resolution to approve the Remuneration Report	94.95	5.05	0.00

Consideration of shareholder views

No shareholder views have been taken into account when formulating this policy. In accordance with the regulations, an ordinary resolution for approval of this policy will be put to the shareholders at the AGM in July 2020.

Company's performance

The graph below shows the total shareholder return on a holding of shares in the Company as against the average total shareholder return ("TSR") of the companies comprising the TechMark 100 Index for the last ten years. The TechMark 100 Index was selected because in the opinion of the Board it is the most appropriate for benchmarking the Company.



On behalf of the Board of Directors

Nigel Clark

Chairman of the Remuneration Committee

19 June 2020

directors' report

Directors' Report

The Directors submit their report and Group financial statements for the year ended 31 March 2020 in addition to the Directors' Remuneration Report on pages 24 to 29.

The Directors referred to on pages 20 and 21 all served throughout the year ended 31 March 2020.

Corporate governance statement

The Disclosure and Transparency Rules ("DTR") require certain information to be included in a corporate governance statement. Information that fulfils these requirements has been incorporated into the Directors' Report.

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 communications and data storage industries.

Business review and future developments

The Strategic Report on pages 01 to 19 provides an analysis of the business of the Group along with the development and performance of the business during the year and the position at the year end along with future developments. A range of performance measures to monitor and manage the business are discussed within the Strategic Report on page 09.

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 2.0p per 5p ordinary share was paid on 11 December 2019 to shareholders on the Register on 29 November 2019.

The Directors are proposing to pay a final dividend of 2.0p per 5p ordinary share, taking the total dividend amount in respect of the year ended 31 March 2020 to 4.0p (2019: 7.8p total dividends).

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 Corporate Social Responsibility section on page 19 and future developments in the Group Managing Director's review on page 16. In accordance with S414C (11) of the Companies Act 2006, these have been included in the Strategic Report: Greenhouse Gas Emissions, Energy Consumption and Energy Efficiency.

Share capital

The Company's authorised and issued ordinary share capital as at 31 March 2020 comprised a single class of ordinary shares. Details of movements in the issued share capital can be found in note 29 to the financial statements. Each share carries the right to one vote at general meetings of the Company. During the period 2,486 ordinary shares (2019: 63,143 ordinary shares) in the Company were issued under the terms of the various share option schemes.

Restrictions on transfer of securities

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

Variation of rights

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

Rights and obligations attaching to shares

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

Powers for the Company issuing or buying back its own shares

The Company was authorised by shareholders, at the 2018 AGM, to purchase in the market up to 2,576,274 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 2,576,274 ordinary shares of 5p at this year's AGM.

The Directors were granted authority at the 2019 AGM to allot relevant securities up to a nominal amount of £572,505. 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 £572,588.

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 10 June 2020, the Company had been notified under DTR 5 of the following significant holdings of voting rights in its shares.

Registered holder	Type of investor	% of issued share capital
Miton Group Plc	Institutional investor	12.41%
Otus Capital Management	Institutional Investor	9.17%
J. M. Gurry	Private investor	9.14%
Herald Investment Management	Institutional investor	6.28%
M. I. Gurry	Private investor	5.60%
T. M. R. Dean	Private investor	5.55%
Schroder Investment Management Limited	Institutional investor	4.89%
Ruffer Investment Management	Institutional investor	3.74%
Legal and General Investment Management Limited	Institutional investor	3.57%
Slater Investments Limited	Institutional investor	3.29%

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 zero days (2019: zero days). The Group's general policy is to pay all creditors in a period between 30 and 45 days.

Market value of land and buildings

Investment properties in both the Group and Company comprise freehold and leasehold land and buildings and it is from the operating leases on these properties that the Group's rental income is generated. Everett Newlyn, Chartered Surveyors and Commercial Property Consultants, professionally valued on a triennial basis the Company's investment properties on the basis of open market value as at 31 March 2018, at a valuation of £3,690,000.

Directors and their interests

The Directors of the Company at 31 March 2020, 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 2020	31 March 2019
Nigel Clark	**24,600**	24,600
Chris Gurry[1]	**908,816**	908,816
Hugh Rudden	**—**	—
Geoff Barnes	**12,000**	12,000
Jim Lindop	**—**	—

1. Chris Gurry's shareholding amounts to 5.30% of the issued share capital.

The above interests in the ordinary share capital of the Company are beneficial. Details of the Directors' interests in options granted over ordinary shares are disclosed in the Directors' Remuneration Report. There have been no changes in the Directors' interests in shares between 1 April 2020 and 9 June 2020. 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 2020, Directors' and officers' liability insurance for the benefit of all Directors of the Company.

Annual General Meeting

The notice of the Annual General Meeting sets forth resolutions for the customary ordinary business resolutions 1 to 7 and also special business comprising one ordinary resolution, 8 and three special resolutions, 9, 10 and 11 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 29. Although no specific basis, such as the gearing ratio, is used to monitor the capital, the Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Interest rate, liquidity and foreign currency management

Further information regarding these matters is provided in note 23.

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

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

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

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

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

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

Statement as to disclosure of information to the auditor

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

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

Auditor

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

By order of the Board

Nigel Clark
Company Secretary
19 June 2020

statement of directors' responsibilities
in respect of the financial statements

The Directors submit their report and Group financial statements for the year ended 31 March 2020.

The Directors are responsible for preparing the Strategic Report, the Directors' Report, the Directors' Remuneration Report, the separate Corporate Governance Statement on pages 01 to 33 and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required under the Listing Rules of the Financial Conduct Authority to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the Company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRS adopted by the EU; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the Company transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Directors, whose names and functions are listed on pages 20 and 21 confirm that, to the best of each person's knowledge:

a. the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and
b. the Strategic Report and the Directors' Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the CML Microsystems Plc website.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Opinion
We have audited the financial statements of CML Microsystems Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2020 which comprise the consolidated income statement, the consolidated statement of total comprehensive income, the consolidated and company statements of financial position, the consolidated and company cash flow statements, the consolidated and company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

Summary of our audit approach

Key audit matters	**Group** • Goodwill impairment • Capitalisation of development costs
Materiality	**Group** • Overall materiality: £190,000 (2019: £199,000) • Performance materiality: £142,500 (2019: £149,250) **Parent company** • Overall materiality: £44,000 (2019: £152,000) • Performance materiality: £33,000 (2019: £114,000)
Scope	Our audit procedures covered 79% of revenue, 93% of total assets and 96% of profit before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the group financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) 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 group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Goodwill impairment	
Key audit matter description	The Group has completed a number of past acquisitions and as a result carries goodwill amounting to £10.7m at 31 March 2020. As set out in note 13 of the financial statements, the recoverability of the goodwill arising is dependent on the underlying businesses generating sufficient cash flows in the future. Due to the significant management judgement in forecasting the cash flows and selecting an appropriate discount rate there is a high level of estimation uncertainty which results in there being a significant risk associated with determining whether goodwill is impaired.
How the matter was addressed in the audit	Our audit procedures included reviewing the discounted cash flow models, testing and challenging the judgements and assumptions used by management in their assessment of whether goodwill had been impaired and assessing management's sensitivity analysis on the cash flow model. We have used our knowledge of comparable companies and market data to challenge the assumptions and inputs in determining the discount rate used to calculate the present value of projected future cash flows. We have audited the validity of the model and challenged the valuation model and the basis of management's impairment considerations. We considered the historical accuracy of key assumptions by comparing the accuracy of the previous estimates of profitability and related cash flows to the actual amounts realised. We assessed management's sensitivity analysis of key assumptions, including the revenue growth forecasts and the discount rate and considered whether the disclosures about the sensitivity of the outcome of the impairment assessment to reasonably possible changes in key assumptions were adequate and properly reflected the risks inherent in the assessment of the carrying value of goodwill.
Key observations	We have no other key observations, other than those already considered in this audit report.

Capitalisation of development costs	
Key audit matter description	The Group invests significantly in developing new products to support the future trade of the business and has capitalised development costs of £7.9m (2019: £7.2m) in the year. We identified this as a key audit matter due to the significant amounts invested and the degree of judgement involved in assessing whether the criteria for capitalisation under IAS 38 Intangible Assets are met. We focused our audit procedures on the risks: • that capitalised costs relate to products that are not currently technically feasible or for which the probability of future economic benefits is not yet proven; • that development costs are not amortised over their useful economic lives; • of impairment of existing assets, where new technology potentially supersedes previously capitalised projects or inappropriate amortisation rates are used; and • of potential for fraud or error inherent in judgements over appropriate capitalisation.

Capitalisation of development costs continued	
How the matter was addressed in the audit	Our audit procedures included the following: • reviewing management's process for capitalisation, which include pre-approval papers setting out the anticipated costs and returns to be generated by the products; • holding discussions with regional managers responsible for the products to gain an understanding of the projects, and to inform our assessment as to the feasibility and economic benefits of individual projects; • testing a sample of project additions in the year against the IAS 38 capitalisation criteria; • performing a number of audit procedures on internal staff costs capitalised including substantive testing to payroll records, discussions with management on the proportion of time spent and nature of work attributable to the project; • reviewing the track record of sales and profitability of the products with a carrying value at the year end for indicators of impairment. This included reviewing the profile of significant products to assess whether any had significant sales declines and held discussions with management to challenge whether these are still expected to generate future sales; and • performing analytical tests on the costs capitalised to identify items that in our judgement appeared unusual, and obtaining explanations and supporting evidence from management, for example challenging changes in patterns of capitalisation.
Key observations	We have no other key observations, other than those already considered in this audit report.

There were no other key matters in relation to either the group or parent company.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	Parent company
Overall materiality	£190,000 (2019: £199,000)	£44,000 (2019: £152,000)
Basis for determining overall materiality	5% of a combination of EBITDA and Profit before tax	1% of Net assets
Rationale for benchmark applied	Profit measure used for the trading activities of the Group.	The parent company is a holding company so net assets have been used as the benchmark. The percentage applied to the benchmark has been restricted for the purpose of calculating an appropriate component materiality.
Performance materiality	£142,500 (2019: £149,250)	£33,000 (2019: £114,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £9,500 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £5,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The group consists of 9 components, located in the following countries;

- United Kingdom (three)
- Germany
- China
- USA (two)
- Singapore
- Taiwan

The coverage achieved by our audit procedures was therefore:

	Number of components	Revenue	Total assets	Profit before tax
Full scope audit	6	79%	93%	96%
Analytical procedures	3	21%	7%	4%
Total	**9**	**100%**	**100%**	**100%**

Of the above full scope audit, 1 component was undertaken by component auditors.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 01 to 33, 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 34, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Other matters which we are required to address

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

The period of total uninterrupted engagement is 33 years, covering the years ending 1988 to 2020.

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

19 June 2020

consolidated income statement
for the year ended 31 March 2020

	Notes	2020 £'000	2019 £'000
Continuing operations			
Revenue	3	**26,420**	28,140
Cost of sales	4	**(6,855)**	(7,887)
Gross profit		**19,565**	20,253
Distribution and administration costs	4	**(18,762)**	(18,074)
		803	2,179
Other operating income	5	**689**	635
Profit from operations		**1,492**	2,814
Share-based payments	30	**(139)**	(117)
Profit after share-based payments		**1,353**	2,697
Profit on disposal of property	16	**—**	222
Profit on disposal of property, plant and equipment	15	**11**	—
Finance income	8	**106**	64
Finance expense	8	**(96)**	(1)
Profit before taxation		**1,374**	2,982
Income tax credit/(expense)	9	**162**	(288)
Profit after taxation attributable to equity owners of the parent		**1,536**	2,694
Basic earnings per share			
From profit for year	11	**8.98p**	15.77p
Diluted earnings per share			
From profit for year	11	**8.94p**	15.36p
Adjusted EBITDA	12	**8,276**	8,754

consolidated statement of total comprehensive income
for the year ended 31 March 2020

	Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Profit for the year			**1,536**		2,694
Other comprehensive expense/income:					
Items that will not be reclassified subsequently to profit or loss:					
Actuarial loss on retirement benefit obligations	27	**(995)**		(1,317)	
Deferred tax on actuarial loss	26	**187**		224	
Items that may be reclassified subsequently to profit or loss upon derecognition:					
Foreign exchange differences		**308**		104	
Other comprehensive expense for the year net of taxation attributable to equity owners of the parent			**(500)**		(989)
Total comprehensive income for the year attributable to the equity owners of the parent			**1,036**		1,705

consolidated statement of financial position
as at 31 March 2020

	Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Assets					
Non-current assets					
Goodwill	13		**10,741**		9,235
Other intangible assets	14		**1,823**		1,775
Development costs	18		**16,930**		14,495
Property, plant and equipment	15		**4,976**		5,307
Right-of-use assets	15		**1,184**		—
Investment properties	16		**3,170**		3,170
Investments	17		**83**		83
Deferred tax assets	26		**1,343**		908
			40,250		34,973
Current assets					
Inventories	19	**2,390**		2,882	
Trade receivables and prepayments	20	**5,075**		3,430	
Current tax assets	25	**1,044**		1,118	
Cash and cash equivalents	21	**8,479**		13,471	
			16,988		20,901
Total assets			**57,238**		55,874
Liabilities					
Current liabilities					
Bank loans and overdrafts	22		**—**		662
Trade and other payables	24		**4,036**		4,634
Leased liabilities	24		**502**		—
Current tax liabilities	25		**85**		77
Provisions – current	28		**—**		195
			4,623		5,568
Non-current liabilities					
Deferred tax liabilities	26	**4,960**		4,420	
Leased liabilities	24	**568**		—	
Retirement benefit obligation	27	**4,697**		3,548	
Provisions – non-current	28	**—**		16	
			10,225		7,984
Total liabilities			**14,848**		13,552
Net assets			**42,390**		42,322
Capital and reserves attributable to equity owners of the parent					
Share capital	29		**859**		859
Share premium	30		**9,286**		9,279
Capital redemption reserve	30		**9**		9
Treasury shares – own share reserve	30		**(80)**		(342)
Share-based payments reserve	30		**582**		507
Foreign exchange reserve	30		**1,714**		1,406
Accumulated profits reserve	30		**30,020**		30,604
Total shareholders' equity			**42,390**		42,322

The financial statements on pages 40 to 83 were approved and authorised for issue by the Board on 19 June 2020, 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 2020

	Notes	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Operating activities					
Profit for the year before taxation		**1,374**	2,982	**2,147**	2,966
Adjustments for:					
Depreciation – on property, plant and equipment		**397**	400	**83**	81
Depreciation – on right-of-use assets		**456**	—	**—**	—
Amortisation of development costs		**5,708**	5,146	**—**	—
Amortisation of intangibles recognised on acquisition and purchased		**212**	172	**42**	16
Profit on disposal of property, plant and equipment		**(5)**	(222)	**—**	(222)
Movement in non-cash items (pension)		**154**	161	**—**	—
Share-based payments		**139**	117	**139**	117
Movement in provisions		**—**	(193)	**—**	—
Finance income		**(106)**	(64)	**(2)**	(2)
Finance expense		**96**	1	**—**	—
Movement in working capital	33	**(1,868)**	(1,743)	**450**	(2,051)
Cash flows from operating activities		**6,557**	6,757	**2,859**	905
Income tax received		**526**	454	**—**	—
Net cash flows from operating activities		**7,083**	7,211	**2,859**	905
Investing activities					
Acquisition of subsidiary, net of cash acquired		**(1,295)**	—	**(1,295)**	—
Purchase of property, plant and equipment		**(57)**	(294)	**—**	(22)
Investment in development costs		**(7,936)**	(7,169)	**—**	—
Lease liability repayments		**(682)**	—	**—**	—
Proceeds from disposal of property, plant and equipment		**11**	750	**—**	750
Investment in intangibles		**(28)**	(368)	**(28)**	(235)
Investment in loan note		**(323)**	—	**—**	—
Finance income		**106**	64	**2**	2
Finance expense		**(34)**	(1)	**—**	—
Net cash flows (used in)/from investing activities		**(10,238)**	(7,018)	**(1,321)**	495
Financing activities					
Issue of ordinary shares		**7**	214	**7**	214
Issue/(purchase) of own shares for treasury		**—**	(152)	**—**	(152)
Dividends paid to shareholders		**(1,332)**	(1,332)	**(1,332)**	(1,332)
Net cash flows used in financing activities		**(1,325)**	(1,270)	**(1,325)**	(1,270)
(Decrease)/increase in cash and cash equivalents		**(4,480)**	(1,077)	**213**	130
Movement in cash and cash equivalents:					
At start of year	21	**12,809**	13,816	**294**	172
(Decrease)/increase in cash and cash equivalents		**(4,480)**	(1,077)	**213**	130
Effects of exchange rate changes		**150**	70	**—**	(8)
At end of year	33	**8,479**	12,809	**507**	294

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

consolidated statement of changes in equity

for the year ended 31 March 2020

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Treasury shares £'000	Share-based payments £'000	Foreign exchange reserve £'000	Accumulated profits reserve £'000	Total £'000
At 31 March 2018	856	9,068	9	(190)	443	1,302	30,282	41,770
Profit for year							2,694	2,694
Other comprehensive income								
Foreign exchange differences						104		104
Net actuarial gain recognised directly to equity on retirement benefit obligations							(1,317)	(1,317)
Deferred tax on actuarial gain							224	224
Total comprehensive income for year	—	—	—	—	—	104	1,601	1,705
	856	9,068	9	(190)	443	1,406	31,883	43,475
Transactions with owners in their capacity as owners								
Issue of ordinary shares	3	211						214
Purchase of own shares – treasury				(152)				(152)
Dividend paid							(1,332)	(1,332)
Total transactions with owners in their capacity as owners	3	211	—	(152)	—	—	(1,332)	(1,270)
Share-based payments					117			117
Cancellation/transfer of share-based payments					(53)		53	—
At 31 March 2019	859	9,279	9	(342)	507	1,406	30,604	42,322
Changes in accounting policy IFRS 16							(30)	(30)
Restated at 31 March 2019	859	9,279	9	(342)	507	1,406	30,574	42,292
Profit for year							**1,536**	**1,536**
Other comprehensive income								
Foreign exchange differences						**308**		**308**
Net actuarial gain recognised directly to equity on retirement benefit obligations							**(995)**	**(995)**
Deferred tax on actuarial gain							**187**	**187**
Total comprehensive income for year	**—**	**—**	**—**	**—**	**—**	**308**	**728**	**1,036**
	859	**9,279**	**9**	**(342)**	**507**	**1,714**	**31,302**	**43,328**
Transactions with owners in their capacity as owners								
Issue of ordinary shares – exercise of share options	**—**	**7**						**7**
Issue of own shares – treasury				**262**			**(14)**	**248**
Dividend paid							**(1,332)**	**(1,332)**
Total transactions with owners in their capacity as owners	**—**	**7**	**—**	**262**	**—**	**—**	**(1,346)**	**(1,077)**
Share-based payment charge					**139**			**139**
Cancellation/transfer of share-based payments					**(64)**		**64**	**—**
At 31 March 2020	**859**	**9,286**	**9**	**(80)**	**582**	**1,714**	**30,020**	**42,390**

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

company statement of financial position
as at 31 March 2020

	Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Assets					
Non-current assets					
Intangible assets	14		**596**		611
Property, plant and equipment	15		**4,507**		4,591
Investment properties	16		**3,170**		3,170
Investments	17		**14,508**		12,964
Deferred tax assets	26		**232**		210
			23,013		21,546
Current assets					
Trade receivables and prepayments	20	**813**		1,153	
Cash and cash equivalents	21	**507**		294	
			1,320		1,447
Total assets			**24,333**		22,993
Liabilities					
Current liabilities					
Trade and other payables	24		**764**		654
Current tax liabilities	25		**36**		—
			800		654
Non-current liabilities					
Deferred tax liabilities	26		**689**		604
Total liabilities			**1,489**		1,258
Net assets			**22,844**		21,735
Equity					
Share capital	29		**859**		859
Share premium	30		**9,286**		9,279
Capital redemption reserve	30		**9**		9
Treasury shares – own share reserve	30		**(80)**		(342)
Share-based payments reserve	30		**582**		507
Merger reserve	30		**316**		316
Accumulated profits reserve	30		**11,872**		11,107
Total shareholders' equity			**22,844**		21,735

The parent company profit for the financial year attributed in the financial statements of the parent company was £2,033,000 (2019: £2,999,000). The financial statements on pages 40 to 83 were approved and authorised for issue by the Board on 19 June 2020 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 2020

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Treasury shares £'000	Share-based payments £'000	Merger reserve £'000	Accumulated profits £'000	Total £'000
At 31 March 2018	856	9,068	9	(190)	443	316	9,387	19,889
Profit for year							2,999	2,999
Total comprehensive income for year	—	—	—	—	—	—	2,999	2,999
	856	9,068	9	(190)	443	316	12,386	22,888
Transactions with owners in their capacity as owners								
Issue of ordinary shares	3	211						214
Purchase of own shares – treasury				(152)				(152)
Dividend paid							(1,332)	(1,332)
Total transactions with owners in their capacity as owners	3	211	—	(152)	—	—	(1,332)	(1,270)
Share-based payments					117			117
Cancellation/transfer of share-based payments					(53)		53	—
At 31 March 2019	859	9,279	9	(342)	507	316	11,107	21,735
Profit for year							**2,033**	**2,033**
Total comprehensive income for year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
	859	**9,279**	**9**	**(342)**	**507**	**316**	**13,140**	**23,768**
Transactions with owners in their capacity as owners								
Issue of ordinary shares – exercise of share options	**—**	**7**						**7**
Issue of own shares – treasury				**262**				**262**
Dividend paid							**(1,332)**	**(1,332)**
Total transactions with owners in their capacity as owners	**—**	**7**	**—**	**262**	**—**	**—**	**(1,332)**	**(1,063)**
Share-based payment charge					**139**			**139**
Cancellation/transfer of share-based payments					**(64)**		**64**	**—**
At 31 March 2020	**859**	**9,286**	**9**	**(80)**	**582**	**316**	**11,872**	**22,844**

notes to the financial statements
for the year ended 31 March 2020

1 Accounting policies
The financial statements have been prepared in accordance with International Financial Reporting Standards and interpretations issued by the IFRIC interpretations committee as endorsed by the EU ("IFRS") and the requirements of the Companies Act applicable to companies reporting under IFRS. The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

a) Basis of accounting and preparation

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 Pounds Sterling and the Company's functional currency is Pounds Sterling and figures are rounded to the nearest thousand pounds.

Going concern

The Group's business activities, performance, position and risks are set out in this Annual Report and Accounts. The financial position of the Group, its cash flows, liquidity position, borrowing facilities and the use of financial instruments and policies relating thereto are detailed in the notes to the financial statements. The report also includes details of the Group's risk mitigation and management.

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

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.

b) Basis of consolidation

These financial statements incorporate the financial statements of the Company and its subsidiary undertakings using the acquisition method of accounting. The results of acquired subsidiary undertakings are included from the date of acquisition. No income statement is presented for CML Microsystems Plc as provided by Section 408 of the Companies Act 2006.

A subsidiary is defined as a company, over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Dormant subsidiaries are not included in the consolidated financial statements on the basis that they are not material to the Group.

c) Segmental reporting

The Group is focused for management purposes on one primary reporting segment, being the semiconductor segment, with similar economic characteristics, risks and returns and the Directors therefore consider there to be one business segment classification.

d) Revenue

The Group recognises revenues from semiconductor products at the point of satisfaction of its performance obligation and at a determined transaction price. Revenues are recognised when invoices are raised and goods have been despatched to the customer and it is probable that the Group will collect the consideration. Revenue is measured at the fair value of the consideration receivable excluding discounts, rebates, Value Added Tax and other sales taxes or duties. Other income such as interest earned and property income is recognised as earned. The Group recognises its revenue in any given period in accordance with these measures and therefore does not recognise future revenues within current revenue. 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 delivery of the products to the customer, i.e. when control passes to the customer. Pricing is fixed and determinable pursuant to agreeing upon pricing lists that establish stand-alone selling prices. There are no further performance obligations associated with these sales. Warranties for all products sold or any loss or damage suffered by a purchaser only extends to the refund of the purchase price or replacement of the product originally sold regardless of how the claim has arisen, therefore it is only accounted for on an actual identified potential liability, in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

e) Intangibles

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Under IFRS 1 First-time Adoption of International Financial Reporting Standards, the Group elected to adopt the 31 March 2005 balance sheet amortised value prepared under UK GAAP for Hyperstone-related goodwill relating and carry out annual impairment reviews as required under IAS 36 and in accordance with IAS 38. Goodwill was recognised for the Sicomm acquisition in August 2016 and Plextek RFI Limited acquired in March 2020. Goodwill is reviewed annually for impairment by comparing its carrying value to the value in use or net selling price of the cash generating unit; any resultant loss being charged through the consolidated income statement. Net selling price is determined using a five-year average of projected future earnings as applied to the price earnings ratio for the technology sector. No impairments are reversed.

1 Accounting policies continued

e) Intangibles continued

Other intangibles

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

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

Intellectual property and software

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

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

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

f) Research and development

Development expenditures that satisfy the recognition criteria as set out in IAS 38 Intangible Assets are shown at historical cost less accumulated amortisation since they have a finite useful life. In determining the period over which the carrying value of the intangible fixed assets are amortised, the Group is required to consider the likely period over which the developed products are likely to generate economic benefits. Amortisation is calculated using the straight-line method to allocate the cost of the development over a period of four years, representing the period over which economic benefit is derived from developed products and is charged to administration costs in the income statement. Research and other development expenditures that fall outside the scope of IAS 38 are charged to the income statement when incurred. An internally generated intangible asset arising from the Group's business development is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits;
- the development cost of an asset can be measured reliably;
- the product or process is technically and commercially feasible; and
- sufficient resources are available to complete the development and to either sell or use the asset.

g) Property, plant and equipment and investment property

All property, plant and equipment, other than investment properties, are stated at historical cost. Depreciation is provided on all property, plant and equipment other than freehold land and investment properties at rates calculated to write each asset down to its estimated residual value over its expected useful life, as follows:

- freehold and long leasehold premises — 2% straight line
- short leasehold improvements — period of the lease
- plant and equipment — 25% straight line
- motor vehicles — 25% straight line

Investment properties are stated at their fair values and are revalued annually by the Directors and every third year by an independent chartered surveyor on an open market basis. No depreciation is provided on freehold investment properties or on leasehold investment properties. In accordance with IAS 40 Investment Properties, gains and losses arising on revaluation of investment properties are shown in the income statement.

h) Taxation

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

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

i) Inventories

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

j) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the year end. Transactions in foreign currencies are recorded at the rates ruling at the date of the transactions. All differences are taken to the income statement. The financial statements of the overseas subsidiaries are translated into Sterling at the average rate of exchange for the period for the income statement and at the closing rate for the statement of financial position. Translation differences are dealt with through the foreign exchange reserve in shareholders' equity. The Group decided to deem the cumulative amount of exchange differences arising on consolidation of the net investments in subsidiaries at 1 April 2004 to be zero.

k) Investments

Investments are stated at cost less any provision for diminution in value.

l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts where there is a set-off arrangement with the bank. Other bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

m) Employee benefits – pension obligations

Group companies operate both defined benefit and defined contribution pension schemes. The schemes are funded through payments to funds administered separately by trustees and these are determined by periodic actuarial calculations in respect of the defined benefit pension schemes. The liability recognised in the statement of financial position in respect of the defined benefit pension schemes is the present value of the defined benefit obligation at the year end less the fair value of the scheme assets. Independent actuaries using the projected unit method calculate the defined benefit obligation annually.

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

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

n) Employee benefits – share-based payments

Share options which are equity settled are valued using the Black-Scholes model. This fair value at the date of the grant is charged to the income statement over the vesting period of the share-based payment scheme. The value of the charge is adjusted to reflect expected and actual levels of options vesting.

Cancelled or settled options are accounted for as an acceleration of vesting. The unrecognised grant date fair value is recognised in the profit or loss in the year that the options are cancelled or settled.

o) Government grants

Government grants receivable to assist the Group with costs in respect of development work are credited against capitalised development costs or capitalised property, plant and equipment so as to match them with the expenditure to which they relate. Other grants that are not of a capital nature are credited to the income statement as part of other operating income. Grants are only recognised when all conditions of the grant have been complied with and are matched to the expenditure to which they relate.

p) Leases

Group as a lessee

Right-of-use assets

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

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

- leased property — over the term of the lease
- lease vehicles — 25% straight line

Lease liabilities

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

Initial measurement of the lease liability

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

1 Accounting policies continued

p) Leases continued

Lease liabilities continued

Initial measurement of the lease liability continued

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

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

Subsequent measurement of the lease liability

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

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

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

Group as a lessor

Leases of property, plant and equipment where the Group has substantially all the risk and rewards of ownership are classified as finance leases. Rental income under these leases is credited to the income statement on a straight-line basis and any contingent rents are recognised as income in the period to which they relate.

q) Dividends

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

r) Critical accounting judgements and Key sources of estimation uncertainty

The preparation of consolidated financial statements under IFRS requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual result. The amortisation period of development costs, the assumptions made (for example mortality, inflation and discount rates) for the UK defined benefit pension scheme and the impairment of goodwill are considered to be critical accounting estimates and judgements; details of which are referred to in this accounting policies note, sections e, f, h, m and t. Deferred tax assets are only recognised when there is a reasonable expectation of recovery.

Critical accounting judgements

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

- **Research and development – measurement and amortisation**
  Distinguishing whether development expenditure satisfies the recognition requirements for the capitalisation of development costs requires the exercise of judgement. The point at which amortisation commences also requires management judgement and therefore, where there is uncertainty on when to begin amortisation, a conservative approach is taken. The corresponding amortisation period is derived from existing developed products in the markets served and therefore the assumption is that new products will provide economic benefit for similar periods of time. Depending on these factors, judgement is exercised whether research and development costs are impaired.
- **Acquisition of Plextek RFI Limited – recognition of intangible assets**
  The initial accounting for the acquisition of Plextek RFI Limited is provisional as the purchase price allocation (and thereby goodwill) has not been completed. Consequently, the fair values stated in the financial statements are only provisional. There is judgement applied determining which separate or legal/contractual intangible assets should be recognised.

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 net selling price of the cash generating unit; the determination of these factors require the exercise of judgement.
- **UK defined benefit pension scheme**
  Actuarial assumptions are made in valuing future benefit pension obligations (as set out in note 27). The principal significant assumptions relate to the rate of inflation, the discount rate and life expectancy of members. Estimates are used for these factors in determining the pension costs and liabilities in the financial statements.
- **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.

The Group has considered the impact of COVID-19 on its critical accounting judgements and key sources of estimation uncertainty and at this time the Group believes there is no material impact of COVID-19 that can be clearly defined. 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.

s) Financial instruments

(i) Recognition of financial instruments

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

(ii) Financial assets

Initial and subsequent measurement of financial assets

(a) Trade, Group and other receivables

Trade receivables are initially measured at their transaction price. Group and other receivables are initially measured at fair value plus transaction costs. Receivables are held to collect the contractual cash flows which are solely payments of principal and interest. Therefore, these receivables are subsequently measured at amortised cost using the effective interest rate method.

(iii) Financial liabilities and equity

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

Initial and subsequent measurement of financial liabilities

(a) Trade, Group and other payables

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

(b) Bank overdrafts

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

(c) Equity instruments

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

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

A financial asset (or part thereof) is derecognised when the contractual rights to cash flows expire or are settled, or when the contractual rights to receive the cash flows of the financial asset and substantially all the risks and rewards of ownership are transferred to another party.

When there is no reasonable expectation of recovering a financial asset it is derecognised.

The gain or loss on derecognition of financial assets measured at amortised cost is recognised in profit or loss.

A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Any difference between the carrying amount of a financial liability (or part thereof) that is derecognised and the consideration paid is recognised in profit or loss.

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

At each year end, the Group reviews the carrying amounts of its non-current assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If such indications exist, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that an asset may be impaired. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease until the associated revaluation reserve is extinguished.

u) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reliably estimated. Provisions are discounted where material to do so.

v) Share capital

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

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

1 Accounting policies continued

w) Acquisitions

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

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

x) Adoption of International Accounting Standards

New standards, amendments to published standards and interpretations to existing standards effective in 2019, with their dates of adoption adopted by the Group and brief description:

IFRS 16 Leases	1 January 2019	IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019	IFRIC 23 clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.
Amendments to IAS 19: Plan Amendment, Curtail or Settlement	1 January 2019	The amendments to IAS 19 include the following: • If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. • In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.
Annual Improvements to IFRS Standards 2015-2017 Cycle	1 January 2019	The improvements in this amendment clarify the requirements of IFRSs and eliminate inconsistencies within and between standards.

With the exception of IFRS 16, discussed further below/above, the implementation of these standards did not have a material impact on the Group's consolidated or Company financial statements.

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

Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020	Issued to clarify the definition of "material" and to align the definition used in the Conceptual Framework and the standards themselves.
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020	Included are revised definitions of an asset and a liability as well as new guidance on measurement and derecognition, presentation and disclosure.

The Directors anticipate that the adoption of these standards and interpretations in future periods will have little or no material impact on the financial statements of the Group, subject to any future business combinations.

(i) IFRS 16 Leases

The Group has adopted IFRS 16 Leases for the financial year ending 31 March 2020, and it has chosen to use a modified retrospective approach to adoption. The approach adopted does not require the restatement of prior year figures. As a result of the fact the right-of-use assets are measured based on the lease commencement date compared to the lease liabilities being calculated based on the initial application date, there is an adjustment to brought forward reserves as shown in the consolidated statement of changes in equity.

- Property leases
- Office equipment leases
- Motor vehicle leases
- Other leases

These leases have been recognised on the balance sheet, in financial liabilities, by recognising the future cash flows of the lease obligation, discounted using an implicit interest rate of 4% for property leases, and 21% for office equipment and 7% for motor vehicles. These rates are in line with industry published discount rates.

Corresponding right-of-use assets have been recognised in the Group balance sheet for right-of-use assets property, office equipment and motor vehicles and have been measured as being equal to the discounted lease liability at the date of inception plus any lease payments made at or before the inception of the lease. Cash flows from these leases have been recognised by including the lease payments in cash flows from investing activities.

As the Group has chosen to adopt IFRS 16 using the modified retrospective approach, comparatives have not been restated and are accounted for under the Group's previous lease accounting policy.

Under this approach, prior year figures have not been restated to reflect leases that were in effect at that time. On transition to IFRS 16, the Group has applied the practical expedient of using a single discount rate to a portfolio of leases with reasonably similar characteristics:

- Using a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has chosen to transition all leases previously identified under IAS 17 to IFRS 16 and has not reassessed whether these contracts are leases.
- Reliance on the assessment of onerous leases at 31 March 2019 instead of performing an impairment review on transition at 1 April 2019.
- In assessing the length of the lease, where options to extend or terminate the contract exist at the transition date these have been taken into account or the known length of the lease has been used.

Key judgements and estimates

The Group determines the lease term as the non-cancellable term of the lease together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Where the implicit rate of interest relating to a lease is not readily available, the Group has used a discounted rate of 4% for property leases and 7% for motor vehicles.

	£'000
Undiscounted operating lease obligations as at 31 March 2019	1,038
Discounting	(48)
Lease liabilities at 1 April 2019	**990**

The effect of adoption of IFRS 16 as at 1 April 2019 (increase/(decrease)) is as follows:

	£'000
Non-current assets	
Right-of-use assets	960
Total assets	**960**
Liabilities	
Lease liabilities	990
Total liabilities	**990**
Net assets	**(30)**
Equity	
Reserves	(30)
Total equity	**(30)**

notes to the financial statements **continued**
for the year ended 31 March 2020

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 primary reporting segment, being the semiconductor segment, with similar economic characteristics, risks and returns, and the Directors therefore consider there to be one business segment classification.

Information about revenue, profit/loss, assets and liabilities

	2020		2019	
	Semiconductor components £'000	**Group £'000**	Semiconductor components £'000	Group £'000
Total segmental revenue	**26,420**	**26,420**	28,140	28,140
Profit				
Segmental result	**1,353**	**1,353**	2,697	2,697
Finance income		**106**		64
Finance expense		**(96)**		(1)
Profit on disposal of property, plant and equipment		**11**		222
Income tax receipt/(expense)		**162**		(288)
Profit after taxation		**1,536**		2,694
Assets and liabilities				
Segmental assets		**51,681**		50,678
		51,681		50,678
Unallocated corporate assets				
Investment properties		**3,170**		3,170
Deferred tax assets		**1,343**		908
Current tax assets		**1,044**		1,118
Consolidated total assets		**57,238**		55,874
Segmental liabilities	**5,106**		5,507	
		5,106		5,507
Unallocated corporate liabilities				
Deferred tax liabilities		**4,960**		4,420
Current tax liabilities		**85**		77
Retirement benefit obligation		**4,697**		3,548
Consolidated total liabilities		**14,848**		13,552

	2020		2019	
	Semiconductor components £'000	**Group £'000**	Semiconductor components £'000	Group £'000
Property, plant and equipment additions	**57**	**57**	294	294
Right-of-use assets additions	**86**	**86**	—	—
Development cost additions	**7,936**	**7,936**	7,169	7,169
Intangible additions	**28**	**28**	368	368
Depreciation	**397**	**397**	400	400
Depreciation – right-of-use assets	**456**	**456**	—	—
Amortisation of development costs	**5,708**	**5,708**	5,146	5,146
Amortisation of acquired and purchased intangibles	**212**	**212**	172	172
Other non-cash expenditure (pension)	**154**	**154**	161	161

Geographical information (by origin)

	UK £'000	Rest of Europe £'000	Americas £'000	Far East £'000	Total £'000
Year ended 31 March 2020					
Revenue to third parties – by origin	**6,793**	**5,903**	**4,856**	**8,868**	**26,420**
Property, plant and equipment	**4,724**	**182**	**30**	**40**	**4,976**
Right-of-use assets	**164**	**244**	**547**	**229**	**1,184**
Investment properties	**3,170**	**—**	**—**	**—**	**3,170**
Development costs	**6,161**	**9,793**	**—**	**976**	**16,930**
Intangibles – software and intellectual property	**596**	**—**	**—**	**118**	**714**
Goodwill	**1,531**	**3,512**	**—**	**5,698**	**10,741**
Other intangible assets arising on acquisition	**235**	**—**	**—**	**874**	**1,109**
Total assets	**24,606**	**16,984**	**2,203**	**13,445**	**57,238**
Year ended 31 March 2019					
Revenue to third parties – by origin	7,419	6,051	5,207	9,463	28,140
Property, plant and equipment	4,941	260	66	40	5,307
Investment properties	3,170	—	—	—	3,170
Development costs	5,359	9,136	—	—	14,495
Intangibles – software and intellectual property	611	—	—	—	611
Goodwill	—	3,512	—	5,723	9,235
Other intangible assets arising on acquisition	—	—	—	1,164	1,164
Total assets	25,174	16,070	1,594	13,036	55,874

Revenue contribution from the top two customers provided a combined contribution of approximately 21% (2019: 20% of revenue), although only one of these customers was above the 10% threshold (2019: one customer).

3 Revenue

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

Continuing business	2020 £'000	2019 £'000
Europe	**7,844**	7,201
Far East	**13,182**	15,348
Americas	**4,907**	5,251
Others	**487**	340
	26,420	28,140

In accordance with IFRS 15, the Group's revenue of £26,420,000 is made up of revenue from customers which fall into one of the market application areas of communications or storage only and does not include any other significant revenue. Goods and services are transferred at a point in time, not over time, as detailed in the Group's revenue recognition policy (see note 1).

The Group does not have any contract assets at 31 March 2020 (nil at 31 March 2019) as the Group does not fulfil any of its performance obligations in advance of invoicing to its customer. The Group however does have contractual balances in the form of trade receivables. See note 20 for disclosure of this. The Group also has contractual liabilities of £0.3m at 31 March 2020 (£0.7m at 31 March 2019).

The Group also does not have any contractual costs capitalised at 31 March 2020 (nil at 31 March 2019) or have any outstanding performance obligations at 31 March 2020 (nil at 31 March 2019).

notes to the financial statements **continued**

for the year ended 31 March 2020

4 Profit from continuing operations

	2020		2019	
	£'000	£'000	£'000	£'000
Profit from operations is stated after charging or crediting:				
Cost of sales:				
Depreciation	99		101	
Amount of inventories written down	7		20	
Cost of inventories recognised as expense	6,645		7,672	
Other (stock) movements	104		94	
		6,855		7,887
Distribution and administration costs:				
Distribution costs (mainly staff costs)		3,534		3,374
Administration costs:				
Amortisation of development costs	5,708		5,146	
Research and development expensed	526		1,073	
Amortisation of acquired and purchased intangibles	212		172	
Depreciation – owned assets	397		299	
Depreciation – right-of-use assets	456		—	
Foreign exchange losses/(gains)	48		(255)	
Rentals under operating leases:				
Land and buildings	—		435	
Other operating leases	1		90	
Auditor's fees (see below)	203		188	
Restructuring and reorganisational costs	700		—	
Other expenses (mainly staff costs)	6,977		7,552	
		15,228		14,700
		18,762		18,074

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

	2020 £'000	2019 £'000
Audit services:		
Statutory audit of Company's annual accounts and Group consolidation	56	50
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	45	36
Audit of associated pension schemes	17	15
Other non-audit services	5	5
	123	106
Amounts payable to other auditors in respect of both audit and non-audit services:		
Statutory audit services	51	61
Tax compliance services	23	20
Other services	6	1
	80	82

5 Other operating income

	2020 £'000	2019 £'000
Rental income	**316**	326
Government grants and consulting	**97**	55
Other income	**276**	254
	689	635

All conditions relating to the government grants have been fulfilled and there are no other contingencies. Other income relates to an element of profit on third-party product re-sales.

6 Employees

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Staff costs, including Directors, during the year amounted to:				
Wages and salaries	**11,633**	11,292	**1,036**	1,060
Social security costs	**1,371**	1,312	**134**	130
Other pension and health care costs	**823**	809	**84**	80
Share-based payments	**139**	117	**32**	40
	13,966	13,530	**1,286**	1,310

	Group		Company	
	2020 Number	2019 Number	**2020 Number**	2019 Number
The average number of employees, including Directors, during the year was:				
Administration	**44**	54	**8**	9
Engineering	**101**	105	**—**	—
Manufacturing	**35**	34	**—**	—
Selling	**31**	28	**—**	—
	211	221	**8**	9

7 Directors' emoluments

	2020 £'000	2019 £'000
Remuneration (including fees)	**805**	847
Emoluments in respect of the highest paid Director amounted to:		
Remuneration	**278**	314

Further details on Directors' emoluments, including contributions to pension, can be found in the Directors' Remuneration Report on pages 24 to 29.

8 Finance income and expense

Finance income

	2020 £'000	2019 £'000
Bank interest receivable	**106**	64

Finance expense

	2020 £'000	2019 £'000
Bank interest payable	**34**	1
Bank interest payable – leased liabilities	**62**	—
	96	1

notes to the financial statements **continued**
for the year ended 31 March 2020

9 Income tax expense

a) Analysis of tax expense in period

	2020 £'000	2019 £'000
Current tax		
UK corporation tax on results of the year	**(588)**	(722)
Adjustment in respect of previous years	**—**	4
	(588)	(718)
Foreign tax on results of the year	**245**	92
Foreign tax – adjustment in respect of previous years	**1**	4
Total current tax	**(342)**	(622)
Deferred tax		
Deferred tax – origination and reversal of temporary differences	**97**	913
Deferred tax – relating to changes in rates	**106**	—
Adjustments to deferred tax charge in respect of previous years	**(23)**	(3)
Total deferred tax	**180**	910
Tax (income)/charge on profit on ordinary activities (note 9b)	**(162)**	288

b) Factors affecting tax expense for period

Tax assessed for the period is lower than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £'000	2019 £'000
Profit before tax	**1,374**	2,982
Profit before tax multiplied by the standard rate of UK corporation tax of 19% (2019: 19%)	**261**	567
Effects of:		
Capital allowances less than depreciation	**14**	15
Expenses not deductible for tax purposes	**211**	61
Share-based payments – tax effect	**12**	(7)
Research and development tax credits	**(692)**	(720)
Reversal of recognition of deferred tax assets on losses	**—**	413
Losses expired on assets not recognised	**1**	—
Different tax rates in countries in which the Group operates	**(3)**	100
Adjustments to current tax charge in respect of previous years	**(1)**	8
Adjustments to deferred tax charge in respect of previous years	**(23)**	(3)
Change in deferred tax rate	**107**	(59)
Non-taxable income and other	**(49)**	(87)
Tax (income)/expense for period (note 9a)	**(162)**	288

A deferred tax credit of £187,000 was recognised on an actuarial loss of £995,000 on a retirement benefit net obligation and was recognised in the year in the consolidated statement of total comprehensive income (2019: deferred tax credit of £224,000 on an actuarial loss of £1,317,000 on a retirement benefit net obligation). A deferred tax credit of £107,000 was recognised due to the changes in rate from 17% to 19%.

10 Dividend – proposed

During the year, a final dividend of 5.8p per ordinary share of 5p was paid in respect of the year ended 31 March 2019. An interim dividend of 2.0p per ordinary share was paid on 13 December 2019 to shareholders on the Register on 29 November 2019.

It is proposed to pay a final dividend of 2.0p per ordinary share of 5p, taking the total dividend amount in respect of the year ended 31 March 2020 to 4.0p (2019: total of 7.8p). It is proposed to pay the final dividend of 2.0p, if approved, on 7 August 2020 to shareholders registered on 24 July 2020 (2019: 5 August 2019 to shareholders registered on 5 July 2019).

11 Earnings per ordinary share

	2020 p	2019 p
Basic earnings per share		
From profit for year	**8.98**	15.77
Diluted earnings per share		
From profit for year	**8.94**	15.36

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:

	2020			2019		
Basic earnings per share	**Profit £'000**	**Weighted average number of shares Number**	**Profit per share p**	Profit £'000	Weighted average number of shares Number	Profit per share p
Basic earnings per share – from profit for year	**1,536**	**17,099,216**	**8.98**	2,694	17,087,788	15.77
Diluted earnings per share						
Basic earnings per share	**1,536**	**17,099,216**	**8.98**	2,694	17,087,788	15.77
Dilutive effect of share options	**—**	**88,355**	**(0.04)**	—	448,311	(0.41)
Diluted earnings per share – from profit for year	**1,536**	**17,187,571**	**8.94**	2,694	17,536,099	15.36

During the year, the Company and staff exercised 2,486 staff share options under the terms of the staff share option schemes at a weighted average price of 3.69p per 5p share.

During the year the Company issued 76,533 treasury shares.

12 Adjusted EBITDA

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

	2020 £'000	2019 £'000
Profit after taxation (earnings)	**1,536**	2,694
Adjustments for:		
Finance income	**(106)**	(64)
Finance expense	**96**	1
Income tax (credit)/expense	**(162)**	288
Depreciation	**397**	400
Depreciation – right-of-use assets	**456**	—
Amortisation of development costs	**5,708**	5,146
Amortisation of purchased and acquired intangibles recognised on acquisition	**212**	172
Share-based payments	**139**	117
Adjusted EBITDA	**8,276**	8,754

13 Goodwill

	2020 £'000	2019 £'000
Cost and net book value		
At 1 April	**9,235**	9,190
Acquired (see note 34)	**1,531**	—
Foreign exchange difference	**(25)**	45
At 31 March	**10,741**	9,235

The goodwill relates to (i) Hyperstone group of companies £3,512,000; (ii) Sicomm group of companies £5,698,000 which is held in RMB, upon Group consolidation is therefore is subject to foreign exchange between periods; and (iii) Plextek RFI £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 and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. The recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell and value in use. Goodwill and other intangibles are allocated to cash generating units, which represent the appropriate level that those cash generating units are monitored for internal management purposes. In assessing value in use, the estimated future cash flows are discounted to their present value utilising a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset, in addition to the basis of the weighted average cost of capital for the Group. Projections are based on budgets for year one and cash flow projections for the following four years' extrapolations using growth rates and terminal cash flows considered to be in line with the economic environment in which the cash generating unit operates, past and current local management experience. In accordance with IAS 36 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 Hyperstone goodwill, Sicomm goodwill and Plextek RFI goodwill

The Directors have considered the carrying value of the goodwill relating to Plextek RFI Limited, since it was acquired on 3 March 2020, and are satisfied that no impairment is required.

The Directors also consider no impairment is required for Hyperstone or Sicomm. The recoverable amount of Hyperstone related goodwill is determined using the fair value less cost of disposal and recoverable amount of Sicomm related goodwill is determined using the value in use methodologies. Net selling price in respect of the Hyperstone goodwill is determined based on current year earnings, adjusted for predicted earnings changes in the next financial year as applied to the price earnings ratio prevailing for the technology sector taking the average of (medium 15.1 and 25th of 9.8) operating in industrial markets (2019: similar metric range). For Sicomm related goodwill, the pre-tax discount rate used was 11.8% and growth rates vary from 7% to 15% over a five-year prospective period (2019: similar metric range). Management consider these key assumptions do not differ from past experience or external sources of information.

Sensitivity analysis

The Group has not identified any reasonable potential changes to key assumptions that would cause the carrying value of the goodwill or other intangibles to exceed its recoverable amount. Fair value less cost of disposal price earnings ratio benchmarks are widely and publicly available in active markets. For value in use methodology in respect of the Sicomm impairment review, the key assumptions are growth rates and discount rate. Long-term growth rates would have to average 1.2% with a reduction in year 2-5 growth rates to 4% or pre-tax discount rates move to 22.09% for 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

Group	Intangible assets acquired in business combinations: Brands £'000	Customer relationships £'000	Intellectual property £'000	Intangible assets capitalised/purchased: Intellectual property £'000	Software £'000	Total £'000
Cost/valuation						
At 1 April 2018	96	935	403	—	392	1,826
Additions	—	—	—	133	235	368
Foreign exchange difference	1	8	3	—	—	12
At 31 March 2019	97	943	406	133	627	2,206
Additions	**37**	**25**	**175**	**—**	**28**	**265**
Foreign exchange difference	**—**	**(5)**	**(2)**	**—**	**—**	**(7)**
At 31 March 2020	**134**	**963**	**579**	**133**	**655**	**2,464**
Amortisation						
At 1 April 2018	16	173	67	—	—	256
Charge for the year	10	104	40	2	16	172
Foreign exchange difference	—	2	1	—	—	3
At 31 March 2019	26	279	108	2	16	431
Charge for the year	**10**	**104**	**42**	**13**	**43**	**212**
Foreign exchange difference	**—**	**(1)**	**(1)**	**—**	**—**	**(2)**
At 31 March 2020	**36**	**382**	**149**	**15**	**59**	**641**
Net book value						
At 31 March 2020	**98**	**581**	**430**	**118**	**596**	**1,823**
At 31 March 2019	71	664	298	131	611	1,775

The intangible assets acquired above were recognised on the acquisition of Sicomm and Plextek RFI Limited in accordance with the provisions of IFRS 3 Business Combinations. There were additional intangibles purchased in the year and these have been shown in accordance with IAS 38 Intangible Assets.

Company	Software £'000	Total £'000
Cost		
At 31 March 2019	627	627
Additions	**28**	**28**
At 31 March 2020	**655**	**655**
Amortisation		
At 31 March 2019	16	16
Charge for the year	**43**	**43**
At 31 March 2020	**59**	**59**
Net book value		
At 31 March 2020	**596**	**596**
At 31 March 2019	611	611

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

notes to the financial statements **continued**
for the year ended 31 March 2020

15 Property, plant and equipment – owned assets

Group	Freehold and long leasehold premises £'000	Short leasehold improvements £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 April 2018	6,062	53	12,288	177	18,580
Additions	—	—	278	16	294
Disposals	—	—	(1,320)	(11)	(1,331)
Foreign exchange difference	—	2	(8)	—	(6)
At 31 March 2019	6,062	55	11,238	182	17,537
Acquired assets	**—**	**—**	**25**	**—**	**25**
Additions	**—**	**—**	**57**	**—**	**57**
Disposals	**—**	**—**	**(1)**	**(61)**	**(62)**
Foreign exchange difference	**—**	**4**	**55**	**(1)**	**58**
At 31 March 2020	**6,062**	**59**	**11,374**	**120**	**17,615**
Depreciation					
At 1 April 2018	1,411	49	11,563	147	13,170
Charge for the year	80	—	313	7	400
Disposals	—	—	(1,320)	(11)	(1,331)
Foreign exchange difference	—	2	(11)	—	(9)
At 31 March 2019	1,491	51	10,545	143	12,230
Charge for the year	**79**	**—**	**312**	**6**	**397**
Disposals	**—**	**—**	**—**	**(56)**	**(56)**
Foreign exchange difference	**—**	**4**	**64**	**—**	**68**
At 31 March 2020	**1,570**	**55**	**10,921**	**93**	**12,639**
Net book value					
At 31 March 2020	**4,492**	**4**	**453**	**27**	**4,976**
At 31 March 2019	4,571	4	693	39	5,307

Company	Equipment £'000	Freehold and long leasehold premises £'000	Total £'000
Cost			
At 1 April 2018 and 31 March 2019	70	6,062	6,132
At 31 March 2020	**70**	**6,062**	**6,132**
Depreciation			
At 1 April 2018	49	1,411	1,460
Charge for the year	1	80	81
At 31 March 2019	50	1,491	1,541
Charge for the year	**5**	**79**	**84**
At 31 March 2020	**55**	**1,570**	**1,625**
Net book value			
At 31 March 2020	**15**	**4,492**	**4,507**
At 31 March 2019	20	4,571	4,591

Right-of-use assets

Group	Property £'000	Office equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 31 March 2019				—
Transition – IFRS 16	**845**	**24**	**91**	**960**
Acquired assets – as part of business combinations	**70**	**—**	**—**	**70**
Additions	**—**	**—**	**86**	**86**
Disposals	**(55)**	**—**	**—**	**(55)**
Effect of modification to lease terms	**467**	**—**	**—**	**467**
Foreign exchange difference	**74**	**—**	**4**	**78**
At 31 March 2020	**1,401**	**24**	**181**	**1,606**
Depreciation				
At 31 March 2019				—
Charge for the year	**379**	**7**	**70**	**456**
Disposals	**(13)**	**—**	**—**	**(13)**
Foreign exchange difference	**(24)**	**—**	**3**	**(21)**
At 31 March 2020	**342**	**7**	**73**	**422**
Net book value				
At 31 March 2020	**1,059**	**17**	**108**	**1,184**
At 31 March 2019	—	—	—	—

16 Investment properties

Group and Company	Investment properties £'000	Total £'000
Valuation		
At 1 April 2019	3,170	3,170
Disposal	**—**	**—**
At 31 March 2020	**3,170**	**3,170**
Net book value		
At 31 March 2020	**3,170**	**3,170**
At 31 March 2019	3,170	3,170

Investment properties are measured at fair value and are revalued annually by the Directors and in every third year by independent Chartered Surveyors on an open market basis. No depreciation is provided on freehold investment properties or on leasehold investment properties. In accordance with IAS 40, gains and losses arising on revaluation of investment properties are shown in the income statement. The open market valuation value of the investment properties recognised is £3,170,000 (2019: £3,170,000). No formal market valuation was conducted in the year.

The value of the investment properties were they to be held at historic cost would be £2,462,000 (2019: £2,462,000).

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

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

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

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

The Group has applied method 2.

16 Investment properties continued

The values used below utilise a level 2 methodology:

	Carrying/ fair value £'000	Valuation technique	Key observable inputs	Range (weighted average) 2020
Investment properties	**3,170**	**Income capitalisation**	**Estimated rental value**	**£7-£10 per sq ft**
			Per sq ft p.a.	**7%-15%**
			Equivalent yield	**10.7%**
	3,170			

The prior year comparative values were as follows:

	Carrying/ fair value £'000	Valuation technique	Key observable inputs	Range (weighted average) 2019
Investment properties	3,170	Income capitalisation	Estimated rental value	£4-£8 per sq ft
			Per sq ft p.a.	8%-15%
			Equivalent yield	11.1%
	3,170			

17 Investments

Group – investments	2020 £'000	2019 £'000
Cost and net book value		
At 1 April	**83**	83
At 31 March	**83**	83

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

Company – investments	2020 £'000	2019 £'000
Cost of investment in subsidiary undertakings:		
As at 1 April	**12,964**	12,964
Additions – acquisitions	**1,941**	—
Capital reduction in the year	**(397)**	—
As at 31 March	**14,508**	12,964
Net book value		
As at 31 March	**14,508**	12,964

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

Name	Country of incorporation	Percentage held	Status	Holding
CML Microsystems Inc	USA	100%	Trading in USA	Direct
CML Microcircuits (UK) Ltd	England	100%	Trading in England	Direct
Plextek RFI Ltd	England	100%	Trading in England	Direct
CML Microcircuits (USA) Inc	USA	100%	Trading in USA	Indirect
CML Microcircuits (Singapore) Pte Ltd	Singapore	100%	Trading in Singapore	Direct
Wuxi Sicomm Technologies, Inc	China	100%	Trading in China	Indirect
Shanghai Futiake Investment Consulting Co., Ltd	China	100%	Holding company	Direct
Wuxi Shilian Communications Technologies, Inc	China	100%	Trading in China	Indirect
Applied Technology (UK) Ltd	England	100%	Dormant	Direct
Integrated Micro Systems Ltd	England	100%	Dormant	Direct
Hyperstone GmbH	Germany	100%	Trading in Germany	Direct
Hyperstone Inc.	USA	100%	Trading in USA	Indirect
Hyperstone Asia Pacific Ltd	Taiwan	100%	Trading in Taiwan	Direct

All of the above companies where holding or trading companies are involved in the design, manufacture and marketing of specialised electronic devices for use in the telecommunications, radio and data communications industries, or dormant as stated. The above all share the same reporting date as the Company, with the exception of the three Chinese subsidiaries above which have, in line with Chinese laws and regulations, a 31 December year end. The Group has accordingly taken up the financial results and financial position of these Chinese subsidiaries up to 31 March 2020.

Company registered addresses/locations are as follows:

CML Microsystems Inc	486 N Patterson Avenue, Suite 301, Winston-Salem, NC 27101, USA
CML Microcircuits (UK) Ltd	Oval Park, Langford, Maldon, Essex, CM9 6WG England
Plextek RFI Ltd	Oval Park, Langford, Maldon, Essex, CM9 6WG England
CML Microcircuits (USA) Inc	486 N Patterson Avenue, Suite 301, Winston-Salem, NC 27101, USA
CML Microcircuits (Singapore) Pte Ltd	150 Kampong Ampat, 05-03A KA Centre, Singapore 368324
Wuxi Sicomm Technologies, Inc	2/F Building B, 21 Changjiang Road, Wuxi, Jiangsu, China
Shanghai Futiake Investment Consulting Co., Ltd	Room B02, F16, No. 2188 Huangxing Road Yangpu District, Shanghai, China
Wuxi Shilian Communications Technologies, Inc	Room 201, Building L, 21 Changjiang Road, Wuxi, Jiangsu, China
Applied Technology (UK) Ltd	Oval Park, Langford, Maldon, Essex, CM9 6WG England
Integrated Micro Systems Ltd	Oval Park, Langford, Maldon, Essex, CM9 6WG England
Hyperstone GmbH	Line-Eid-Strasse 3, 78467 Konstanz, Germany
Hyperstone Inc.	486 N Patterson Avenue, Suite 301, Winston-Salem, NC 27101, USA
Hyperstone Asia Pacific Ltd	3F, No.501, Sec.2, Tiding Boulevard, Neihu District, Taipei City 114, Taiwan

18 Development costs

Group – Developments	2020 £'000	2019 £'000
Cost		
At 1 April	**35,520**	31,503
Additions	**7,936**	7,169
Fully amortised costs	**(2,768)**	(2,759)
Foreign exchange difference	**682**	(393)
At 31 March	**41,370**	35,520
Amortisation		
At 1 April	**21,025**	18,961
Charged in the year	**5,708**	5,146
Fully amortised costs	**(2,768)**	(2,759)
Foreign exchange difference	**475**	(323)
At 31 March	**24,440**	21,025
Net book value		
At 31 March	**16,930**	14,495
At 31 March 2018		12,542

No government grants have been credited to the cost of development in arriving at the net book value at the year end (2019: £Nil).

19 Inventories

	Group	
	2020 £'000	2019 £'000
Raw materials	**1,389**	889
Work in progress	**704**	647
Finished goods	**297**	1,346
	2,390	2,882

20 Trade receivables and prepayments

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Amounts falling due within one year:				
Trade receivables	**3,440**	2,581	**7**	273
Trade receivables – intercompany	**—**	—	**207**	—
Other receivables	**727**	152	**14**	659
Other receivables – intercompany	**—**	—	**321**	—
Prepayments and accrued income	**908**	697	**264**	221
	5,075	3,430	**813**	1,153

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

21 Cash and cash equivalents

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Cash on deposit	**3,591**	9,895	**442**	103
Cash at bank	**4,888**	3,576	**65**	191
	8,479	13,471	**507**	294

Disclosure of foreign currency risk is provided in note 23.

22 Bank loans and overdrafts

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Bank overdraft	**—**	662	**—**	—
	—	662	**—**	—

Undrawn facility details are provided in note 23.

23 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, 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 debt. Its overall capital objective is, in the light of changes in economic conditions, to maintain a strong and efficient capital base to support the Group's strategic growth objectives, provide progressive returns to shareholders and safeguard the Group's status as a going concern.

Interest rate 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 would be required to have a material impact on the cash flow of the Group. The gross overdraft facility provided by the Group's principal bankers is £750,000 (2019: £750,000); and US$100,000 (2019: US$100,000); and is subject to renewal annually. In addition, the Group's German subsidiary has, through its principal bankers, a €1m gross overdraft facility (2019: €1m), renewable on an annual basis.

Foreign currency risk

The Group has overseas subsidiary operations in Germany, the US, China, Taiwan and Singapore. As a result, the Group's Sterling statement of financial position could be affected by movements in the Euro, US Dollar, Chinese Renminbi, Singapore Dollar and Taiwan Dollar to Sterling exchange rates. At 31 March 2020, the Group had cash and cash equivalents denominated in foreign currencies of approximately £4.8m (2019: £5.7m), of which approximately 46% (2019: 41%) was denominated in US Dollars, 47% in Chinese Renminbi (2019: 55%) and 3% (2019: 0%) was denominated in Euros. As national currency of China, the Chinese Renminbi is subject to foreign exchange controls made by that country. The effects of foreign exchange recognised in the income statement amounted to a loss of £48,000 (2019: gain of £255,000).

23 Financial instruments continued

Financial instruments recognised in the consolidated statement of financial position

Group and Company	2020 £'000	2019 £'000
Non-current financial assets		
Equity investment (see note 17)	83	83
Total	83	83

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

	Group		Company	
	2020 Amortised cost £'000	2019 Amortised cost £'000	2020 Amortised cost £'000	2019 Amortised cost £'000
Current financial assets				
Trade and other receivables	4,167	2,733	227	273
Cash and cash equivalents	8,479	13,471	507	294
Total	12,646	16,204	734	567

Trade and other receivables are all due within six months.

At 31 March 2020, £494,000 (2019: £499,000) of trade receivables were denominated in Sterling, £1,677,000 (2019: £1,402,000) in US Dollars, £1,252,000(2019: £652,000) in Euros, and £17,000 in Chinese Renminbi (2019: £28,000). The Directors consider that the carrying amount of trade and other receivables approximate to their fair value. Cash and cash equivalents of £8,479,000 (2019: £13,471,000) 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 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 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 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 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 48 days (2019: 33 days). There were no impairment losses recognised on any financial assets measured at amortised cost at 31 March 2020 (2019: £Nil). Based on the profile of the Group's trade receivables and history of bad debts, no loss allowance provision has been recognised on the basis this would be highly immaterial. At 31 March 2020, of the £3,440,000 trade receivables outstanding, the vast majority were classed as within 30-60 days.

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

	Group		Company	
	2020 Amortised cost £'000	2019 Amortised cost £'000	**2020 Amortised cost £'000**	2019 Amortised cost £'000
Current financial liabilities				
Bank loans and overdrafts	**—**	662	**—**	—
Trade and other payables	**2,300**	1,761	**396**	194
Accruals	**1,264**	1,776	**260**	359
Lease liabilities	**502**	—	**—**	—
Provisions – current	**—**	195	**—**	—
Total	**4,066**	4,394	**656**	553

	Group		Company	
	2020 Amortised cost £'000	2019 Amortised cost £'000	**2020 Amortised cost £'000**	2019 Amortised cost £'000
Non-current financial liabilities				
Lease liabilities	**568**	—	**—**	—
Provisions – non-current	**—**	16	**—**	—
Total	**568**	16	**—**	—

The maturity of the gross contractual undiscounted cash flows due on the Group's and Company's financial liabilities with the exception of lease liabilities are all less than six months. Group financial liabilities totalling £3,564,000 and Company financial liabilities totalling £656,000 equal the gross contractual cash flows. The gross contractual cash flows relating to lease liabilities for the Group total £1,070,000 with £819,000 being over six months.

Sensitivity analysis

Interest rate sensitivity

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

- higher and all other variables were constant, the Group's profit before taxation would have increased by £37,000 (2019: increased by £79,000);
- lower and all other variables were constant, the Group's profit before taxation would have decreased by £38,000 (2019: decreased by £39,000);
- higher and all other variables were constant, the Group's other equity and reserves would have increased by £29,000 (2019: increased by £64,000); or
- lower and all other variables were constant, the Group's other equity and reserves would have decreased by £31,000 (2019: decreased by £31,000).

notes to the financial statements **continued**
for the year ended 31 March 2020

23 Financial instruments continued

Sensitivity analysis continued

Foreign currency sensitivity

The following table details the Group's sensitivity to a 10% change in exchange rates against the Sterling equivalents. The sensitivity analysis of the Group's exposure to foreign exchange risk at the reporting date has been determined based on the change taking place at the beginning of the financial year and held constant throughout the reporting period.

	US$ impact		Euro impact		RMB impact	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
10% movement in rates will have an impact on:						
Profit before taxation	**1,055**	1,120	**391**	262	**(61)**	93
Cash	**221**	236	**—**	—	**227**	315
Equity	**1,333**	1,406	**1,080**	972	**153**	484

The Group closely monitors its access to bank and other credit facilities in comparison to its outstanding commitments on a regular basis to ensure that it has sufficient funds to meet the obligations of the Group as they fall due.

The Board receives regular forecasts that estimate the cash flows over the next twelve months, so that management can ensure that sufficient financing is in place as it is required. Detailed analysis of the debt facilities held and available to the Group are disclosed in this note above.

24 Trade and other payables

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Amounts falling due within one year:				
Trade payables	**2,049**	1,688	**337**	187
Other taxation and social security costs	**391**	387	**59**	102
Other payables and deferred income	**251**	73	**108**	6
Accruals	**1,345**	2,486	**260**	359
	4,036	4,634	**764**	654

Leased liabilities

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Current lease liabilities	**502**	—	**—**	—
Non-current leased liabilities	**568**	—	**—**	—
	1,070	—	**—**	—

	£'000
1 April 2019 – at the date of transition	990
Additions	**59**
Additions on business combinations	**70**
Disposals	**(24)**
Effect of modification to lease terms	**595**
Interest expense	**62**
Repayment of lease liabilities	**(682)**
31 March 2020	**1,070**

25 Current tax liabilities/assets

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Current tax liabilities	**85**	77	**36**	—
Current tax assets	**1,044**	1,118	**—**	—

£588,000 (2019: £721,000) of the current tax asset is an R&D claim that by its nature is subject to HMRC approval.

26 Deferred tax

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Provision for deferred taxation comprises:				
Accelerated capital allowances	**(691)**	(588)	**(689)**	(603)
Tax losses carried forward	**278**	117	**121**	113
Pensions	**892**	603	**—**	—
Share-based payments	**111**	96	**111**	96
Research and development	**(4,057)**	(3,604)	**—**	—
Intangible assets	**(148)**	(172)	**—**	—
Other	**(2)**	36	**—**	—
	(3,617)	(3,512)	**(457)**	(394)
Deferred tax asset	**1,343**	908	**232**	210
Deferred tax liability	**(4,960)**	(4,420)	**(689)**	(604)
	(3,617)	(3,512)	**(457)**	(394)
At 1 April	**(3,512)**	(2,882)	**(394)**	(428)
Foreign exchange difference	**(68)**	56	**—**	—
Deferred tax asset introduced on acquisition	**(44)**	—	**—**	—
Deferred tax (charged)/credited in income statement for year (see note 9)	**(180)**	(910)	**(63)**	34
Deferred tax credited to statement of total comprehensive income	**187**	224	**—**	—
At 31 March	**(3,617)**	(3,512)	**(457)**	(394)

The financial statements include a deferred tax asset of £1,343,000 (2019: £908,000) of which £258,000 (2019: £99,000) 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 credit of £187,000 (2019: deferred tax credit of £224,000) relates to the retirement benefit obligation (see note 27). The Directors consider the deferred tax asset relating to the retirement benefit obligation to be recoverable on the basis that the deficit is a long-term liability that will be satisfied from future profitability.

The Finance Bill 2020, which was substantively enacted on 19 March 2020, provides that the rate of corporation tax from 1 April 2020 will be 19%, and not 17% as previously provided for in The Finance Act 2016. The Directors therefore consider it appropriate to use 19% as the rate deferred tax should be provided for.

Deferred tax assets recoverable/(liabilities) expected to be settled under twelve months are £315,000 and (£18,000) respectively (2019: £136,000 and (£38,000) respectively). Deferred tax assets recoverable/(liabilities) expected to be settled over twelve months are £1,028,000 and (£4,895,000) respectively (2019: 772,000 and (£4,382,000) respectively). Deferred tax assets/(liabilities) expected net by jurisdiction consist of the Far East (£140,000) (2019: (£168,000)), Europe (£2,735,000) (2019: (£3,413,000)) and the Americas £36,000 (2019: £69,000). Unprovided deferred tax includes £731,000 in respect of UK tax losses brought forward.

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.

27 Retirement benefit obligations

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

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

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

The total contributions to the schemes over the year were:

	2020 £'000	2019 £'000
Pension contributions		
UK defined benefit pension scheme (discussed further below)	—	—
Defined contribution pension schemes (UK and overseas)	578	547
	578	547

In relation to the UK defined contribution scheme, the Group had outstanding contributions of £49,705 (2019: £56,000). Contributions to the UK defined benefit pension scheme for administrative expenses are discussed further below in this note.

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

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

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

Historically, the majority of the Group's employees in the UK were members of a defined benefit scheme (which is governed by the UK Pensions Regulator) that was closed to new members on 1 April 2002 and with effect from 31 March 2009 future pension accrual ceased for the remaining active members. Under the UK defined benefit pension scheme's trust deed the Company has the authority to appoint up to two-thirds of the Trustees. Currently there are two member-appointed Trustees and two Company-appointed Trustees. The Trustees of this defined benefit pension scheme are also responsible for the scheme's investment strategy, as well as the operation and governance of that scheme.

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

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

The valuation calculated under the funding valuation basis of £1,890,000 pension surplus above is different to the accounting valuation presented in the Group consolidated balance sheet of a net pension liability of £4,697,000. Differences arise between the funding valuation and accounting valuation, mainly due to the use of different assumptions to value the liabilities to be in accordance with the accounting standard IAS 19 Retirement Benefits, together with any changes in market conditions between the two valuation dates of 31 March 2017 and 31 March 2020. Therefore for funding valuation purposes the liabilities are determined based on assumptions set by the Trustees following consultation with the Company and scheme actuaries. For example, the discount rate used for the most recent funding valuation is based on a 4.8% discount rate, whereas in the financial statements the liabilities are determined in accordance with IAS 19 and this accounting valuation uses a discount rate predicated on high quality (AA) corporate bond yields of an appropriate term equating to 2.3%.

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 2018 until the earlier of any revised settlement arising from the next triennial valuation or by 31 January 2023 ("future revised date"); all administration expenses of running the Scheme are met directly by the Scheme and all PPF levies (and any minor Scheme expenses e.g. Pensions Regulator levies) will be paid from the Scheme and will not be reimbursed by the Employer. The next triennial actuarial funding valuation will be as at 31 March 2020.

The net pension liability recognised in these consolidated financial statements has been calculated reflecting the most recent accounting valuation under IAS 19 to reflect the assets and liabilities of the scheme as at 31 March 2020, using assumptions further in this note.

Risk management

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

Financial and demographic assumptions

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

a) Financial assumptions

	2020	2019
Discount rate	**2.3%**	2.4%
Future salary increases	**n/a**	n/a
Expected duration of liabilities (years)	**15**	15
Pension revaluation in deferment (Consumer Prices Index – max. 5.0%)	**1.7%**	2.2%
Pension escalation in payment (Retail Prices Index – max. 5.0%, min. 3.0% from 6 April 1997 to 5 April 2005)	**2.5%**	3.2%
Proportion of employees opting for early retirement	**0%**	0%
Inflation assumption	**3.0%**	3.2%

The difference between the expected investment returns on the Scheme's assets and the actual investment loss was £1,261,0000 (2019: loss £205,000).

b) Demographic assumptions

	2020	2019
Assumed life expectancy in years, on retirement at 65		
Retiring today		
Males	**21.6**	21.5
Females	**23.5**	23.4
Retiring in 20 years		
Males	**22.9**	22.8
Females	**25.1**	24.9

notes to the financial statements **continued**

for the year ended 31 March 2020

27 Retirement benefit obligations continued

Financial and demographic assumptions continued

b) 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 2020 and 31 March 2019 are as follows:

	2020 £'000	2019 £'000
Amounts recognised in the consolidated income statement are as follows:		
Administration expenses (see details above)	**(68)**	(43)
Past service cost – GMP equalisation	**—**	(68)
Net interest on deficit	**(86)**	(60)
Total	**(154)**	(171)
Amounts recognised in the consolidated statement of total comprehensive income:		
Actual (loss)/return on assets less return implied by net interest income	**(1,261)**	(205)
Experience gain/(loss) on liabilities	**81**	(47)
Change in assumptions:		
Discount rate	**(370)**	(1,342)
Inflation rate	**621**	(202)
Demographic assumptions	**(66)**	479
Net actuarial (loss)/gain recognised in equity	**(995)**	(1,317)

	2020 £'000	2019 £'000
Amounts recognised in the consolidated statement of financial position:		
Present value of funded obligations	**(23,873)**	(24,176)
Fair value of plan assets	**19,176**	20,628
Deficit under IAS 19 as reported by the actuary	**(4,697)**	(3,548)

The main reason for the increased deficit in the IAS 19 accounting position relates to the changes in assumptions in using a lower discount rate due to the fall in corporate bond yields at the period end, the Scheme's deterioration is the actual return on assets being much lower than required to meet the increase in defined benefit obligation over the year. However, this was partially offset by the change in assumptions used to value the defined benefit obligation. The pension plan assets do not include ordinary shares issued by the sponsoring employer nor do they include property occupied by the sponsoring employer.

Sensitivity to significant assumptions

Significant assumptions	Change in assumption %	Change in defined benefit obligation %
Discount rate	+/- 0.5% p.a.	- 7.4%/+ 8.3%
RPI	+/- 0.5% p.a.	+ 4.2%/- 3.9%
Assumed life expectancy	+ 1 year	+ 3.6%

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:

	2020 £'000	2019 £'000
Funded status at start of period	**(3,548)**	(2,070)
Amount charged to income statement	**(154)**	(171)
Employer contributions	**—**	10
Amount recognised in other comprehensive income	**(995)**	(1,317)
Funded status at end of period	**(4,697)**	(3,548)

The weighted average duration of scheme liabilities at the end of the year is 15 years (2019: 15 years).

Present value of the defined benefit obligation

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

	2020 £'000	2019 £'000
Opening defined benefit obligation	**24,176**	22,747
Expenses incurred (including GMP equalisation)	**68**	111
Interest cost	**573**	633
Actuarial (gain)/loss	**(276)**	1,102
Benefits paid (including expenses)	**(668)**	(417)
Closing defined benefit obligation	**23,873**	24,176
Comprising:		
Deferred members	**17,357**	17,429
Pension members	**6,516**	6,747

Fair value of defined benefit plan assets

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

	2020 £'000	2019 £'000
Opening fair value of plan assets	**20,628**	20,677
Interest income on assets	**487**	573
Actuarial (loss)/gain on assets	**(1,261)**	(205)
Contributions by employer	**(10)**	10
Benefits paid	**(600)**	(384)
Expenses paid	**(68)**	(43)
Closing fair value of plan assets	**19,176**	20,628

The actuarial loss due to the change in demographic assumptions was £66,000 (2019: actuarial gain of £479,000) and the actuarial gain due to the change in financial assumptions was £251,000 (2019: actuarial loss of £1,544,000).

The return on plan assets excluding net interest was £774,000 (2018: £368,000). The interest income on plan assets is calculated using the assets, market conditions and the long-term expected rate of interest set at the start of the accounting period. The Company expects to contribute £Nil (2019: £Nil) as contributions to the CML Microsystems Plc Retirement Benefits Scheme in the next accounting year.

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

	Year ended 31 March 2020		Year ended 31 March 2019	
Asset class	**Market value £'000**	**% of total assets**	Market value £'000	% of total assets
Equities (all quoted)	**7,249**	**38%**	9,425	46%
Cash	**1,351**	**7%**	603	3%
Diversified growth funds	**6,308**	**33%**	6,808	33%
Diversified credit funds	**1,829**	**9%**	1,406	7%
Liability driven investments	**1,873**	**10%**	1,900	9%
Other	**566**	**3%**	486	2%
Closing fair value of plan assets	**19,176**	**100%**	20,628	100%

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

27 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 15% of liability matching assets and 85% growth assets but this is monitored and rebalanced at the discretion of the Trustees and, moreover, on a day-to-day basis management of the assets delegated to the investment managers who have knowledge and experience for managing the investments. The Trustees, in conjunction with the investment advisor, regularly review each of the investment managers to ensure that the managers remain competent and assets continue to be managed in accordance with the managers' mandates (the Scheme objectives being implemented within an acceptable level of risk).

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

Five-year comparison

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

	2020 IAS 19 £'000	2019 IAS 19 £'000	2018 IAS 19 £'000	2017 IAS 19 £'000	2016 IAS 19 £'000
Defined benefit obligation	**23,873**	24,176	22,747	22,547	19,111
Plan assets	**19,176**	20,628	20,677	19,463	17,044
Deficit	**(4,697)**	(3,548)	(2,070)	(3,084)	(2,067)
Experience adjustments on plan liabilities	**81**	(47)	145	1,361	460
Actuarial (loss)/gain on plan assets	**(1,261)**	(205)	823	2,007	475

28 Provisions

	£'000
At 31 March 2018	377
Utilisation	(193)
Foreign exchange	27
At 31 March 2019	211
Utilisation	**(211)**
At 31 March 2020	**—**

The above provision relates to onerous lease and property obligations held by Group subsidiaries.

29 Share capital and share options

	2020 £'000	2019 £'000
Authorised		
25,000,000 ordinary shares of 5p each (2019: 25,000,000 ordinary shares of 5p each)	**1,250**	1,250
Issued and fully paid		
At 1 April		
17,175,166 ordinary shares of 5p each	**859**	856
Issued in year 2,486 ordinary shares (2019: 63,143) of 5p were issued in the year as a result of employees exercising their options	**—**	3
At 31 March		
17,177,652 ordinary shares of 5p	**859**	859

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

Share options

The Company has a number of approved and unapproved share option schemes in place for the benefit of its employees. On 2 August 2000 the Company approved at the AGM a scheme, which was UK Revenue & Customs approved. This scheme was amended and re-approved at the Extraordinary General Meeting held on 10 February 2004. At the 2008 AGM a new Enterprise Management Incentive share option plan was approved. On 18 November 2011 a further scheme was approved which is UK 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				
	2019 Number	Granted Number	Exercised Number	Forfeited Number	**2020 Number**
From 15 June 2014 to 14 June 2021 at £2.20	54,346	—	(2,486)	—	**51,860**
From 15 June 2014 to 14 June 2021 at £2.30	12,500	—	—	—	**12,500**
From 2 September 2015 to 1 September 2022 at £2.84	20,000	—	—	—	**20,000**
From 2 October 2015 to 1 October 2022 at £3.22	23,955	—	—	(3,360)	**20,595**
From 2 October 2015 to 1 October 2022 at £3.34	5,000	—	—	—	**5,000**
From 1 May 2016 to 1 May 2023 at £3.84	24,293	—	—	—	**24,293**
From 17 September 2017 to 17 September 2024 at £3.125	12,000	—	—	—	**12,000**
From 2 April 2018 to 2 April 2025 at £3.45	12,500	—	—	(12,500)	**—**
From 25 September 2018 to 25 September 2025 at £3.51	379,083	—	—	(26,144)	**352,939**
From 25 September 2018 to 25 September 2025 at £3.475	71,600	—	—	(31,600)	**40,000**
From 22 December 2019 to 22 December 2026 at £3.70	20,000	—	—	—	**20,000**
From 1 August 2020 to 1 August 2027 at £4.58	70,469	—	—	(15,806)	**54,663**
From 28 March 2021 to 28 March 2028 at £5.20	110,000	—	—	(55,000)	**55,000**
From 19 March 2022 to 18 March 2025 at £2.79	156,673	—	—	(4,151)	**152,522**
From 19 March 2022 to 18 March 2025 at £2.79	546,727	—	—	(97,087)	**449,640**
	1,519,146	—	(2,486)	(245,648)	**1,271,012**

Of the total outstanding at the end of the year, 559,187 were potentially exercisable at the prices detailed in the table above (2019: 617,071 share options). The weighted average market price of the share options exercised in the year was 369.0p (2019: 494.0p). The weighted average exercise price of options exercised in the year was 220.00p (2019: 338.9p). 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 365.0p (2019: 405.8p). The weighted average exercise price of all options exercisable is £3.19 (2019: £3.28) and the weighted average expected remaining contractual life is three years (2019: three years).

30 Other equity reserves

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Share premium				
At 1 April	**9,279**	9,068	**9,279**	9,068
Issued in year: 2,486 ordinary shares (2019: 63,143) of 5p were issued in the year as a result of employees exercising their options	**7**	211	**7**	211
At 31 March	**9,286**	9,279	**9,286**	9,279

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

30 Other equity reserves continued

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Capital redemption reserve				
At 1 April	**9**	9	**9**	9
At 31 March	**9**	9	**9**	9

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

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Treasury shares – own share reserve				
At 1 April	**(342)**	(190)	**(342)**	(190)
Issued/(purchased) in the year	**262**	(152)	**262**	(152)
At 31 March	**(80)**	(342)	**(80)**	(342)

The Company purchased on 10 June 2015 50,000 ordinary shares of 5p each at a price of 376.5p per ordinary share plus associated transaction costs. On 11 February 2019, the Company purchased 50,000 ordinary shares of 5p each in the Company at a price of 302.5p per ordinary share. The shares are to be held in treasury for the benefit of various employee share plans. In March 2020 the Company issued treasury shares on the acquisition of Plextek RFI Limited.

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Share-based payments reserve				
At 1 April	**507**	443	**507**	443
Options exercised or released	**(64)**	(53)	**(64)**	(53)
Charged in year	**139**	117	**139**	117
At 31 March	**582**	507	**582**	507

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 £139,000 (2019: £117,000).

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

Grant date	19/03/19	28/03/18	01/08/17	22/12/16	25/09/15	25/09/15	02/04/15
Share price at grant date (£)	2.79	5.20	4.58	3.70	3.475	3.475	3.45
Exercise price (£)	2.79	5.20	4.58	3.70	3.475	3.51	3.45
Number of employees	203	2	47	1	4	158	1
Shares under option	703,400	110,000	84,521	20,000	100,000	400,131	20,000
Vesting period (years)	3	3	3	3	3	3	3
Expected volatility	31.63%	23.31%	19.37%	16.02%	33.20%	33.20%	38.00%
Option life (years)	10	10	10	10	10	10	10
Expected life (years)	3	3	3	3	3	3	3
Risk-free rate	1.19%	1.37%	1.10%	1.15%	1.83%	1.83%	2.09%
Expected dividend yield	1.67%	1.40%	1.84%	1.86%	1.92%	1.92%	1.57%
Possibility of ceasing employment before vesting	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Fair value per option (£)	0.56	0.80	0.54	0.35	0.74	0.73	0.87

Grant date	17/09/14	01/05/13	01/10/12	01/10/12	01/09/12	15/06/11	15/06/11
Share price at grant date (£)	3.125	3.88	3.34	3.34	2.84	2.30	2.20
Exercise price (£)	3.125	3.84	3.34	3.22	2.84	2.20	2.20
Number of employees	1	7	1	124	1	1	22
Shares under option	20,000	28,720	5,000	26,872	20,000	12,500	57,165
Vesting period (years)	3	3	3	3	3	3	3
Expected volatility	26.84%	43.30%	29.36%	29.36%	29.36%	35.70%	35.70%
Option life (years)	10	10	10	10	10	10	10
Expected life (years)	3	3	3	3	3	3	3
Risk-free rate	2.43%	3.60%	3.09%	3.09%	3.09%	4.28%	4.28%
Expected dividend yield	1.26%	1.20%	1.49%	1.49%	1.49%	1.50%	1.50%
Possibility of ceasing employment before vesting	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Fair value per option (£)	0.60	0.71	0.67	0.67	0.67	0.58	0.58

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

Company only	**2020 £'000**	2019 £'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	**2020 £'000**	2019 £'000
Foreign exchange reserve		
At 1 April	**1,406**	1,302
Retranslation of overseas subsidiaries	**308**	104
At 31 March	**1,714**	1,406

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

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Accumulated profits reserve				
At 1 April	**30,604**	30,282	**11,107**	9,387
Changes in accounting policy IFRS 16	**(30)**	—	**—**	—
Profit for the year	**1,536**	2,694	**2,033**	2,999
Dividend paid	**(1,332)**	(1,332)	**(1,332)**	(1,332)
Cancellation/transfer of share-based payments	**64**	53	**64**	53
Issue of own treasury shares	**(14)**	—	**—**	—
Net actuarial loss	**(995)**	(1,317)	**—**	—
Deferred tax gain on actuarial loss	**187**	224	**—**	—
At 31 March	**30,020**	30,604	**11,872**	11,107

31 Capital commitments

Capital commitments which have been authorised by the balance sheet date, represent a three-year purchasing commitment with a supplier for £722,000 (2019: £1,269,311), and £Nil (2019: £Nil) in relation to intangible assets. No provision has been made in these financial statements for these capital commitments.

32 Leases

The Group as a lessee

The following 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	379	8	70	457
Charge to operating profit	**379**	**8**	**70**	**457**
Finance expense – leased liabilities	49	5	8	62
Charge to profit before taxation	**49**	**5**	**8**	**62**

At 31 March 2020 the Group had not entered into any leases to which it was committed but had not yet commenced.

	2020 £'000	2019 £'000
Land and buildings		
Minimum lease payments under operating leases recognised in income statement as an expense for the year	**–**	435

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

	2020 £'000	2019 £'000
Within one year	**–**	507
In the second to fifth year inclusive	**–**	359
After five years	**–**	67
	–	933

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

	2020 £'000	2019 £'000
Other		
Minimum lease payments under operating leases recognised in income statement as an expense for the year	**–**	90

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

	2020 £'000	2019 £'000
Within one year	**–**	57
In the second to fifth year inclusive	**–**	48
	–	105

The Group and Company as a lessor

Property rental income earned during the year was £316,000 (2019: £304,947). Current commercial market conditions have improved and the Group now has the majority of the properties let albeit with fairly short leases. It is impractical to estimate what the estimated yields will be in the longer term but over the shorter term yields are expected to be typically 6-7% levels.

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

	2020 £'000	2019 £'000
Within one year	**334**	308
In the second to fifth year inclusive	**428**	549
	762	857

33 Notes to the cash flow statement

Group	2020 £'000	2019 £'000
Movement in working capital:		
Decrease/(increase) in inventories	**529**	(701)
Increase in receivables	**(1,182)**	(877)
(Decrease) in payables	**(1,215)**	(165)
	(1,868)	(1,743)

Analysis of changes in net cash – Group:

	Net cash at 1 April 2019 £'000	Cash flow £'000	Exchange movement £'000	Net cash at 31 March 2020 £'000
Cash and cash equivalents	12,809	(4,480)	150	**8,479**
	12,809	(4,480)	150	**8,479**

Company	2020 £'000	2019 £'000
Movement in working capital:		
Increase in advance to subsidiary undertaking	**—**	(872)
Increase in receivables	**(916)**	(1,084)
Increase/(decrease) in payables	**1,366**	(95)
	450	(2,051)
Movement in investments and dividends	**—**	—
	450	(2,051)

Analysis of changes in net cash – Company:

	Net cash at 1 April 2019 £'000	Cash flow £'000	Exchange movement £'000	Net cash at 31 March 2020 £'000
Cash and cash equivalents	294	213	—	**507**
	294	213	—	**507**

34 Acquisition of Plextek RFI Limited

Following the acquisition announced on 3 March 2020 and having satisfied the principal regulatory conditions and other transaction closing conditions, the Group took control (100% of voting rights) of UK-based Plextek RFI Limited ("PRFI"). The total consideration was £1.9m, payable in cash and from issuing of treasury shares.

Founded in 2015, PRFI is a UK-based design house specialising in the design and development of RF, Microwave and Millimetre-wave (mm-wave) ICs and modules.

The acquisition expands and strengthens the Group's product design capabilities. For this reason, combined with the anticipated synergies to arise from integrating the PRFI 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 brand values, customer relationships and intellectual property and have been independently valued by professional advisors.

The following table summarises the consideration and provisional fair values of assets acquired and liabilities assumed at the date of acquisition:

	£'000
Property, plant and equipment	25
Intangible fixed assets:	
Brands	37
Customer relationships	25
Intellectual property	175
Trade receivables and prepayments	187
Cash and cash equivalents	105
Trade and other payables	(101)
Deferred tax liabilities	(43)
Net assets acquired	410
Goodwill	1,531
Consideration	**1,941**

There are no non-controlling interests in relation to the PRFI 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 acquisition date are expected to be collected in accordance with the gross contractual amounts.

The acquisition cost was satisfied by:

	£'000
Cash	1,693
Treasury shares issued	248
Total consideration	**1,941**

Net cash outflow arising on acquisition:

	£'000
Cash consideration paid (less cash retention)	1,400
Cash and cash equivalents within the PRFI business on acquisition	(105)
Total net cash outflow on acquisition	**1,295**

The cash consideration excludes a £100,000 retention which is included in other payables. 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 £145,000. These costs have been charged in distribution and administrative expenses in the consolidated income statement.

PRFI has a 29 February 2020 financial period end; in the one-month period to 31 March 2020, PRFI contributed revenue of £64,000 and net loss before taxation of £15,000. If PRFI was part of the Group for the full reporting period the contributed revenue would have been £790,000 and net loss before taxation of £187,000.

35 Related party transactions

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

Company	2020 £'000	2019 £'000
Management fees charged to subsidiary undertakings by parent:		
CML Microcircuits (UK) Ltd	**1,000**	1,000
CML Microcircuits (USA) Inc	**156**	153
Hyperstone GmbH	**218**	220
	1,374	1,373
Dividends paid to parent:		
Received from CML Microcircuits (UK) Ltd	**1,332**	1,332
Received from CML Microcircuits (USA) Inc	**282**	493
Received from Hyperstone GmbH	**—**	879
Received from CML Microcircuits (Singapore) Pte Ltd	**285**	278
Received from Wuxi Sicomm Technologies, Inc	**727**	—
	2,626	2,982

Contributions to the Group's pension schemes

Contributions to the Group's defined contribution pension schemes by the Group as employer consisted of £578,000 in the year (2019: £547,000). Contributions to the closed UK defined benefit scheme were £Nil (2019: £Nil).

Group and Company

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

Group and Company	2020 £'000	2019 £'000
Employee benefits	**839**	887
Pension contributions	**56**	53
Share-based payments	**32**	35
	927	975

36 Listings

CML Microsystems Plc's ordinary shares are traded on the Official List 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.

37 Approval of financial statements

These financial statements were formally approved by the Board of Directors on 19 June 2020.

notice of annual general meeting

Notice is hereby given that the AGM of CML Microsystems Plc (the "Company") will be held at CML Microsystems Plc, Oval Park, Langford, Maldon, Essex, CM9 6WG on 29 July 2020 at 11.30am to transact the following business.

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

Ordinary business

Ordinary resolutions

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

1. To receive and adopt the Group's consolidated financial statements and the reports of the Directors and auditor for the year ended 31 March 2020.
2. To receive and approve the Directors' Remuneration Report for the year ended 31 March 2020.
3. To declare a final dividend of 2.0p per 5p ordinary share for the year ended 31 March 2020 to be paid on 7 August 2020 to shareholders whose names appear on the register at the close of business on 24 July 2020.
4. To re-appoint Geoff Barnes, who retires by rotation, as a Director of the Company.
5. To send or supply all documents or information relating to the Company to members by making them available on a website.
6. To re-appoint RSM UK Audit LLP as auditor of the Company.
7. To authorise the Directors to determine the remuneration of the auditor.

Special business

Ordinary resolution

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

8. That pursuant to Section 551 of the Companies Act 2006 (the "Act"), the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot Relevant Securities:
   a) comprising equity securities (as defined in Section 560(1) of the Act) up to an aggregate nominal amount of £572,588 (such amount to be reduced by the aggregate nominal amount of Relevant Securities allotted pursuant to paragraph b) of this resolution) in connection with a rights issue:
      i. to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and
      ii. to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and
   b) otherwise than pursuant to paragraph a) of this resolution, up to an aggregate nominal amount of £286,294 (such amount to be reduced by the aggregate nominal amount of Relevant Securities allotted pursuant to paragraph a) of this resolution in excess of £286,294, provided that (unless previously revoked, varied or renewed) these authorities shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or on the date which is 15 months after the date of the AGM at which this resolution is passed (whichever is the earlier), save that, in each case, the Company may make an offer or agreement before the authority expires which would or might require Relevant Securities to be allotted after the authority expires and the Directors may allot Relevant Securities pursuant to any such offer or agreement as if the authority had not expired. These authorities are in substitution for all existing authorities under Section 551 of the Act (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

In this resolution, "Relevant Securities" means shares in the Company or rights to subscribe for or to convert any security into shares in the Company; a reference to the allotment of Relevant Securities includes the grant of such a right; and a reference to the nominal amount of a Relevant Security which is a right to subscribe for or to convert any security into shares in the Company is to the nominal amount of the shares which may be allotted pursuant to that right.

Special resolutions

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

9. That, subject to the passing of resolution 8 and pursuant to Sections 570 and 573 of the Companies Act 2006 (the "Act"), the Directors be and are generally empowered to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authorities granted by resolution 8 and to sell ordinary shares held by the Company as treasury shares for cash as if Section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited to:
   a) the allotment of equity securities or sale of treasury shares in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise, but, in the case of an allotment pursuant to the authority granted by paragraph a) of resolution 9, such power shall be limited to the allotment of equity securities in connection with a rights issue):
      i. to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and
      ii. to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary;
      iii. but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and
   b) the allotment of equity securities pursuant to the authority granted by paragraph b) of resolution 8 or sale of treasury shares (in each case, otherwise than pursuant to paragraph a) of this resolution) up to an aggregate nominal amount of £42,943 and (unless previously revoked, varied or renewed) this power shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or on the date which is 15 months after the date of the AGM at which this resolution is passed (whichever is the earlier), save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted or treasury shares to be sold for cash after this power expires and the Directors may allot equity securities or sell treasury shares for cash pursuant to any such offer or agreement as if this power had not expired. This power is in substitution for all existing powers under Sections 570 and 573 of the Act (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

10. That, subject to resolution 8 being passed, and in addition to any authority granted under Resolution 9 to allot equity securities pursuant to the Companies Act 2006 (the "Act") for cash under the authority given by that resolution, the Directors be and are generally empowered to allot equity securities (pursuant to Sections 570 and 573 of the Act) for cash under the authority given by resolution 9 and/or to sell treasury shares as if Section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be:
    a) limited, in the case of the authority granted under paragraph b) of resolution 8 and/or in the case of any sale of treasury shares, to the allotment of equity securities or sale of treasury shares up to a nominal amount of £128,746 (being 14.99% of the Company's issued ordinary share capital, excluding treasury shares); and
    b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

    and (unless previously revoked, varied or renewed) this power shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or on the date which is 15 months after the date of the AGM at which this resolution is passed (whichever is the earlier), save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted or treasury shares to be sold for cash after this power expires and the Directors may allot equity securities or sell treasury shares for cash pursuant to any such offer or agreement as if this power had not expired. This power is in substitution for all existing powers under Sections 570 and 573 of the Act (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

notice of annual general meeting **continued**

Special business continued

Special resolutions continued

11. That, pursuant to Section 701 of the Companies Act 2006 (the "Act"), the Company be and is generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Act) of ordinary shares of 5p each in the capital of the Company ("Shares"), provided that:
    - a) the maximum aggregate number of Shares which may be purchased is 2,576,647;
    - b) the minimum price (excluding expenses) which may be paid for a Share is 5p (being the nominal amount of a Share);
    - c) the maximum price (excluding expenses) which may be paid for a Share is the higher of:
        - i. an amount equal to 105% of the average of the middle market quotations for a Share as derived from the Daily Official List of the London Stock Exchange plc for the five business days immediately preceding the day on which the purchase is made; and
        - ii. an amount equal to the higher of the price of the last independent trade of a Share and the highest current independent bid for a Share on the trading venue where the purchase is carried out;
    - d) an ordinary share so purchased shall be cancelled or, if the Directors so determine and subject to the provisions of applicable laws or regulations of the UK Listing Authority, held as a treasury share, and
    - e) (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or on the date which is 15 months after the date of the AGM at which this resolution is passed (whichever is the earlier), save that the Company may enter into a contract to purchase Shares before this authority expires under which such purchase will or may be completed or executed wholly or partly after this authority expires and may make a purchase of Shares pursuant to any such contract as if this authority had not expired.

By order of the Board

Nigel Clark
Company Secretary
19 June 2020

Registered office

Oval Park
Langford
Maldon
Essex CM9 6WG

Registered in England and Wales: 000944010

1 Attending the AGM in person

In light of the COVID-19 pandemic and the restrictions imposed by the UK Government at the time of publication of the Notice of Annual General Meeting 2020, the Company will convene the AGM with the minimum necessary quorum of two shareholders (members) (which the Company will facilitate), and further members will not be permitted to attend the AGM in person.

However, member participation remains important to us and we would strongly encourage members to participate in the AGM by voting by proxy and by submitting any questions in advance of the AGM. Further details of both of these options are set out below and within the Proxy Form.

The Company will include all valid proxy votes (whether submitted electronically or in hard copy form) in its polls at the AGM and the Chairman will call for a poll on each resolution. The Company accordingly requests that members submit their proxy votes in respect of the resolutions as set out in the Notice of the AGM, electronically or by post in advance, in accordance with the instructions set out in the Notice of the AGM.

Members should submit their votes via proxy as early as possible (and by no later than 11:30 am on 27 July 2020), and members are requested to appoint the Chairman as their proxy. If a member appoints someone else as their proxy, that proxy will not be able to attend the AGM in person or cast the member's vote.

2 Appointment of proxies

Members who are entitled to attend and vote at the AGM are entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote at the AGM. A proxy need not be a member of the Company but must attend the AGM to represent a member. To be validly appointed, a proxy must be appointed using the procedures set out in these notes and in the notes to the accompanying Proxy Form.

In light of the circumstances this year, if a member wishes a proxy to speak on their behalf at the meeting, the member will need to appoint the Chairman of the AGM as their proxy and give their instructions directly to them. Such an appointment can be made using the Proxy Form accompanying this notice of AGM or through CREST.

Members can usually appoint more than one proxy where each proxy is appointed to exercise rights attached to different shares. Members cannot appoint more than one proxy to exercise the rights attached to the same share(s). As noted above, members are requested to appoint the Chairman as their proxy this year. If a member appoints someone else as their proxy, that proxy will not be able to attend the AGM in person or cast the member's vote.

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

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

To be entitled to attend and vote at the AGM (and for the purpose of determining the number of votes a member may cast), members must be entered on the Register of Members of the Company at 6pm on 27 July 2020.

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

3 Appointment of a proxy using a Proxy Form

A Proxy Form for use in connection with the AGM is enclosed. To be valid, any Proxy Form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post using the postal address on the form of proxy to the Company's Registrars, Neville Registrars Limited, Neville House, Steelpark Road, Halesowen, West Midlands B62 8HD, or by hand by the Company at its registered office at CML Microsystems Plc, Oval Park, Langford, Maldon, Essex CM9 6WG, not later than 11am on 27 July 2020 or if the AGM is adjourned, at least 48 hours before the time of the adjourned meeting.

If you do not have a Proxy Form and believe that you should have one, or you require additional Proxy Forms, please contact the Company's Registrars, Neville Registrars Limited, Neville House, Steelpark Road, Halesowen, West Midlands B62 8HD.

notice of annual general meeting **continued**

4 Appointment of a proxy through CREST

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

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must in order to be valid, be transmitted so as to be received by the registrar (ID 7RA11) not later than 11am on 27July 2020 or if the AGM is adjourned at least 48 hours before the time of the adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time.

In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

5 Appointment of proxy by joint holders

In the case of joint holders, where more than one of the joint holders purports to appoint one or more proxies, only the purported appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior). In any event, all members are requested to appoint the Chairman as their proxy. If a member (or joint members) appoints someone else as their proxy, that proxy will not be able to attend the AGM in person or cast the member's vote.

6 Corporate representatives

Any corporation which is a member can appoint one or more corporate representatives. Members can only appoint more than one corporate representative where each corporate representative is appointed to exercise rights attached to different shares. Members cannot appoint more than one corporate representative to exercise the rights attached to the same share(s). Corporate representatives are requested to appoint to Chairman to act as their proxy.

7 Entitlement to attend and vote

To be entitled to attend (by proxy) and vote at the AGM (and for the purpose of determining the votes they may cast), members must be registered in the Company's Register of Members at 6pm on 27 July 2020 (or, if the AGM is adjourned, at 6pm on the day two days prior to the adjourned meeting). Changes to the Company's Register of Members after the relevant deadline will be disregarded in determining the rights of any person to attend and vote at the AGM.

8 Nominated persons

Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 (the "2006 Act") to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

9 Website giving information regarding the AGM

Information regarding the AGM, including information required by Section 311A of the 2006 Act, is available from the Company's website www.cmlmicroplc.com.

10 Audit concerns

Members should note that it is possible that, pursuant to requests made by members of the Company under Section 527 of the 2006 Act, the Company may be required to publish on a website a statement setting out any matter relating to: a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or b) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the 2006 Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the 2006 Act. Where the Company is required to place a statement on a website under Section 527 of the 2006 Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the 2006 Act to publish on a website. In order to be able to exercise the members' rights to require the Company to publish audit concerns the relevant request must be made by (a) a member or members having a right to vote at the meeting and holding at least 5% of the voting rights of the Company or (b) at least 100 members having a right to vote at the meeting and holding, on average, at least £100 of paid up share capital. For information on voting rights, including the total number of voting rights, see note 11 and the website referred to in note 9. Where a member or members wishes to request the Company to publish audit concerns such request must be made in accordance with one of the following ways (a) by hard copy request which is signed by a member, states their full name and address and is sent to CML Microsystems Plc, Oval Park, Langford, Maldon, Essex CM9 6WG or (b) a request which states the member's full name and address, and is sent to group@cmlmicroplc.com. Please state "AGM" in the subject line of the email.

11 Voting rights

As at 17 June 2020 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 17,177,652 ordinary shares, carrying one vote each. The Company holds 23,467 shares in treasury meaning the total voting rights in the Company as at 17 June 2020 were 17,154,185 votes.

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

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

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

12 Payment of dividend

It is proposed to pay the dividend, if approved, on 7 August 2020 to shareholders registered on 29 July 2020.

13 Notification of shareholdings

Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chairman of the AGM as his proxy will need to ensure that both he, and his proxy, comply with their respective disclosure obligations under the UK Disclosure and Transparency Rules. However, all members are requested to appoint the Chairman as their proxy. If a member appoints someone else as their proxy, that proxy will not be able to attend the AGM in person or cast the member's vote.

14 Further questions and communication

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

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

15 Documents available for inspection

A copy of each of the Directors' service contracts or letters of appointment will be available for inspection at the registered office of the Company during normal business hours on each business day (Saturdays, Sundays and public holidays excepted).

five-year record

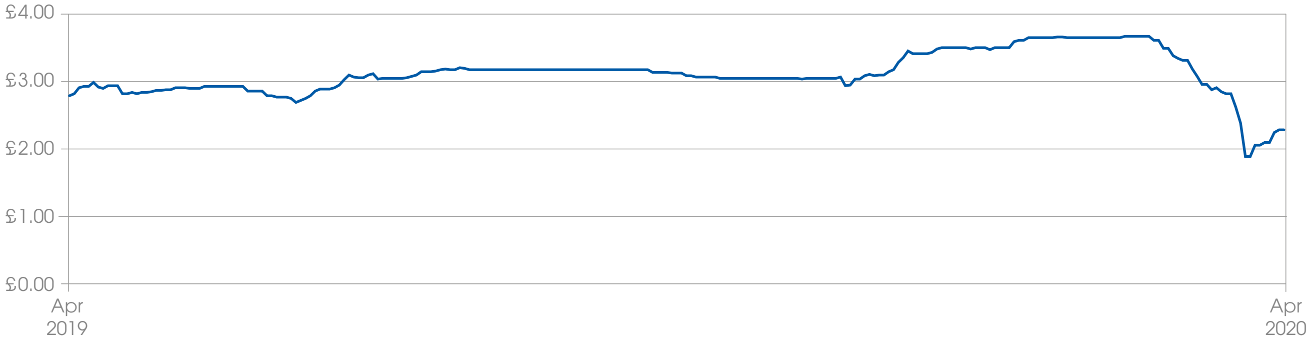
	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Income statement					
Revenue (continuing operations)	**26,420**	28,140	31,674	26,076	22,833
Revenue (acquisition)	**—**	—	—	1,661	—
Revenue (discontinued operations)	**—**	—	—	—	—
Total revenue[1]	**26,420**	28,140	31,674	27,737	22,833
Gross profit[1]	**19,565**	20,253	22,236	19,815	16,253
Gross profit percentage[1]	**74.05%**	71.97%	70.20%	71.44%	71.18%
Profit before taxation[1]	**1,374**	2,982	4,583	4,208	3,324
Adjusted EBITDA[2]	**8,277**	8,754	9,998	8,840	6,970
EPS[1]					
Basic	**8.98p**	15.77p	24.52p	23.09p	18.03p
Diluted	**8.94p**	15.36p	23.95p	22.84p	17.94p
Statement of financial position					
Shareholders' equity[1]	**42,390**	42,322	41,770	37,635	32,576
Dividends per ordinary share					
Dividends proposed/paid per 5p ordinary share[1]	**4.00p**	7.80p	7.80p	7.40p	7.00p

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

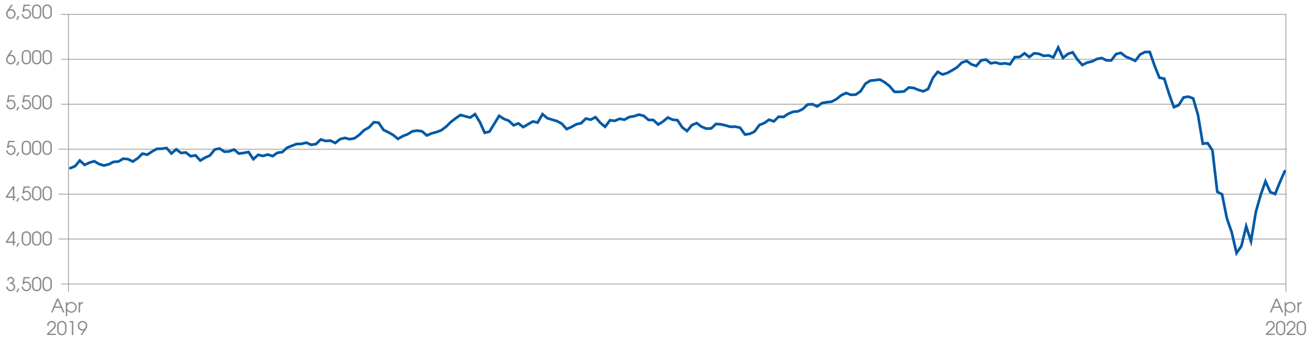
	Number of shares 2020	Number of shares 2019	Number of shares 2018	Number of shares 2017	Number of shares 2016
Issued 5p ordinary shares (including treasury shares)	**17,177,652**	17,175,166	17,112,023	16,860,356	16,256,537

shareholder information

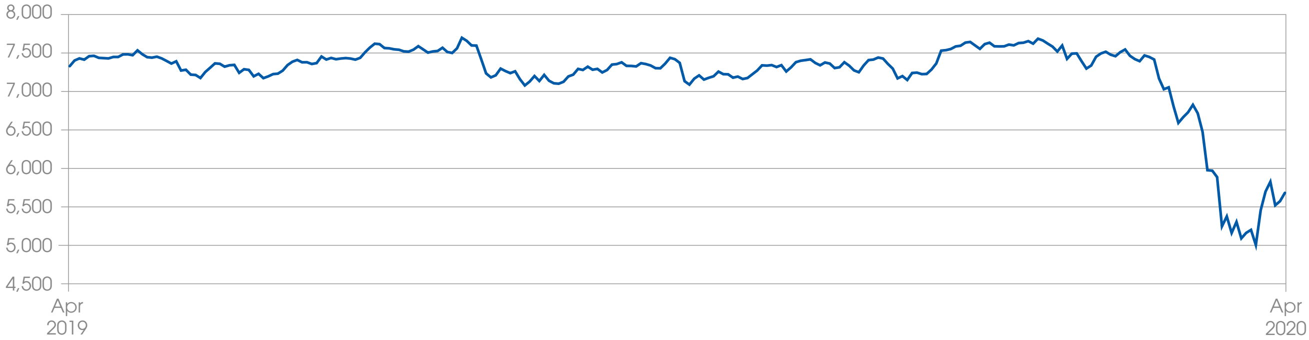
CML Microsystems Plc share price – for the year ended 31 March 2020



Techmark 100 Index – for the year ended 31 March 2020



FTSE 100 Index – for the year ended 31 March 2020



Financial calendar

2020

29 July	AGM
30 September	Half year end
24 November	Anticipated date for half-year results

2021

31 March	Year end
15 June	Anticipated date for preliminary announcement of year-end 2021 results

glossary

5G	Fifth Generation Cellular Network Technology
API	Application Programmers Interface
ASIC	Application-Specific Integrated Circuit
DMR	Digital Mobile Radio
DTR	Disclosure and Transparency Rules
EBITDA	Earnings before interest, tax, depreciation and amortisation
EU	European Union
FRC	Financial Reporting Council
GAAP	Generally Accepted Accounting Practice
GMP	Guaranteed Minimum Pension
GPS	Global Positioning System
HDD	Hard Disk Drive
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IC	Integrated Circuit
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IIoT	Industrial Internet of Things
IoT	Internet of Things
IP	Intellectual Property
ISA	International Standard on Auditing
M2M	Machine-to-Machine
NAND	Not And
OEM	Original Equipment Manufacturer
P25	Project 25 digital mobile radio public safety standard
POS	Point-of-Sale
R&D	Research and Development
RF	Radio Frequency
RTK	Real-Time Kinematic
SATA	Serial ATA Interface
SCADA	Supervisory Control And Data Acquisition
SSD	Solid State Drives
TETRA	Terrestrial Trunked Radio
TSR	Total Shareholder Return
VP	Vice-President

advisors

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CML Microsystems Plc
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Langford
Maldon
Essex CM9 6WG

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

Joint Stockbrokers
Shore Capital Stockbrokers Ltd
Cassini House
57 St James's Street
London SW1A 1LD

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

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25 Farringdon Street
London EC4A 4AB

Financial Public Relations
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71-73 Carter Lane
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