



**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**



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**CONTENTS OF THE CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021**

	Page
Group Information	1
Strategic Report	2-3
Report of the Directors	4-5
Independent Auditor's Report	6-8
Consolidated Income Statement	9
Consolidated Statement of Comprehensive Income	10
Consolidated Statement of Financial Position	11
Consolidated Statement of Changes in Equity	12
Parent Company Statement of Financial Position	13
Parent Company Statement of Changes in Equity	14
Consolidated Cash Flow Statement	15
Notes to the Consolidated Cash Flow Statement	16
Notes to the Financial Statements	17-37

**ENSILICA LIMITED
FOR THE YEAR ENDED 31 MAY 2021**

DIRECTORS: I W E Lankshear
M N Hodgkins
M J J Wethey

REGISTERED OFFICE: Building 3
115 Olympic Avenue
Milton Park
Abingdon
Oxfordshire
OX14 4SA

REGISTERED NUMBER: 04220106 (England and Wales)

AUDITORS: UHY Hacker Young
Quadrant House
4 Thomas More Square
London E1W 1YW

ENSILICA LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 MAY 2021

REVIEW OF BUSINESS

EnSilica Limited is a private company, specialising in fabless semiconductor design focused on the supply of complex mixed signal Application Specific Integrated Circuits ("ASIC"s) for Original Equipment Manufacturers ("OEM"s) and system houses, and Integrated Circuit ("IC") design services for companies with their own design teams. The Group has world-class expertise in supplying custom RF, mmWave, mixed signal and digital ICs to its international customers in the automotive, industrial, healthcare and satellite communication markets. EnSilica has a track record in delivering high quality solutions to demanding industry standards.

The Directors feel that the Group is well placed to continue its growth and build a pipeline of ASIC supply business which will yield higher revenues and margins in the coming years.

In the year, the Group invested, a total of £1.7 million (2020: £3.3 million) in capitalised development costs.

The Directors consider that the business has traded satisfactorily during the year considering the current COVID-19 pandemic and has managed to maintain close to normal business levels across both home and export markets. The turnover for the year is £8.6 million (2020: £6.5 million).

The Group generated an operating loss of £0.19 million (2020: profit £0.26 million) which converts into a loss for the year after tax of £2.12 million (2020: profit £0.16 million). This loss includes an exceptional write-down of Intangible Assets of £2.02 million.

During the year EnSilica USA Inc, which had been dormant for some time, was dissolved.

Going Concern

The Directors are required to make an assessment as to whether it is appropriate to prepare the financial statements on a going concern basis by considering the Group's ability to continue in business. A full description of the going concern review is included in section 2.4 of the Notes to the Financial Statements.

As part of its normal business practice, the Group regularly prepares both annual and longer-term plans which are based on the directors' expectations. The assumptions around project sales, staffing and purchases are based on management's expectations and are consistent with the Group's experience since June 2021. The forecasts consider the Group's existing cash resources and includes assumptions around an Initial Public Offering ("IPO"), whereby significant additional funding will be generated for newly issued ordinary shares.

Should the IPO not take place then the Directors would need to raise additional funding for working capital either through a private placement or through additional bank loans. Should the Directors be unable to obtain sufficient funding this would create a material uncertainty which may cause significant doubt about the ability of the Group to continue as a going concern. The Directors are confident that sufficient funding will be obtained either through the issue of equity or debt financing.

As a result, the Directors are satisfied that the Group has adequate resources to continue in business for the foreseeable future (being a minimum period of 12 months from the date of signing the balance sheet), and accordingly continue to adopt the going concern basis in preparing the accounts.

ENSILICA LIMITED
STRATEGIC REPORT (Continued)
FOR THE YEAR ENDED 31 MAY 2021

KEY PERFORMANCE INDICATORS

The Directors of the Group have managed the Group's operations on a project by project basis. For this reason, the Directors believe that using key performance indicators for the Group is not necessary or appropriate for an understanding of the development, performance, or position of the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

COVID-19 PANDEMIC

During the year under review COVID-19 continued to create significant challenges for the Group.

The Group has taken all reasonable steps to mitigate and manage the potential impact of COVID-19 and ensure compliance with all Government directives regarding employee safety. There are potential risks from the following which require constant monitoring.

- Impact on the Group's revenue due to lower than forecasted sales due to delayed and deferred ASIC sales.
- Impact on the recoverability of debtor's balances and the ability of customers to pay.
- Disruptions to business operations resulting from quarantine of employees, customers and suppliers in areas affected by the outbreak.
- Disruptions to business operations resulting from travel restrictions and reduced customer spending.

The Group's overriding objectives, as a result of COVID-19, are to maintain the safety and wellbeing of its employee base and help ensure its customers and suppliers continue to receive the best possible levels of service. To mitigate and control these risks the following specific actions have been taken by the Group's management.

Coronavirus Business Interruption Loan Scheme ("CBILS")

The Group obtained a CBILS loan on 20 August 2020 for £2.5m to ensure business continuity during the pandemic. This loan is secured on the Group's assets and no interest is payable within the first 12 months.

Credit Checks on Potential Customers

The Group has implemented policies that require appropriate credit checks on potential customers before sales are made.

Remote Working by Staff

The Group currently commits to respect individual requests to maintain remote working status either due to the individual's comfort level in returning to a group setting, or in need to continue to provide elderly or childcare, or in consideration of pre-existing medical conditions.

BREXIT

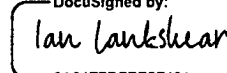
Though the Group believes that the impact of Britain's departure from the European Union (BREXIT) on the business will be negligible it has moved to mitigate any possible downside by taking steps towards forming a subsidiary based in Germany, EnSilica Germany GmbH.

POST BALANCE SHEET EVENT

After the balance sheet date in December 2021, January 2022 and February 2022 the Company raised £1,375,000 by issuing 1 year unsecured convertible loan notes. These notes, which are issued for a year, carry a 10% coupon rate and will entitle the holders to a 12% discount in the event of an Initial Public Offering.

After the year end, on 30 July 2021, the Parent Company formed EnSilica Do Brasil Sociedade Unipessoal Limitada, to take advantage of available engineering skills in Brazil.

ON BEHALF OF THE BOARD:

DocuSigned by:


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I W E Lankshear - Director

9/3/2022 | 04:52 PST

.....
Date:

ENSILICA LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MAY 2021

The directors present their report with the financial statements of the Group for the year ended 31 May 2021.

DIVIDENDS

No dividends will be distributed for the year ended 31 May 2021.

RESEARCH AND DEVELOPMENT

The policy of the Group is to invest in product innovation and process development at a level necessary to retain and enhance its market position.

FUTURE DEVELOPMENTS

Since the end of the year the business has continued to grow both its customer base and product and service offering. Innovation and quality are at the core of the EnSilica business model, and the Group is committed to further investment in a range of applications across the automotive, industrial and communications sectors.

DIRECTORS

The directors during the year under review were:

I W E Lankshear
M N Hodgkins
M J J Wethey (appointed 23 September 2021)

The beneficial interests of the directors holding office on 31 May 2021 in the issued share capital of the Group were as follows:

	2021	2020
A Ordinary £1 shares		
I W E Lankshear	650,000	650,000
M N Hodgkins	-	-
B Ordinary £1 shares		
I W E Lankshear	252,000	252,000
M N Hodgkins	21,000	21,000

DONATIONS

The Group made no charitable or political donations during the year.

FINANCIAL RISK MANAGEMENT

The Group's operations expose it to a variety of financial risks that include the effects of changes in market prices, exchange rate risk, credit risk, liquidity risk and interest rate risk. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group by monitoring levels of debt finance and exposure to fluctuations in exchange rates.

Credit risk

The Group has implemented policies that require appropriate credit checks on potential customers before sales are made.

Liquidity risk

The Group actively maintains a mixture of long-term and short-term debt finance facilities that are designed to ensure the Group has sufficient available funds for operations and planned expansions.

ENSILICA LIMITED
REPORT OF THE DIRECTORS (Continued)
FOR THE YEAR ENDED 31 MAY 2021

Interest rate risk

The Group only has interest bearing liabilities. The Group has a balanced policy of maintaining long term debt at fixed rates and working capital facilities at variable rates. The Directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors, and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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


STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

AUDITORS

The auditors, UHY Hacker Young, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

DocuSigned by:

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I W E Lankshear - Director

09 March 2022.
Date: 9/3/2022 | 04:52 PST

ENSILICA LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ENSILICA LIMITED

Opinion

We have audited the financial statements of Ensilica Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 May 2021 which comprise the consolidated income statement, consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the parent company statement of financial position, the parent company statement of changes in equity, the consolidated cash flow statement and notes to the financial statements including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 May 2021 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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, 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.

Material uncertainty relating to going concern

In forming our opinion on the financial statements, which is unqualified, we have considered the adequacy of the disclosure made in the Going Concern section of the Principal Accounting Policies in regarding the Group's ability to continue as a going concern. This explains that the Group's forecasts consider the current cash resources and assumptions around an Initial Public Offering ("IPO"), whereby significant additional funding will be generated for newly issued ordinary shares. Whilst management are confident that sufficient funds will be obtained either through completion of an IPO or alternatively through other debt or equity fundraising, a failure to obtain such funding would require significant scaling back of its operations. These conditions along with the other matters as set forth in the Going Concern section of the Principal Accounting Policies, indicate the existence of a material uncertainty that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern.

The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether 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.

ENSILICA LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ENSILICA LIMITED (Continued)

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 its 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 where 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, 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the Group and the industry in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, employment and health and safety regulation, anti-bribery, corruption and fraud and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inflated revenue and profit.

Audit procedures performed included: review of the financial statement disclosures to underlying supporting documentation, review of correspondence with and reports to the regulators and enquiries of management in so far as they related to the financial statements, and testing of journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

ENSILICA LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ENSILICA LIMITED (Continued)

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

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.

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.

Daniel Hutson

Daniel Hutson
(Senior Statutory Auditor)

For and on behalf of UHY Hacker Young
Chartered Accountants and Statutory Auditor

UHY Hacker Young
Quadrant House
4 Thomas More Square
London E1W 1YW

Date: 09 March 2022

ENSILICA LIMITED
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MAY 2021

	Notes	2021 £	2020 Restated £
TURNOVER	5	8,607,037	6,452,194
Cost of sales		<u>(6,549,747)</u>	<u>(3,514,355)</u>
GROSS PROFIT		2,057,290	2,937,839
Administrative expenses		(2,545,354)	(2,738,497)
Other operating income	7	<u>297,541</u>	<u>57,802</u>
OPERATING (LOSS) /PROFIT	8	(190,523)	257,144
Interest receivable and similar income		6,557	19,107
Interest payable and similar expenses	9	<u>(541,159)</u>	<u>(216,012)</u>
(LOSS) /PROFIT BEFORE TAX AND EXCEPTIONALS		(725,125)	60,239
Exceptional item	10	<u>(2,011,521)</u>	<u>(450,000)</u>
LOSS BEFORE TAXATION		(2,736,646)	(389,761)
Taxation	11	<u>611,750</u>	<u>549,705</u>
(LOSS) /PROFIT FOR THE FINANCIAL YEAR		<u>(2,124,896)</u>	<u>159,944</u>
(Loss) / Profit attributable to:			
Owners of the Parent		(2,124,900)	159,942
Non-controlling interests		<u>4</u>	<u>2</u>
		<u>(2,124,896)</u>	<u>159,944</u>

ENSILICA LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2021


Notes	2021 £	2020 Restated £
(LOSS)/ PROFIT FOR THE FINANCIAL YEAR	<u>(2,124,896)</u>	<u>159,944</u>
Other Comprehensive (Expense) / Income		
Currency translation differences	<u>(40,674)</u>	<u>(7,763)</u>
Other comprehensive expense for the year	(40,674)	(7,763)
TOTAL COMPREHENSIVE (EXPENSE) / INCOME	<u>(2,165,570)</u>	<u>152,181</u>
Total Comprehensive (Expense) / Income Attributable to		
Owners of the Parent	(2,165,574)	152,179
Non-controlling interests	<u>4</u>	<u>2</u>
	<u>(2,165,570)</u>	<u>152,181</u>

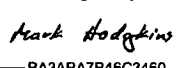
ENSILICA LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2021

	Notes	2021		2020
		£	£	Restated £
FIXED ASSETS				
Intangible assets	13		6,386,471	6,843,870
Tangible assets	14		265,391	83,541
			<u>6,651,862</u>	<u>6,927,411</u>
CURRENT ASSETS				
Inventory	16	30,317		93,638
Debtors	17	5,847,331		2,660,458
Cash at bank and in hand		<u>1,404,198</u>		<u>2,180,964</u>
		7,281,846		4,935,060
CREDITORS				
Amounts falling due within one year	18	<u>(4,571,534)</u>		<u>(2,809,768)</u>
NET CURRENT ASSETS			<u>2,710,312</u>	<u>2,125,292</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			9,362,174	9,052,703
CREDITORS				
Amounts falling due after more than one year	19	(5,167,411)		(3,107,116)
PROVISIONS FOR LIABILITIES				
Provisions	23	(148,771)		(70,366)
Deferred tax	24	<u>(1,487,897)</u>		<u>(1,183,458)</u>
			<u>(6,804,079)</u>	<u>(4,360,940)</u>
NET ASSETS			<u>2,558,095</u>	<u>4,691,763</u>
CAPITAL AND RESERVES				
Called up share capital	26		1,973	1,973
Currency translation reserve	27		(40,495)	179
Retained earnings	27		<u>2,596,608</u>	<u>4,689,606</u>
Equity attributable to owners of the parent			2,558,086	4,691,758
Minority interest	27		<u>9</u>	<u>5</u>
TOTAL EQUITY			<u>2,558,095</u>	<u>4,691,763</u>

The notes on pages 17-37 form part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 09 March 2022 and were signed on its behalf by:

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Ian Lankshear
 Chief Executive

DocuSigned by:

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Mark Hodgkins
 Chairman

ENSILICA LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 MAY 2021

	Called up share capital	Currency translation reserve	Retained earnings	Equity attributable to owners of the parent	Non- controlling interest	Total Equity
	£	£	£	£	£	£
Balance at 1 June 2019 (as previously stated)	1,973	7,942	5,092,452	5,102,367	3	5,102,370
Deferred tax adjustment	-	-	(590,061)	(590,061)	-	(590,061)
Balance at 1 June 2019 (Restated *)	1,973	7,942	4,502,391	4,512,306	3	4,512,309
Profit for the Year	-	-	753,339	753,339	2	753,341
Other comprehensive expense	-	(7,763)	-	(7,763)	-	(7,763)
Deferred tax adjustment	-	-	(593,397)	(593,397)	-	(593,397)
Share based payments	-	-	27,273	27,273	-	27,273
Balance at 31 May 2020 (Restated *)	1,973	179	4,689,606	4,691,758	5	4,691,763
Loss for the Year	-	-	(2,124,900)	(2,124,900)	4	(2,124,896)
Other comprehensive expense	-	(40,674)	-	(40,674)	-	(40,674)
Share based payments	-	-	31,902	31,902	-	31,902
Balance as at 31 May 2021	1,973	(40,495)	2,596,608	2,558,086	9	2,558,095

* See Note 4 for details of restatements

ENSILICA LIMITED
PARENT COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2021

		2021		2020	
	Notes	£	£	Restated*	
				£	£
FIXED ASSETS					
Intangible assets	13		6,386,471		6,843,870
Tangible assets	14		254,153		73,276
Investments	15		101		102
			<u>6,640,725</u>		<u>6,917,248</u>
CURRENT ASSETS					
Inventory	16	30,317		93,638	
Debtors	17	5,612,247		2,398,038	
Cash at bank and in hand		<u>1,071,979</u>		<u>2,050,402</u>	
			6,714,543		4,542,078
CREDITORS					
Amounts falling due within one year	18		<u>(4,639,520)</u>		<u>(2,780,013)</u>
NET CURRENT ASSETS			<u>2,075,023</u>		<u>1,762,065</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			8,715,748		8,679,313
CREDITORS					
Amounts falling due after more than one year	19		(5,167,411)		(3,107,116)
PROVISIONS FOR LIABILITIES					
Deferred tax	24		<u>(1,487,897)</u>		<u>(1,183,458)</u>
			<u>(6,655,308)</u>		<u>(4,290,574)</u>
NET ASSETS			<u>2,060,440</u>		<u>4,388,739</u>
CAPITAL AND RESERVES					
Called up share capital	26		1,973		1,973
Retained earnings b/fwd		4,386,766		4,303,229	
Comprehensive income		<u>(2,328,299)</u>		<u>83,537</u>	
Retained earnings			<u>2,058,467</u>		<u>4,386,766</u>
SHAREHOLDERS' FUNDS			<u>2,060,440</u>		<u>4,388,739</u>

* See Note 4 for details of restatements

The notes on pages 16-37 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 09 March 2022 and were signed on its behalf by:

Ian Lankshear
Chief Executive

DocuSigned by:
Ian Lankshear
6A84E7DFEE5F484...

Mark Hodgkins
Chairman

DocuSigned by:
Mark Hodgkins
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COMPANY REGISTERED NUMBER: 04220106

The company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the Parent company profit and loss account The loss of the company for the year was £2,328,299 (2020: profit of £83,537 restated).

ENSILICA LIMITED
PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
AS AT 31 MAY 2021

	Called up share capital	Retained earnings	Total Equity
	£	£	£
Balance at 1 June 2019 (as previously stated)	1,973	4,893,290	4,895,263
Deferred Tax adjustment 2019 *		(590,061))	(590,061)
Balance at 1 June 2019 (Restated *)	1,973	4,303,229	4,305,202
Changes in equity			
Total comprehensive income	-	649,661	649,661
Deferred Tax adjustment *		(593,397)	(593,397)
Share based payment *	-	27,273	27,273
Balance at 31 May 2020 (Restated *)	1,973	4,386,766	4,388,739
Changes in equity			
Total comprehensive expense	-	(2,360,201)	(2,360,201)
Share based payment	-	31,902	31,902
Balance at 31 May 2021	1,973	2,058,467	2,060,440

* See Note 4 for details of restatements

ENSILICA LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MAY 2021

	2021	2020
Notes	£	Restated £
Cash flows from operating activities		
Loss for the year before taxation	(2,736,646)	(389,761)
Adjustments for:		
Depreciation of fixed assets	50,536	50,167
Amortisation of loan acquisition costs	20,125	9,250
Amortisation of intellectual property	110,278	99,873
Share based payment	31,902	27,274
Interest paid	193,638	212,511
Interest received	(6,557)	(19,108)
Exceptional Items	2,011,521	450,000
Unrealised forex losses on consolidation	(32,542)	(7,762)
Decrease / (increase) in inventory	63,322	(67,211)
Increase in receivables	(3,265,677)	(9,335)
Increase in current liabilities	1,898,136	601,499
Increase/(decrease) in provisions	382,844	(4,382)
Taxation received	611,750	901,474
Net cash from operating activities	<u>(667,370)</u>	<u>1,854,489</u>
Cash flows from investing activities		
Expenditure on intangible assets	(1,672,534)	(3,307,952)
Purchase of tangible fixed assets	(232,385)	(48,733)
Proceeds from sale of tangible fixed assets	-	2,665
Interest received	6,557	19,107
Net cash from investing activities	<u>(1,898,362)</u>	<u>(3,334,913)</u>
Cash flows from financing activities		
Revolving facility loan - taken out	-	55,000
Revolving facility loan - repaid	(515,004)	-
Capital loans - taken out	2,610,646	3,589,000
Capital loans - repaid	(269,342)	(160,006)
Other Loans - repaid	-	(28,652)
Finance leases – taken out	175,716	-
Finance leases - repaid	(19,412)	-
Interest paid	(193,638)	(212,511)
Net cash from financing activities	<u>1,788,966</u>	<u>3,242,831</u>
(Decrease)/increase in cash and cash equivalents	<u>(776,766)</u>	<u>1,762,407</u>
Cash and cash equivalents at beginning of year	<u>2,180,964</u>	<u>418,557</u>
Cash and cash equivalents at end of year	<u>1,404,198</u>	<u>2,180,964</u>

The company is a qualifying entity for the purposes of FRS 102 and has elected to take the exemption under paragraph 1.12(b) of FRS 102 not to present the Parent company statement of cash flows.

ENSILICA LIMITED
NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MAY 2021

(i) ANALYSIS OF CHANGES IN NET DEBT

	01.06.2020	Cash flow	31.05.2021
	£	£	£
Net cash			
Cash at bank and in hand	<u>2,180,964</u>	<u>(776,766)</u>	<u>1,404,198</u>
Debt			
Finance leases due within 1 year	4,734	37,164	41,898
Finance leases due after 1 year	2,038	119,140	121,178
Debts falling due within 1 year	848,170	(94,731)	753,439
Debt falling due after 1 year	<u>3,105,078</u>	<u>1,941,155</u>	<u>5,046,233</u>
	<u>3,960,020</u>	<u>2,002,728</u>	<u>5,962,748</u>
Total	<u>(1,779,056)</u>	<u>(2,779,494)</u>	<u>(4,558,550)</u>

ENSILICA LIMITED
NOTES TO CONSOLIDATED THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2021

1. GENERAL INFORMATION

EnSilica Limited is a privately held Group of companies, limited by shares and incorporated in England and Wales. The company's registered office address is Building 3, 115 Olympic Avenue, Milton Park, Abingdon OX14 4SA.

The Group specialises in in fabless semiconductor design focused on the supply of custom complex mixed signal Application Specific Integrated Circuits ("ASIC"s) design and supply for Original Equipment Manufacturers ("OEM"s) and system houses, and Integrated Circuit ("IC") IC design services for companies with their own design teams. The company Group has world-class expertise in supplying custom RF, mmWave, mixed signal and digital ICs to its international customers in the automotive, industrial, healthcare and consumer satellite communication markets. The company also offers a broad portfolio of core IP covering cryptography, Radar, and communications systems. EnSilica has a track record in delivering high quality solutions to demanding industry standards.

2. ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Consolidated Financial Statements for the year ended 31 May 2021, include the financial statements of the Company and the companies it controls (the "Group") and have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" and the Companies Act 2006. There are no companies in the Group of which the parent owns less than 99.99% of the share capital.

The measurement bases and principal accounting policies of the Group and Parent Company are set out below. The accounting policies adopted are consistent with those of the previous financial year. The preparation of financial statements in compliance with FRS 102 required the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

2.2. BASIS OF CONSOLIDATION

The consolidated financial statements present the results of the Company and the Group as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The assets and liabilities of consolidated foreign companies in currencies other than pound sterling are translated using the exchange rates at the balance sheet date. Revenues and costs are translated into pound sterling using the average exchange rate for the year. Translation differences are recognised in the revaluation reserve until the investment is either sold or disposed. All amounts have been rounded to the nearest pound.

2.3. FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the parent company is Sterling. The financial information has been presented in Sterling, which is the Group's presentational currency.

Assets and liabilities in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into Sterling at the rate of exchange ruling at the date of transaction. Exchange differences are considered in arriving at the operating result.

2.4 GOING CONCERN

As part of its normal business practice, the Group regularly prepares both annual and longer-term plans which are based on the directors' expectations. The assumptions around project sales, staffing and purchases are based on management's expectations and are consistent with the Group's experience since June 2021. The forecasts consider the Group's existing cash resources and includes assumptions around an Initial Public Offering ("IPO"), whereby significant additional funding will be generated for newly issued ordinary shares. The forecast also includes consideration of certain downside scenarios such as the impact of Covid-19 on the Group's operations. As at 31 May 2021 the Group financing arrangements consisted of a loan of £3.5 million from SME Alternate Financing and a Coronavirus Business Interruption Loan (CBIL) for £2.4 million. The Group held a cash balance of £1.4 million at that date.

As is described in the Strategic Report the Group was subject to the effects of the COVID-19 pandemic. The Group's management was able to mitigate and control the risks caused by COVID by using the government's furlough scheme when appropriate, obtaining CBIL funding, ensuring potential customers are fully credit checked to reduce bad debt risk, and utilising remote working by staff.

Should the IPO not take place then the Directors would need to raise additional funding for working capital either through a private placement or through additional bank loans. Should the Directors be unable to obtain sufficient funding this would create a material uncertainty which may cause significant doubt about the ability of the Group to continue as a going concern. The Directors are confident that sufficient funding will be obtained either through the issue of equity or debt financing.

As a result the Directors are satisfied that the Group has adequate resources to continue in business for the foreseeable future (being a minimum period of 12 months from the date of signing the balance sheet), and accordingly continue to adopt the going concern basis in preparing the accounts.

2.5 REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the Group will obtain the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

When the outcome of a contract can be measured reliably, the Group recognises both income and costs by reference to the percentage of completion of the contract. If the outcome cannot be reliably measured, all costs are expensed, and revenue is only recognised to the extent that it is probable that costs are recoverable.

(i) Sale of goods

Revenue from the sale of goods or services is recognised when the significant risks and rewards of ownership of the goods or services have passed to the buyer, usually on dispatch of the goods or provision of the service and the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(ii) Services

Revenue for provision of services is recognised when it is probable that an economic benefit will flow to the entity and the revenue and costs can be reliably measured. For continuing services, revenue is recognised when the stage of completion can be reliably measured using a percentage of completion method.

(iii) Royalties

Royalties receivable are recognised as and when received and treated as revenue. Where Royalties are based on a licencing arrangement they are treated as revenue when the licence is issued, and where Royalties are determined on a time basis, they are recognised on a straight line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

Royalties payable are accounted for on an accruals basis and as far as possible matched with the revenue flows that are associated with those payments.

2.6 INTANGIBLE ASSETS

Intangible assets are represented by capitalised development costs and proprietary intellectual property developed by the business for both its own use and for licensing to third parties.

(i) Capitalised development costs

For capitalised development costs, an internally generated intangible assets arising from development (or the development phase) of an internal long term project is recognised if, all of the following have been demonstrated:

- It is technically feasible to complete the development such that it will be available for use, sale or licence;
- There is an intention to complete the development;
- There is an ability to use, sell or licence the resultant asset;
- The method by which probable future economic benefits will be generated is known;
- There are adequate technical, financial and other resources required to complete the development; and,
- There are reliable measures that can identify the expenditure directly attributable to the project during its development.

The amount recognised is the expenditure incurred from the date when the project first meets the recognition criteria listed above. Expenses capitalised consist of employee costs incurred on development, direct costs including material or testing and an apportionment of appropriate overheads.

Where the above criteria are not met, development expenditure is charged to the Statement of Comprehensive Income in the period in which it is incurred.

Capitalised development costs are initially measured at cost. After initial recognition, they are recognised at cost less any accumulated amortisation and any accumulated impairment losses.

The depreciable amount of a development cost intangible asset with a finite basis useful life is allocated on a straight-line basis over the life of the project. Amortisation begins when the asset is available for use.

(ii) Intellectual property

Intellectual property (IP) is represented by in-house developed IP which is capitalised when its future recoverability can be foreseen with reasonable assurance. The cost of internally generated IP comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. Following initial recognition, the related asset is amortised over the 15-year life of the patent in line with Group policy with impairment reviews being carried out at least annually. The asset is carried at cost less any accumulated amortisation and impairment losses.

(iii) Research and development

Development costs are incurred solely for the purpose of the design and supply of the end use customer chip to a customer who will use such a chip as a basis for an end product for its customer.

The capitalisation of development costs is subject to a degree of judgement in respect of the viability of new technology and know-how, supported by the results of testing and customer trials and by forecasts for the overall value and timing of sales which may be impacted by other future factors which could impact the assumptions made.

Amortisation commences once management consider that the asset is available for use, i.e., when it is judged to be in the location and condition necessary for it to be capable of operating in the manner intended by management and the cost amortised over the estimated useful life of the know-how based on expected customer product cycles and lives.

Impairment

Intangible assets are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Intangible assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.7 TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at historical purchase cost, less accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Except for office equipment, the cost less estimated residual value of fixed assets is written off on a straight-line basis over their estimated useful economic lives. The rates applicable are:

Computer Software	5 years straight line on cost
Office Equipment	4 years straight line on cost
Computer Equipment	3 years straight line on cost

Short leasehold improvements are depreciated over the term of the lease.

Management reviews the useful lives and residual values of all depreciable assets at each reporting date. At 31 May 2021, management assessed that the useful lives represent the expected utility of the assets to the Group and Parent Company.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease. An impairment loss is recognised

2.8 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiary undertakings are recognised at cost, less provision for impairment.

2.9 INVENTORY

Inventory is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost is calculated using the first-in, first-out method and includes all purchase, transport, and handling costs in bringing stocks to their present location and condition. Cost includes all directly attributable costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred in completion and sale.

2.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity date of three months or less.

2.11 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Group and Parent Company's balance sheet when the entity becomes a party to the contractual provisions of the instrument. Financial instruments are recorded initially at fair value net of transaction costs. Subsequent measurement depends on the designation of the instrument, as follows:

Amortised cost

- short-term borrowing, overdrafts and long-term loans are held at amortised cost; and
- accounts payable which are not interest bearing are recognised initially at fair value and thereafter at amortised cost under the effective interest method.

Loans and receivables

- trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional. The Group and Parent Company holds the trade receivables with the objective of collecting the contractual cash flows, and so it measures them subsequently at amortised cost using the effective interest method.
- non-interest bearing accounts receivable are initially recorded at fair value and subsequently valued at amortised cost, less provisions for impairment. Any change in their value through impairment or reversal of impairment is recognised in profit or loss net of any advance payment held by the Group and Parent Company where a right of offset exists; and
- cash and cash equivalents comprise cash balances and call deposits with maturities of less than three months together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Interest and other income resulting from financial assets are recognised in profit or loss on the accruals basis, using the effective interest method.

Financial assets are derecognised when the contractual right to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

The Group and Parent Company's financial liabilities comprise trade and other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest rate method except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognised in profit or loss. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised when it is extinguished, discharged, cancelled, or expires.

2.12 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, considering the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

2.13 GOVERNMENT GRANTS

Government grants are recognised when there is reasonable assurance that the entity will comply with the conditions attaching to the grant and the grant will be received.

(i) Coronavirus Job Retention Scheme (CJRS)

The CJRS Grant is accounted for when the payroll liability has been incurred by the Group and it has met all conditions to claim, and income has been recognised in the period to which the underlying furloughed staff costs relate to, accounted for as Other Income in the Statement of Comprehensive Income.

(ii) Research and Development Grants

Research and development grants are accounted for on an accruals basis in the year to which they relate and are dealt with below the line as a reduction in the tax charge for the year.

(iii) Research and Development Expenditure Credits (RDEC)

Research and development expenditure credits are accounted for on an accruals basis in the year to which they relate and are dealt with within government grants received.

(iv) Asset based Grants

Where a grant relates to the purchase of a fixed asset the grant is applied against the carrying value of the asset.

2.14 PENSION COSTS AND OTHER POST RETIREMENT BENEFITS

The Group operates a defined contribution pension scheme. Contributions payable to the Group's pension scheme are charged to profit or loss in the period to which they relate.

2.15 TAXATION

(i) Current tax

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

(ii) Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

2.16 LEASING COMMITMENTS

The accounting treatment for leases is dependent on their classification.

(i) Operating leases

Leases where substantially all the risks and benefits of ownership of the asset are not transferred to the Group are classified as operating leases and rentals payable are charged to the profit and loss income statement on a straight-line basis over the term of the lease.

(ii) Finance leases and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of the asset have passed to the Group and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged to the income statement over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

2.17 EXCEPTIONAL ITEMS

The group classifies certain one-off charges or credits that have a material impact on the group's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Group and Parent Company.

2.18 SHARE BASED PAYMENTS

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party or factors which are within the control of one or other of the parties .

3. USE OF ESTIMATES AND JUDGEMENT

In preparing the annual financial statements, Management is required to make judgements, estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Management is required to exercise its judgement in selecting and applying the entity's accounting policies. Management makes use of estimates and assumptions, which are based on historical experience and other factors that are considered to be relevant. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Property, plant and equipment

Management have estimated the useful life of assets based upon the period that the assets are able to and expected to generate revenue. These estimates are reviewed annually for continued appropriateness and events which may cause the estimate to be revised.

3. USE OF ESTIMATES AND JUDGEMENT (continued)

Impairment of intangible and tangible assets

Determining whether intangible and tangible assets are impaired requires an estimation of the value in use of the cash-generating units to which intangible and tangible assets have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

As a result of revised estimates on the future cash flow associated with certain projects which had previously been recognised as Intangible Assets the Group and Company recognised an exceptional charge of £2,019,955 (2020: £450,000) as is disclosed in Note 10.

Accrued income/ deferred income and judgements involved in determining percentage of completion

In accordance with the policy on Revenue recognition (see Note 2.5) Management are required to judge the percentage of completion of the contract in order to recognise both income and costs. Where amounts have been received from the customer in excess of the percentage completion then this is recognised as deferred income and where amounts received from the customer is less than the percentage completion then this is recognised as accrued income.

4. PRIOR YEAR ADJUSTMENTS

During the preparation of these financial statements the following errors in the prior year financial statements were identified and corrected.

- a. Deferred Tax. A deferred tax liability which had previously not been recognised in respect of accelerated allowances on intangible assets: provisions for liabilities. The balance on 31 May 2020 should be £1.183 m. Of this balance £0.590m relates to the period before 01 June 2019.
- b. Share Based Payments. The Company has issued share options to certain members of staff in 2017. Charges in relation to these options have not previously been recognised in the financial statements. Charges for the year ended 31 May 2020 are shown as a charge to administrative expenses and a credit to equity. This has no overall effect on retained earnings brought forward.

The impact of the prior year adjustments is shown in the Consolidated Statement of Changes in Equity and in the Parent Company Statement of Changes in Equity

RESTATED STATEMENT OF FINANCIAL POSITION

	Ref	Group 2020 £	Company 2020 £
Net Assets as at 31 May 2020 as filed		5,875,221	5,572,197
Deferred Tax adjustment	a	<u>(1,183,458)</u>	<u>(1,183,458)</u>
Net Assets as at 31 May 2020 Restated		<u>4,691,763</u>	<u>4,388,739</u>
	Ref	Group 2020 £	Company 2020 £
Retained Earnings as filed for 31 May 2020		5,873,064	5,570,224
Deferred Tax prior to 31 May 2019	a	(590,061)	(590,061)
Deferred Tax year ended 31 May 2020	a	<u>(593,397)</u>	<u>(593,397)</u>
Retained Earnings for 31 May 2020 Restated		<u>4,689,606</u>	<u>4,386,766</u>

5. TURNOVER

The turnover and profit before taxation are attributable to the principal activities of the Group.

An analysis of turnover by geographical market is given below:

	2021	2020
	£	£
United Kingdom	3,174,603	2,159,740
Rest of Europe	2,968,024	2,250,466
Rest of the World	<u>2,464,410</u>	<u>2,041,988</u>
	<u><u>8,607,037</u></u>	<u><u>6,452,194</u></u>

Of the income stated above £743,368 (2020 - £950,962) originates from outside the United Kingdom.

An analysis of turnover by type of service is given below:

	2021	2020
	£	£
Goods	677,498	251,902
Services	7,001,073	5,307,558
Royalties	<u>928,466</u>	<u>892,733</u>
	<u><u>8,607,037</u></u>	<u><u>6,452,194</u></u>

6. EMPLOYEES AND DIRECTORS

	2021	2020
	£	£
Wages and salaries	4,715,186	4,238,502
Social security costs	460,435	423,099
Other pension costs	<u>604,358</u>	<u>520,193</u>
	<u><u>5,779,979</u></u>	<u><u>5,181,794</u></u>

The average number of employees during the year was as follows:

	2021	2020
Administration	9	8
Marketing	4	3
Research, Development and Technical	<u>83</u>	<u>74</u>
	<u><u>96</u></u>	<u><u>85</u></u>

During the year, the Group had 2 Directors (2020: 2).

Remuneration in respect of directors was as follows:

	2021	2020
	£	£
Emoluments	189,102	181,069
Pension contributions	<u>20,472</u>	<u>24,656</u>
	<u><u>209,574</u></u>	<u><u>205,725</u></u>

6. EMPLOYEES AND DIRECTORS (continued)

Only 1 Director received pension contributions (2020: 1).

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2021	2020
	£	£
Emoluments	113,102	117,569
Pension contributions	<u>20,472</u>	<u>24,656</u>
	<u><u>133,574</u></u>	<u><u>142,225</u></u>

7. OTHER OPERATING INCOME

	2021	2020
	£	£
Government grants	297,541	57,802
	<u><u>297,541</u></u>	<u><u>57,802</u></u>

In 2021 Grants of £80,015 (2020 £57,802) were received in relation to the Coronavirus Job Retention Scheme and £186,875 was recognised in relation to the interest free period on the CBILS loan taken out in the August 2020.

8. OPERATING (LOSS) / PROFIT

The operating (loss) / profit is stated after charging:

	2021	2020
	£	£
Other operating leases	165,074	188,668
Depreciation - owned assets	50,536	50,617
Amortisation on loans	20,125	9,250
Amortisation on intellectual property	110,278	99,873
Foreign exchange gains/losses	29,442	13,408
Research & development expenditure recognised as an expense	4,349,496	1,501,920
Share based payment charge (see note 29)	31,902	27,273
Auditor's remuneration		
- for the audit of the company's annual accounts	<u><u>51,250</u></u>	<u><u>21,000</u></u>

9. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021	2020
	£	£
Loans	518,103	212,511
Other interest payable	19,634	3,501
Hire purchase	<u>3,422</u>	<u>-</u>
	<u><u>541,159</u></u>	<u><u>216,012</u></u>

10. EXCEPTIONAL ITEM

	2021 £	2020 £
Impairment of Intangible Fixed Assets	2,019,655	450,000
Write off of accumulated losses on closure of EnSilica USA Inc.	<u>(8,134)</u>	<u>-</u>
	<u>2,011,521</u>	<u>450,000</u>

During the year, an impairment review was undertaken of all intellectual property and capitalised developments and as a result an impairment charge of £2,019,655 (2020: £450,000) was booked against ongoing projects.

11. TAXATION**Analysis of the tax credit**

The tax credit on the (loss)/profit for the year was as follows:

	2021 £	2020 £
Current tax:		
UK corporation tax	(1,036,467)	(1,166,266)
Foreign tax	120,278	23,164
Deferred tax (note 24):		
Deferred tax timing differences	(52,539)	468,386
Deferred tax change in rate	<u>356,978</u>	<u>125,011</u>
Total tax credit	<u>(611,750)</u>	<u>(549,705)</u>

The tax credit on the loss before tax for the year differs from applying the standard corporation tax rate of 19% (2020: 19%). The differences are analysed below:

	2021 £	2020 £
Loss before taxation	(2,736,646)	(389,761)
Loss at 19%	(519,963)	(74,055)
Disallowable expenditure	17,105	3,109
Enhanced research and development allowances	(831,864)	(910,511)
Reduced rate on surrender of R&D losses for tax credit	321,741	362,333
Higher overseas tax rates	44,253	-
Change in rate and differing deferred tax rate	<u>356,978</u>	<u>69,419</u>
	<u>(611,750)</u>	<u>(549,705)</u>

12. RESEARCH AND DEVELOPMENT

The total expenditure on R&D in the year was £3,781,816 (2020: 4,314,207) of this R&D expenditure in the year: Due to the impairment of certain previously capitalised projects £4,349,496 (2020 - £1,501,920) was recognised as an expense. Included within this was £42,334 (2020 - £47,437) from EnSilica India Private Limited.

13. INTANGIBLE ASSETS**The Group and Company**

	Development costs £
Cost	
At 1 June 2020	7,470,586
Additions	<u>1,672,534</u>
At 31 May 2021	<u>9,143,120</u>
Amortisation and impairment	
At 1 June 2020	(626,716)
Charge for the year	(110,278)
Impairment charges	<u>(2,019,655)</u>
At 31 May 2021	<u>(2,756,649)</u>
Net book amount at 31 May 2021	<u>6,386,471</u>
Cost	
At 1 June 2019	4,162,634
Additions	<u>3,307,952</u>
At 31 May 2020	<u>7,470,586</u>
Amortisation and impairment	
At 1 June 2019	(76,843)
Charge for the year	(99,873)
Impairment	<u>(450,000)</u>
At 31 May 2020	<u>(626,716)</u>
Net book amount at 31 May 2020	<u>6,843,870</u>

Intangible assets comprise capitalised development costs/contract fulfilment asset, which represent expenditure on long term projects, and developed intellectual property which is carried forward when its future recoverability can be foreseen with reasonable assurance and is amortised in line with sales from the related projects.

As a result of revised estimates on the future cash flow associated with certain projects which had previously been recognised as Intangible Assets the Group and Company recognised an exceptional charge of £2,019,655 (2020: £450,000) as is disclosed in Note 10.

14. TANGIBLE FIXED ASSETS

Group	Office equipment £	Computer equipment £	Computer software £	Total £
COST				
At 1 June 2020	52,620	276,544	-	329,164
Additions	3,493	105,962	122,930	232,385
Disposals	-	(13,596)	-	(13,596)
At 31 May 2021	56,113	368,910	122,930	547,953
Depreciation				
At 1 June 2020	(40,272)	(205,351)	-	(245,623)
Charge for the year	(5,420)	(41,051)	(4,064)	(50,535)
Eliminated on disposal	-	13,596	-	13,596
At 31 May 2021	(45,692)	(232,806)	(4,064)	(282,562)
Net book amount at 31 May 2021	10,421	136,104	118,866	265,391
COST				
At 1 June 2019	48,731	240,817	-	289,548
Additions	5,295	43,438	-	48,733
Disposals	(1,406)	(7,711)	-	(9,117)
At 31 May 2020	52,620	276,544	-	329,164
Depreciation				
At 1 June 2019	(35,168)	(166,741)	-	(201,909)
Charge for the year	(5,558)	(44,609)	-	(50,167)
Eliminated on disposal	454	5,999	-	6,453
At 31 May 2020	(40,272)	(205,351)	-	(245,623)
Net book amount at 31 May 2020	12,348	71,193	-	83,541

14. TANGIBLE FIXED ASSETS (Continued)

Company	Office equipment £	Computer equipment £	Computer software £	Total £
COST				
At 1 June 2020	49,498	262,693	-	312,191
Additions	3,493	97,672	122,930	224,095
Disposals	-	(13,596)	-	(13,596)
At 31 May 2021	52,991	346,769	122,930	522,690
Depreciation				
At 1 June 2020	(38,205)	(200,710)	-	(238,915)
Charge for the year	(4,983)	(34,171)	(4,064)	(43,218)
Eliminated on disposal	-	13,596	-	13,596
At 31 May 2021	(43,188)	(221,285)	(4,064)	(268,537)
Net book amount at 31 May 2021	9,803	125,484	118,866	254,153
COST				
At 1 June 2019	46,115	226,300	-	272,415
Additions	3,383	37,615	-	40,998
Disposals	-	(1,222)	-	(1,222)
At 31 May 2020	49,498	262,693	-	312,191
Depreciation				
At 1 June 2019	(33,618)	(161,583)	-	(195,201)
Charge for the year	(4,587)	(39,127)	-	(43,714)
Eliminated on disposal	-	-	-	-
At 31 May 2020	(38,205)	(200,710)	-	(238,915)
Net book amount at 31 May 2020	11,294	61,982	-	73,276

15. INVESTMENTS

The Group's investments at the Balance Sheet date in the share capital of companies include the following:

EnSilica India Private Limited

Corporate Identity Number - U72200KA2012PTC062009

Incorporated in Bangalore, India: 19th January 2012

Registered office: 2064, 2nd floor, Siri Iris, 24th Main, 1st Sector, HSR Layout, Bangalore- 560 102 India

Nature of business: Semiconductor design consultants

Class of shares:	% holding
Ordinary shares	99.99
Value	INR 10.00

EnSilica ADAS Limited

Registered Number 10929282

Incorporated in England & Wales: 23rd August 2017

Registered office: Building 3, 115 Olympic Avenue, Milton Park, Abingdon, Oxfordshire, OX14 4SA

Nature of business: Semiconductor design consultants

Class of shares:	% holding
Common Stock	100.00
Value	£Nil

16. INVENTORY

	The Group	2020	The Company	2020
	2021		2021	
	£	£	£	£
Stocks	30,317	93,638	30,317	93,638

17. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group		The Company	
	2021	2020	2021	2020
	£	£	£	£
Trade receivables	3,123,245	867,356	2,913,140	668,912
Amounts owed by group undertakings	-	-	101	101
Other debtors	105,337	113,797	80,257	78,950
Taxation	2,202,732	1,195,496	2,202,732	1,166,266
VAT	22,858	-	22,858	-
Prepayments and accrued income	393,159	483,809	393,159	483,809
	5,847,331	2,660,458	5,612,247	2,398,038

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group		The Company	
	2021	2020	2021	2020
	£	£	£	£
Loans (see note 20)	753,439	848,170	753,439	848,170
Finance lease agreements (see note 21)	41,898	4,734	41,898	4,734
Trade creditors	879,406	788,871	879,119	778,871
Amounts owed to group undertakings	-	-	78,802	-
Social security and other taxes	811,821	488,897	804,292	459,766
Other creditors	4,939	2,057	4,939	1,741
Deferred income	1,535,639	289,308	1,535,639	289,308
Accrued expenses	544,392	387,731	541,392	387,423
	4,571,534	2,809,768	4,639,520	2,780,013

19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	The Group		The Company	
	2021	2020	2021	2020
	£	£	£	£
Finance lease agreements (see note 21)	121,178	2,038	121,178	2,038
Loans (see note 20)	5,046,233	3,105,078	5,046,233	3,105,078
	5,167,411	3,107,116	5,167,411	3,107,116

20. LOANS

An analysis of the maturity of loans is given below:

	2021	2020
	£	£
Amounts falling due:		
Within one year or on demand	753,439	848,170
Amounts falling due in one to five years	4,048,376	2,214,896
Amounts falling due after five years	<u>997,857</u>	<u>890,182</u>

On 20th August 2020 EnSilica Limited took out a loan for £2,500,000 with Growth Lending 2020 Limited. The loan was provided under the UK Governments Coronavirus Business Interruption Loan Scheme to assist the Company during the Coronavirus Pandemic.

21. FINANCE LEASING AGREEMENTS**For the Group and Company**

Minimum lease payments under hire purchase fall due as follows:

	2021	2020
	£	£
Net obligations repayable:		
Within one year	41,898	4,734
Between one and five years	121,178	2,038
Over five years	<u>-</u>	<u>-</u>
	<u>163,076</u>	<u>6,772</u>

22. SECURED DEBTS

The following secured debts are included within creditors:

	2021	2020
	£	£
Loans	2,381,250	515,004
Hire purchase contracts	<u>163,076</u>	<u>6,772</u>
	<u>2,544,326</u>	<u>521,776</u>

The loan with Growth Lending 2020 Limited is secured by a fixed and floating charge over the assets of the Parent Company. The Hire purchase contracts are payable as shown in note 20 Finance Leasing Arrangements.

23. PROVISIONS FOR LIABILITIES

	2021	2020
	£	£
Provision made under the Government of India Gratuity Act 1972	<u>148,771</u>	<u>70,366</u>
	<u>148,771</u>	<u>70,366</u>

The above provision relates to EnSilica India Private Limited and is an Indian Government requirement under the Payment of Gratuity Act, 1972 that provides a scheme for the payment of gratuity to employees.

23. PROVISIONS FOR LIABILITIES (continued)

The Act provides that a gratuity shall be payable to an employee on the termination of their employment after they have rendered continuous service for not less than five years, - (a) on superannuation, or (b) on retirement or resignation, or (c) on death or disablement due to accident or disease: Provided that the completion of continuous service of five years shall not be necessary where the termination of the employment of any employee is due to death or disablement.

24. DEFERRED TAX

Deferred tax has been recognised at an average rate of 25% (2020: 19%, 2019: 17%) in the financial statements as set out below:

	Intangible assets	Accelerated capital allowances	Tax losses	Total
	£	£	£	£
At 31 May 2019	694,584	12,945	(117,468)	590,061
Charge/(credit) for the year	605,751	1,465	(13,820)	593,397
At 31 May 2020	1,300,335	14,410	(131,288)	1,183,458
Charge/(credit) for the year	296,282	49,616	(41,459)	304,439
At 31 May 2021	1,596,618	64,026	(172,747)	1,487,897

25 FINANCIAL ASSETS AND LIABILITIES

There is no significant difference between the book values and fair values of the financial assets and liabilities of the Group and Parent Company and the latter are reviewed on a regular basis to ensure that no such exposure arises or, if it does, to enable the Group to take action to mitigate or eliminate any such potential loss. The carrying value of financial assets and liabilities is summarised in the table below:

	The Group		The Company	
	2021	2020	2021	2020
	£	£	£	£
Financial Assets				
At amortised cost				
Trade receivables	3,123,245	867,356	2,913,140	668,912
Accrued Income	261,663	355,247	261,663	355,247
Cash and cash equivalents	1,404,198	2,180,964	1,071,979	2,050,402
	4,789,106	3,403,567	4,246,782	3,074,561
Financial Liabilities				
At amortised cost				
Trade and other payables	884,344	790,928	884,058	790,612
Accrued expense	544,391	387,731	541,391	387,423
Hire purchase contracts	163,076	6,772	163,076	6,772
Loans	5,799,672	3,953,248	5,799,672	3,953,248
	7,391,483	5,138,679	7,388,197	5,138,055

26. CALLED UP SHARE CAPITAL

Allotted, issued, and fully paid:

Class:	2021			2020		
	Nominal Value	Number	£	Nominal Value	Number	£
A Ordinary	£0.001	1,700,000	1,700	£1.000	1,700	1,700
B Ordinary	£0.001	273,000	273	£1.000	273	273
			<u>1,973</u>			<u>1,973</u>

On 25 November 2020 each A Ordinary and B Ordinary share was sub-divided into 1,000 new A Ordinary and B ordinary shares.

The A and B shares rank pari passu in all respects except that on a return of assets on liquidation, capital reduction or otherwise (other than a conversion or purchase of shares) ("Capital Return"), the surplus assets of the Company remaining after the payment of its liabilities ("Surplus") shall be applied (to the extent that the Company is lawfully able to do so) as follows:

- In all circumstances, the first £1.4 million of the Surplus ("A Sum") shall be paid to the holders for the time being of the A shares (in proportion to the amounts paid or deemed paid up thereon: and
- The surplus assets of the Company remaining after the payment of the A Sum to the A Shareholders ("Surplus Balance") shall be paid to the holders for the time being of the shares (in proportion to the amounts paid up or deemed paid up thereon) as if they all constituted shares of the same class.

27. RESERVES AND MINORITY INTEREST IN THE CONSOLIDATED FINANCIAL STATEMENTS**RETAINED EARNINGS**

Retained reserves includes all current and prior period retained profits and losses attributable to owners of the Parent company.

CURRENCY TRANSLATION RESERVE

Foreign exchange translation reserve – comprises translation differences arising from the translation of financial statements of the Group's foreign entities into pound sterling (£).

MINORITY INTEREST

	2021	2020
	£	£
At 1 June	5	3
Profit for the year attributable to the minority interest	<u>4</u>	<u>2</u>
At 31 May	<u>9</u>	<u>5</u>

The minority interest is represented by one shareholder in EnSilica India Private Limited holding one share.

28. OTHER FINANCIAL COMMITMENTS

Capital commitments for the year are £Nil (2020- £Nil) and the total amount of commitments, guarantees and contingencies of a non-capital nature are £132,824 (2020: £107,903).

The commitments of a non-capital nature relate to following lease obligations as identified below.

Lease obligations under equipment rentals fall due as follows:	2021 £	2020 £
Net obligations payable:		
Within one year	35,163	26,054
Between one and five years	11,721	47,594
Over five years	-	-
	<u>46,884</u>	<u>73,648</u>

Lease obligations under office rentals fall due as follows:	2021 £	2020 £
Net obligations payable:		
Within one year	77,798	59,604
Between one and five years	100,176	150,975
Over five years	-	-
	<u>177,974</u>	<u>210,579</u>

29. SHARE BASED PAYMENTS

Options were granted under an EMI scheme over 1,050 £1 B ordinary shares on 29 June 2017 at an exercise price of £1 per share (now held over 1,050,000 £0.001 B ordinary shares at £0.001 per share following the subdivision of A Ordinary and B Ordinary shares in November 2020 as disclosed in Note 26). The options are exercisable for up to 10 years subject to certain profit performance targets or otherwise to the capital value of the company on an exit exceeding £14m (10% exercisable up to 100% at £23m).

Options were granted under an EMI scheme over 580,000 C shares and 811,000 D shares in February 2021 at an exercise price of £0.001 per share. The options are exercisable for up to 10 years subject to the capital value of the company on an exit exceeding £14m for C options (10% exercisable up to 100% at £23m) and exceeding £23m for D options.

29. SHARE BASED PAYMENTS (Continued)

	B Options	C Options	D Options
Share grants and options outstanding at 1 June 2019	1,050,000	-	-
Share grants and options granted during the year	-	-	-
Share grants and options forfeited during the year	-	-	-
Share grants and options outstanding at 31 May 2020	1,050,000	-	-
Exercisable at 31 May 2020	360,045	-	-
Share grants and options outstanding at 1 June 2020	1,050,000	-	-
Share grants and options granted during the year	-	580,000	811,000
Share grants and options forfeited during the year	-	-	-
Share grants and options outstanding at 31 May 2021	1,050,000	580,000	811,000
Exercisable at 31 May 2021	360,045	-	-

The weighted average exercise price for all options is £0.001 per share at 31 May 2020 and 2021.

The share based payment charges have been estimated using a Black Scholes share pricing model and vesting period of 5 years. A charge of £31,902 (2020: £27,273) was recognised in the financial statements..

30. RELATED PARTY DISCLOSURES

During the year, a total of key management personnel compensation of £209,57 (2020 - £205,725) was paid.

31. ULTIMATE HOLDING COMPANY

The ultimate parent undertaking and controlling party is EnSilica Limited in which the results of the group companies are consolidated. The headquarters of EnSilica Limited are Building 3, 115 Olympic Avenue, Milton Park, Abingdon, Oxfordshire, OX14 4SA.

32. POST BALANCE SHEET EVENTS**Convertible Loan Notes**

After the balance sheet date in December 2021, January 2022 and February 2022 the Parent Company raised £1,375,000 by issuing 1 year unsecured convertible loan notes. These notes, which are issued for a year, carry a 10% coupon rate and will entitle the holders to a 12% discount in the event of an Initial Public Offering.

Investment in EnSilica Brasil

After the balance sheet date on 30th July 2021 the Parent Company made an investment in a 100% subsidiary, EnSilica Do Brasil Sociedade Unipessoal Limitada for 450,000 Brazilian Rials (£67,849). The company is registered in Brasil under Numero de Inscrição : 42.934.252/001-38. The registered address of the company is 6681 Av Ipiranga, Sala 1009 Preio 99, Partenon, Porte Alegre, Rio Grande do Sul, Brasil and is engaged in semiconductor design.