EnSilica plc | Annual Report and Consolidated Financial Statements 2022

Annual Report and Consolidated Financial Statements

For the year ended 31 May 2022

About EnSilica plc

EnSilica is a leading fabless design house focused on custom ASIC design and supply for OEMs and system houses, as well as IC design services for companies with their own design teams. The company has world-class expertise in supplying custom RF, mmWave, mixed signal and digital ASICs to its international customers in the automotive, industrial, healthcare and communications 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. Our impressive record of success has been achieved working with customers ranging from start-ups to blue-chip companies and our project portfolio ranges from module design to multi-million gate System-on-Chip.

The company is headquartered near Oxford UK with design centres across the UK, Bangalore India and Porto Alegre Brazil.

Our Mission

To be the premier application specific fabless chipmaker in Europe.

Contents

EnSilica plc
Registered in England and Wales, Registration no: 04220106
Registered Office: 100 Park Drive, Milton Park, Abingdon, Oxfordshire, UK OX14 4RY

Highlights

REVENUE + 77%

Adj EBITDA + £1.0m

Adj Op PROFIT + £0.9m

NET ASSETS + 328%

HEADCOUNT + 21%

FINANCIAL HIGHLIGHTS

- Revenue up 77% to £15.3 million (FY21: £8.6 million)
- Adjusted operating profit £0.70 million, up from £0.17 million loss in FY21.
- Gross margin 33% (FY21: 23.9%)
- Adjusted EBITDA up significantly to £1.04 million (FY21: £0.06 million)
- Cash and cash equivalents £5.7 million (FY21: £1.4 million)
- Net cash £0.6 million (FY21: Net debt £4.7 million)
- Net assets increased by 328% (FY21: decreased 39%)
- Further investment in IP of £2.24 million (FY21: £1.67 million)

OPERATIONAL HIGHLIGHTS

- Successfully floated on AIM, a market operated by the London Stock Exchange, in May 2022, raising £6million despite macro-economic uncertainty and the onset of conflict in Ukraine.
- Increase in average headcount in the year to 117 (FY21: 96).

POST YEAR-END EVENTS

- Successfully brought a mixed signal automotive ASIC to commercial production following the official launch of a new flagship vehicle by a premium automotive company.
- Appointed a new Vice President of Worldwide Sales and entered into non-exclusive Sales Representative Agreements with Quantum Leap Solutions Inc. (covering the North America region) and Cedar Technologies Limited (covering the UK, Nordic regions and Poland).
- Hired an ASIC implementation team comprising of six engineers and the purchase of related non-core IP assets from Blu Wireless Technologies Limited.
- Successfully tendered for significant industrial ASIC supply project worth in excess of US$30 million over 7 years.

Strategic Report

Chair's Statement

Mark Hodgkins
Executive Chair

It is my great pleasure to present our first set of results as a newly quoted company.

Dear Shareholders

Our May 2022 IPO was a significant milestone for our business, and for our team here at EnSilica. The IPO was the culmination of a tremendous period of organisational and operational change for our business, which is ultimately centred on further capitalising on a sizeable growth opportunity within the semiconductor industry. We look forward to taking advantage of the many benefits that our public quotation brings.

Our listing not only provided the Company with an immediate growth capital, alongside creating the flexibility to fund potential M&A opportunities. It also enhanced both transparency and raised our international profile with existing and potential customers. We strongly believe that this will enable us to attract, recruit and retain key employees going forward.

Against this positive momentum, I am delighted to report that our maiden results for the financial year ending 31 May 2022 exceeded market expectations set out at the time of the Company's listing. EnSilica delivered revenues for FY 2022 of £15.3 million (2021: £8.6 million), a 77% increase on the prior year, and an adjusted EBITDA of approximately £1.0 million (2021: £0.06 million), delivering significant year on year growth.

This outstanding performance is the realisation of our underlying business strategy first adopted in 2016, with the start of direct chip supply to our first automotive customer. Since then, we have seen our financial performance improve, as our earlier customer product development mandates continue to build momentum.

Our recent award of a significant industrial contract, announced in July 2022, provides further validation of our operating model and financial drive. This prestigious customer win, combined with our substantial order book is directly attributable to our highly experienced team who have worked tirelessly to ensure we remain best in the business. I would personally like to thank every member of the EnSilica team for their effort, dedication, and enthusiasm throughout.

The Board has been enlarged during 2022 and we are delighted to welcome our new Non-Executive directors. We have been able to attract highly experienced individuals with strong skills and relevant experience to support our strategic ambitions. Alongside myself, Ian Lankshear, our CEO, was joined by our CFO, Matthew Wethey, as the Executive Directors. Concurrently, four independent Non-Executive directors were appointed Janet Collyer as Senior Non-Executive Director and Chair of the Remuneration Committee, and David Tilston as Chair of the Audit Committee, Noel Hurley and Wasim Ahmed. We are committed to pursuing excellent Board performance and we will be reporting on the steps we take to maximise the effectiveness of the Board on a regular basis.

As a responsible business, we remain focused on corporate environmental, social, and governance ('ESG') values, in order to build a strong, profitable, and sustainable business. We have undertaken to establish critical ESG priorities, opportunities, and risks and will be reporting across these headings going forward.

Despite the challenges presented by the broader macro-economic climate and the fears of a downturn for the semiconductor industry, we continue to service a sizeable order book and a strong level of enquiries for ASIC's from a variety of sources across automotive, industrial, healthcare and satellite communications, where we have a longstanding reputation for innovation and excellence.

In this time of disruption of the labour markets and steep labour cost rises, attracting new employees and retaining existing ones is a key focus of our executive team. This is evidenced with the hiring of our ASIC implementation team, comprising of six skilled engineers from Blu Wireless earlier this year. The new team will be located in EnSilica's new Bristol facility. We are delighted to be welcoming such a skilled and experienced team to EnSilica, which we believe will form a strong platform to further attract talent in the Bristol area.

Finally, we have started the current financial year strongly, buoyed by our existing contracts which underpin FY23 momentum. The Board firmly believes that the Company is well placed to continue

Chair's Statement continued

to capitalise on the sizeable growth opportunity within the semiconductor industry, supported by a significant order book and new business pipeline.

Mark Hodgkins
Chair
14 October 2022

Chief Executive's Review

Ian Lankshear

Chief Executive Officer

2022 a transformational year for EnSilica

Introduction

I am delighted to be sharing our first set of results as a newly quoted company and more importantly, highlighting what has been a truly transformational year for our business. Not only have we made significant operational progress, but we have also delivered a strong set of financial results, reflecting the underlying strength of EnSilica.

Over the last 12 months, we have been developing a substantial order book, which includes our first mass production of our automotive ASICs with a prestige car maker, coupled with the successful listing of the business on the London stock market, alongside celebrating our 21st anniversary.

Our progress has also been reflected in our financial performance across FY 2022, with revenues increasing 77% to £15.3 million (2021: £8.6 million), alongside delivering £1.0 million (2021: £0.06 million) of adjusted EBITDA, representing a significant year-on-year growth.

Our listed status is already benefiting the business, helping us to accelerate our mission to be the premier application specific fabless chipmaker in Europe. Our higher profile position, stronger balance sheet and financial transparency have allowed us to engage with top-tier customers, enabling us to increase our business momentum.

In addition, we have seen a marked improvement in new business opportunities during the year, with customers requesting specification phase quotations to cover funded studies into their ASICs across automotive, industrial, healthcare and satellite communication sectors, all key growth markets for EnSilica.

To that end, our growth strategy remains unchanged from that outlined during our listing, and we will continue to pursue the following business objectives:

- To leverage EnSilica's strong positions within automotive, industrial, healthcare and satellite connectivity applications for mixed signal ASICs;
- scale the Company's successful Fabless ASIC Model to fully exploit revenue opportunities from design and supply engagements;
- develop catalogue parts, with two significant standard platforms already at the device evaluation stage;
- expand EnSilica's offering through consolidation and vertical integration.

I look forward to updating all our key stakeholders on our progress as we seek to further develop the business.

Finally, I would like to express my sincere thanks to all our highly talented and hardworking staff, without whom none of this would have been possible. We would also like to thank our customers and investors who have shown confidence in us and have contributed to making 2022 a transformational year for EnSilica.

Chief Executive's Review continued

EnSilica's Business Model

EnSilica operates under the Fabless Semiconductor Model and as a design consultancy providing services for Integrated Circuits ("ICs"). The fabless semiconductor model provides an end-to-end service for the development, production and supply of ICs from initial scoping and design through to the delivery of products.

Under this model, fabrication of ICs is outsourced to specialised semiconductor wafer foundries, following which the processed wafers are sent for dicing, testing and packaging by other third parties, keeping capital requirements for manufacturing low. EnSilica has a wide network of suppliers, high profile customers and a strong reputation in the market, providing EnSilica with security of supply.

The move from consultancy to focusing on ASIC design and supply embeds EnSilica further within the electronics value chain. ASIC customers pay an upfront fee towards the costs of design, tooling and test development of the ASIC, otherwise known as non-recurring engineering costs ("NRE"). Customers subsequently purchase the ASICs that EnSilica supplies or, in some cases, pay royalties to EnSilica for the ASICs that a third party will manufacture on the customer's behalf.

EnSilica often co-invests in the development of ASICs with the customer and depending on the sector, it takes two to five years to reach full production. At the production stage, revenues can be high, last several years and generate gross margins circa 35% to 60% range. The gross margin will depend on the market and the level of co-founding funding of the NRE required. Therefore, part of EnSilica's expertise is in assessing whether to proceed and invest in a particular IC project resulting in long-term component supply or royalty revenue for the Company.

Key Markets and Growth Drivers

We continue to develop a presence across four principal markets where we believe there is significant demand for our services and skills, namely: Satellite Communications, Automotive, Industrial and Healthcare.

Within the **Automotive Sector**, significant advancements are now being driven by electronics rather than mechanical changes. This increased usage of electronics has directly contributed to a heightened demand for semiconductors within the automotive industry.

The potential for semiconductors in the automotive industry is vast and includes electric vehicles, infotainment systems, advanced driver assist systems, autonomous driving systems, connectivity, safety and security systems. IC Insights estimates that the automotive sector will be the strongest growing 2021-2026 CAGR of any of the main semiconductor end-use segments at 13.4%, which underpins EnSilica's focus on this end market.

The Company is also focused on the **Satellite Communication Sector**, which will continue to play a vital role in interconnecting our new smart world, especially in remote areas where mobile or Wi-Fi networks are ineffective. In addition, Space semiconductors will deliver enhanced system performance and efficiency by providing various advantages of standard components. EnSilica's ability to deliver ASICs, which are ideally placed to meet the specific demands of various satellite communication systems, will be fundamental to our success in this market in the medium term.

Within the **Industrial Sector**, we expect both the evolution and widespread industrial demand for semiconductors to increase, driven in part by the more widespread adoption of pressure and flow sensors, gas sensors and chemical sensors through to precision timers, ultrasonic sensor drivers and movement sensors. IC Insights predicts that the industrial segment 2021-2026 CAGR will be 8%. The industrial market also has room for manufacturing optimisation and proactive fault detection through realising the benefits of AI and machine learning, which ASICs are now well placed to exploit.

Finally, the **Health Wearables Sector** remains of considerable interest to the Company as advancements in AI have made it possible to detect medical conditions through monitoring devices which range from devices worn on the wrist, sensors on a small patch or even within earbuds. Deloitte Global reported that 275 million consumer health and wellness wearable devices were shipped worldwide in 2021. It is now predicted that 320 million consumer health and wellness wearable devices will ship worldwide in 2022. By 2024, this figure will likely reach nearly 440 million devices. These figures include both smartwatches and medical-grade wearables, often prescribed by health care professionals but are increasingly becoming available off the shelf.

Looking more broadly at our market, the much-publicised global chip shortage has undoubtedly increased the awareness of the multitude of benefits of using custom silicon compared to standard parts, including simplified and secure supply chains. This has strengthened our turnkey ASIC pipeline to an all-time high. Our next stage of accelerated growth will be driven by the global demand for semiconductors and our expertise in mixed signal chips, enabling a greener, safer, smarter and more connected world.

It took recent chip shortages to cement the "critical" status of the semiconductor industry, establishing it as a truly essential industry. In addition, the COVID-19 pandemic has highlighted the importance of access to a local thriving semiconductor ecosystem. With Asia accounting for 60% of global semiconductor sales, European and U.S authorities recognise the need to be less dependent on a handful of East Asian countries. To that end, Europe and the U.S have passed multibillion "Chip Acts" to encourage local semiconductor design and production capabilities. Our executive and non-executive team have been actively contributing to the UK government's plan to become more self-sufficient in relation to key elements of the semiconductor supply chain.

The wafer and other material cost increases have been a key feature of recent chip shortage. However, the impact of these semiconductor shortages on EnSilica has been minimal, given our ability to directly pass through price increases to our customers. The Company's current bias is towards design rather than supply, with the latter only increasing during 2022 and beyond as the pipeline of projects comes to fruition.

Our in-house fabless operations team have worked hard to ensure all our customers have chips when required, the increased investment in new foundry capacity should help ease the supply chain challenges.

Customer Activity

The Company currently manages an existing sales pipeline and order book of c. £350 million, extending to 2027, comprising of major industrial OEMs, automotive suppliers, healthcare device providers and satellite communication services.

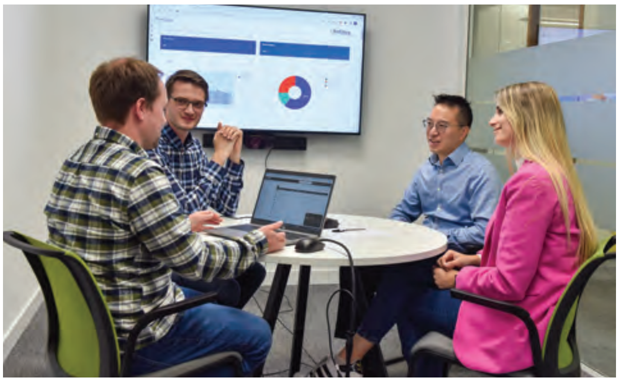
Key contracts and progress on projects in 2022 include:

- An established Automotive ASIC supply customer providing visibility on expected order volumes through to 2025/2026 with supply deliveries having commenced in Q3 FY 2022; orders forecast for the next 12 months of 2.7m chips.
- Industrial ASIC about to complete extensive customer field trials that will consume 80,000 chips; main production order forecast by the end of FY 2023.
- Contract with AST Space Mobile a global satellite and communication customer with NRE majority funded by the customer.
- A significant project for a leading European industrial OEM worth in excess of US$30 million over seven years with supply revenue forecast to commence at the end of calendar year 2024. Contract was under a bidding process at the end of FY 2022 and contract was signed September 2022 and design work has commenced.
- Navtech Radar continue to deploy their road safety Radar in the UK smart motorway systems incorporating EnSilica supplied hardware and IP.
- Major design services development for advanced networking chip in 12nm FinFet Technology sent to foundry and the follow-on project commenced; and
- Ka-band mmWave chip for satellite terminals developed with support from the European Space Agency is under evaluation by two terminal suppliers and further related customer opportunities are progressing.

In addition, the Company is also pursuing a number of supply ASICs opportunities across automotive and major healthcare device manufacturers which are all progressing well. Elsewhere, we have a self-funded healthcare 'vital signs' chip under testing in the laboratory and customer evaluation kit under preparation. Early marketing has commenced with interest now being generated from a number of multinational healthcare device manufacturers.

Chief Executive's Review continued

Our People



Our highly talented and hard-working team has been fundamental to our success and remains a key asset for the business. We continued adapting to our post Covid-19 working environment after another year of mostly remote working. The combination of travel restrictions and a general shift of our work routine has meant a reduction in day-to-day interaction and in some cases, deprived staff of ad-hoc creative dialogue. Pleasingly, our people adjusted and, more recently, we have seen a concerted effort by our teams to return to the office, alongside the return of international travel, which reconnects our UK teams with our subsidiaries in India and Brazil.

Over the years, EnSilica successfully hired entire teams from customers, or from our wider network, and quickly integrated them into our business. We started our Indian office from scratch in 2013 as being new to the Indian market it proved hard to recruit, however, more recently our higher profile has enabled us to attract new talent.

Our Abingdon based mixed signal and RF team joined us from a customer along with the transfer of some IP assets in 2016. The team quickly integrated and has grown considerably, such that our headquarters was moved from Wokingham to Abingdon.

In 2020 we acquired a team of mixed signal engineers in Sheffield who were working for a customer; this team is fully integrated and contributing well. In July 2021, we recruited a team of 12 engineers who have worked together for many years in a Brazilian government-backed chip design house.

This has expanded to 20 staff in just over a year and is contributing well across a number of major projects. In July 2022, we acquired a small team in Bristol from another customer along with IP assets for advanced ASIC implementation.

Acquiring teams via asset transfer, full acquisition or recruitment of a group of engineers who have been working together with strong leadership is a key part of EnSilica's strategy to expand our engineering capacity and capabilities.

Customer Highlights

Navtech Radar

Navtech Radar, an Oxfordshire-based company part of Halma plc, supply the ClearWay™ stopped vehicle detection solution now being deployed across much of the UK's strategic road network. It is enhancing safety on motorways where the hard shoulder has been converted to a traffic lane. The highways safety solution is also currently deployed on highways across five different continents.

EnSilica and Navtech Radar have been working together since 2006; EnSilica helped develop multiple generations of advanced signal processing systems. EnSilica designed and now supplies a key electronic module including a programmable chip incorporating EnSilica's Radar processing technology.

EnSilica's Radar processing technology has been licensed for use in Radar systems used by a major German carmaker and a leading automotive chipset provider. The EnSilica electronic modules programmed for different functions are also used by a scientific measurement equipment supplier. Orders and shipments for this application now exceed £0.5m.

Navtech's ClearWay™ solution uses Radar (radio detection and ranging). It uses reflection from very high-frequency sources in the frequency range called millimetre waves (mmWaves). Each radar sensor, located on the roadside, can monitor up to 1km of the road. The radar-based solution typically identifies a stopped vehicle within 10 seconds and then automatically alerts the control room to enable a faster response.

Unlike many other solutions, ClearWay™ is unaffected by adverse conditions, such as poor weather, smoke and bright sunlight. This makes it the most reliable solution for detecting incidents on highways and in tunnels.

Philip Avery, Co-founder and Managing Director of Navtech Radar said:

"EnSilica has been a key partner over the past 16 years to enable us to deliver high performance and reliable systems to the market. EnSilica provides key digital signal processing, and hardware and software know-how, to deliver us a complete customised processing module for our Radar system."

AST Space Mobile Inc

AST SpaceMobile (NASDAQ: ASTSW) is a public company based in Midland, Texas, United States with development teams worldwide. AST & Science and their global partners are building the first and only space-based cellular broadband network to be accessible by standard smartphones. Called SpaceMobile, this ultra-powerful network is designed to provide connectivity at 4G/5G speeds everywhere on the planet – on land, at sea and in flight.

For the first time, mobile subscribers will be able to automatically roam from land networks to space networks. Whether in the most remote location, on rural farmland or in the midst of a crisis or natural disaster, people will remain connected no matter what – without having to invest in expensive, specialised hardware.

EnSilica has been selected to deliver a next-generation ASIC with state-of-the-art performance and power efficiency to maximise the unique capabilities of the company's network. The ASIC will be a key communications component of the spacecraft electronics payload for AST SpaceMobile. The agreement includes significant NRE payments and significant royalties on each ASIC produced.

"AST SpaceMobile's decision to select EnSilica was based on their advanced digital signal processing and RFIC expertise, enabling them to deliver the innovative architecture to meet our requirements for our next generation semiconductor. We look forward to working with EnSilica to help AST SpaceMobile bring cellular broadband connectivity to the world" said, Dr Huiwen Yao, Chief Technology Officer of AST SpaceMobile.

EnSilica's purpose and strategy to deliver growth

Outlook

Having successfully delivered our FY22 results ahead of market expectations, I am pleased to report that the Company has started FY23 well, supported by existing contracts and ongoing new business momentum.

The Board firmly believes that the Company is well placed to continue capitalising on the sizeable growth opportunity within the semiconductor industry.

Cautionary statement

This report contains forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could, is confident, or other words of similar meaning. Undue reliance should not be placed on any such statements because they speak only as at the date of this document and, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and EnSilica plc's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

There are a number of factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. These risks and uncertainties include, among other factors, changing economic, financial, political, business or other market conditions.

EnSilica plc is under no obligation to revise or update any forward-looking statement contained within these financial statements, regardless of whether those statements are affected as a result of new information, future events or otherwise, save as required by law and regulations.

This strategic report has been approved by the Board of Directors and signed on its behalf by:

Ian Lankshear
Chief Executive Officer
14 October 2022

Chief Financial Officer's Review

Matthew Wethey

Chief Financial Officer

Financial Summary

A summary of the key financial results for the year and details relating to its financing position at the year-end are set out in the table below and discussed in this section. Full details can be found in the Consolidated Financial Statements.

	31 May 2022 £000	31 May 2021 £000	31 May 2020 £000
Revenue	15,293	8,607	6,452
Gross Profit	5,047	2,057	2,938
Gross margin (%)	33.0	23.9	45.5
Adjusted operating profit/(loss) excluding impairment of intangible assets and IPO costs	705	(169)	276
IPO costs	(699)	-	-
Impairment of intangible assets	-	(2,019)	(450)
Adjusted profit/(loss) before tax	165	(714)	(389)
Tax	683	658	550
Adjusted profit/(loss) for the year	848	(56)	161
Adjusted EBITDA	1,036	59	520

	31 May 2022 £000	31 May 2021 £000	31 May 2020 £000
Cash and Cash equivalents	5,742	1,404	2,181
Liabilities arising from financing activities	(5,159)	(6,095)	(4,178)
Net Debt	583	(4,691)	(1,997)
Intangible assets	8,576	6,506	6,844

	31 May 2022 FTE	31 May 2021 FTE	31 May 2020 FTE
Administration	10	9	8
Marketing	5	4	3
Research, development and technical	102	83	74
Average number of employees	117	96	85

Notable from the table above

The Group achieved a strong set of results for the year ending 31 May 2022, with revenue growth of 77% to £15.3 million, compared to £8.6 million for the prior financial year. This was driven by two customers with combined revenues of £8.4 million, one being an NRE project with revenue of £5.5 million representing 36% and 19% of the revenue for the year ended 31 May 2022 and the other a major consultancy contract with revenue of £2.9 million being 19%. In 2021 revenue from three different customers amounted to £3.6 million at 19%, 12% and 10% of total revenue.

The Group continues to focus on improving the revenue split between NRE and Consultancy. Since 31 May 2021, NRE has grown from 29.7% to 40.9% of total revenue in the year ended 31 May 2022. The Company maintains a level of consultancy work as to provide reliable income but going forward management will focus on the higher returns of design and supply work. Supply revenue from prior NRE work is beginning to flow through and the pipeline of NRE work which supports future supply revenues is strong. The design and supply work typically involves 1 to 2 years of development before production. Some of the Group's early design contract work is now beginning to generate supply revenues. Three ASICs have been released for production and a further four EnSilica ASICs are at the design stage. Furthermore, EnSilica is working on costings with clients for several additional projects and the CEO report above sets out some of those projects. Given the significant potential project opportunities that have been presented, coupled with the strong relationships already established, the Directors are confident that the Group is in a good position to add to its existing pipeline in the near future and to grow the revenue base of the business.

The Group was able to improve its gross margin percentage by undertaking higher margin projects and increasing the utilisation of the increasing number of engineers. Margins had been suppressed in FY2021 due to COVID causing a postponement or cancellation of projects and the Group undertaking lower margin work to maintain its workforce during the pandemic. As a result the Group was able to increase its gross margins by 9.1% from 23.9% in FY2021 to 33% in the current year.

After the impact of administrative expenses which at £4.3 million were £1.8 million higher than in FY 2021, operating profit excluding IPO costs and impairment of intangible assets for the year to May 2022 was £0.87 million higher than the previous year (£0.2 million loss).

In both FY 2020 and FY 2021 there were impairments of intangible assets. These impairment reviews wrote down historic IP and capitalised cost where future income streams were not forecast. The Group still retains the IP and should future events mean that income was forecast to be received then the intangible asset could be reinstated. The impairment review for the current year supported the balance sheet value and no impairment was recognised.

Once the impact of depreciation and amortisation was included the Adjusted EBITDA for the year to May 2022 was £1.0 million higher than in the previous year (2021: £0.06 million).

The reduction in net debt of £5.3 million at the end of May 2022 was mainly due to the net £6.3 million from proceeds from issuing new ordinary shares, and £2.0 million of tax received in relation to R&D tax credits from FY21 and FY20 less £2.5 million used in investing activities.

Following the addition of £2.2 million development costs and an amortisation charge of £0.148 million intangible assets were £8.6 million at the end of May 2022.

The Group increased the average number of employees during the year by 21 heads, of these 19 were research, development and technical heads. The majority of these are based in Brazil.

Financial items of note during the year other than those set out above

These are the first set of financial statements that have been prepared under IFRS. The main areas where this has impacted our financial statements are due to IFRS 16 Leases, Deferred Tax, IFRS 15 Revenue from Contracts with Customers, reclassifications and cash flow statements.

- Under IFRS 16 in relation to operating lease contracts we have recognised a right to use asset with a carrying value at 31 May 2021 of £0.275 million and a financial liability with a carrying value of £0.296 million at 31 May 2021. Lease rentals of £0.082 million, under FRS102, in 2021 have been replaced by a depreciation charge of £0.067 million and a financing charge of £0.011 million.
- A deferred tax asset has been recognised in relation to EMI share options. This was offset by recognising a deferred tax asset caused by tax losses created by employees exercising options.
- Under IFRS 15 amounts included in trade debtors that were not due at the balance sheet date and relate to deferred income are excluded from trade debtors and deferred income. An adjustment of £0.0677 million has been made at 31 May 2021.
- There has been a reclassification of assets subject to hire purchase and finance leases with a net book value of £0.157 million at 31 May 2021 which have been reclassified to right-of-use assets in accordance with IFRS 16.

The Group had two bank loans totalling £5.0 million at the end of the current year and £5.8 million at the end of the previous year, these loans were the main reason for the interest charge of £0.6 million in both years.

Due to the nature of the work carried out by our engineers we are able to claim R&D tax credits. In the current year the amount recoverable from HMRC is £1.67 million for FY22, this was £1.0 million for the year ended 31 May 2021.

The opening corporation tax recoverable debtor of £2.2 million in relation to FY21 and FY20 was received in the year. The closing corporation tax recoverable debtor of £1.67 million is in relation to FY22.

Chief Financial Officer's Review continued

Fundraising, IPO and capital reorganisation

By a loan note instrument dated 23 December, the Company created up to £1.5 million convertible, redeemable loan notes for the purpose of raising working capital prior to the IPO. A total of £1.375 million Convertible Loan Notes were issued to subscribers including to each of the executive Directors. The Convertible Loan Notes had a maturity date of 9 January 2023 and they entitled the holder to an interest rate of 10 per cent. per annum and to convert automatically into new Ordinary Shares at a discount of 12 per cent. to the Placing Price. The Convertible Loan Notes Issue was completed in February 2022.

A requirement of being listed on AIM is to have a single class of shares. As a result of the admission, a capital reorganisation was implemented. New B Ordinary, new C Ordinary Shares and new D Ordinary Shares were issued and allotted following the exercise of options over such shares by the relevant option holders. Together with the existing A Ordinary Shares and B Ordinary Shares these different classes of Ordinary Shares were converted into 60,000,004 Ordinary Shares. 3,231,805 new Ordinary Shares were issued to holders of the Convertible Loan Notes and through a placing and subscription 12,000,000 new Ordinary shares were issued at a price of 50p per share. This resulted in a total of 75,231,809 Ordinary shares with voting rights.

On 24 May 2022 EnSilica plc was listed on the AIM sector of the London Stock exchange. The issue of share capital because of the convertible loan notes and the IPO was £7.4 million. IPO expenses of £0.7 million have been charged to the Income Statement reflecting the listing and £0.5 million have been charged to the share premium account in relation to the fund raising.

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 2022. The possible continuing and future impact of the Russia/Ukraine war on the Group and the current economic environment, which is likely to create problems for global supply chains and negatively impact demand, has been considered in the preparation of the financial statements.

As at 31 May 2022 the Group financing arrangements consisted of a loan of £3.1 million from SME Alternate Financing and a Coronavirus Business Interruption Loan (CBIL) for £2.1 million used to mitigate delays caused by Covid-19. The Group held a cash balance of £5.7 million at that date.

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.

Financial Risk Management Objectives and Policies

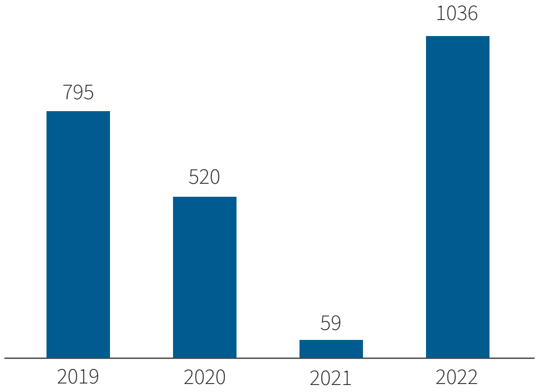
Details of the Group's financial risk management objectives and policies are disclosed in note 22 to the financial statements.

Key performance indicators and risks

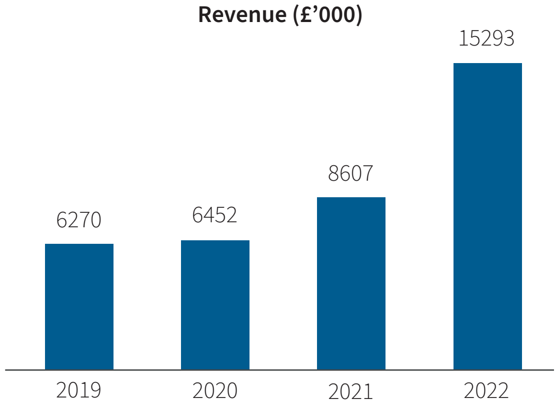
We have a range of performance measures to monitor and manage the business, some of which are considered key performance indicators (KPIs).

Certain one-off items which are shown as exceptionals on the Income Statement, namely IPO costs and Impairments to Intangible Assets, have been adjusted for as disclosed in Note 4 in the Notes of the Financial Statements, in the KPIs below.

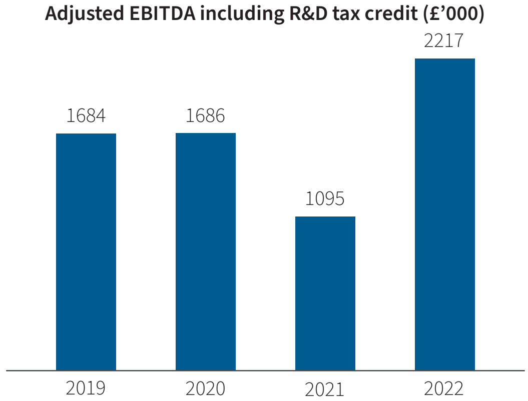
Adjusted EBITDA (£'000)



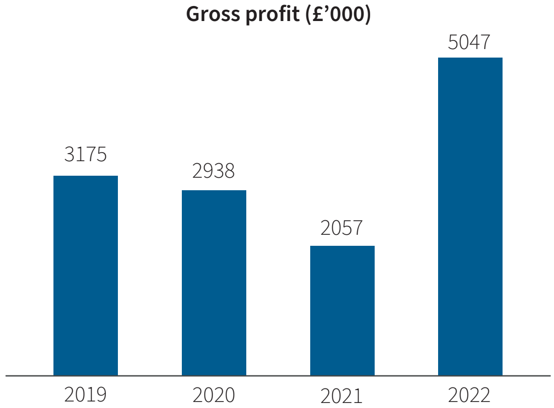
Revenue (£'000)



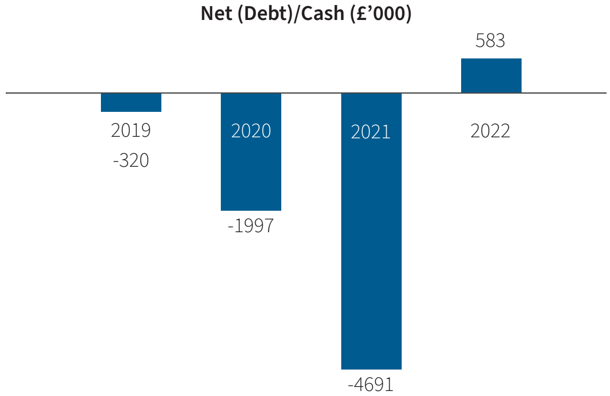
Adjusted EBITDA including R&D tax credit (£'000)



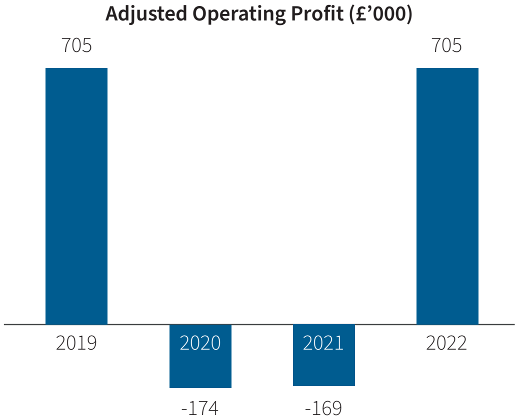
Gross profit (£'000)



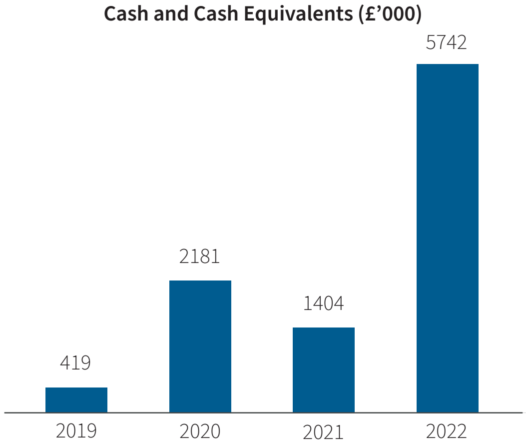
Net (Debt)/Cash (£'000)



Adjusted Operating Profit (£'000)



Cash and Cash Equivalents (£'000)



Matthew Wethey
Chief Financial Officer
14 October 2022

Section 172 Report

Set out below is the Company's report in accordance with s.172 of the Companies Act 2006. The board of directors ("the Board") of EnSilica plc consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members, as a whole, in decisions taken during the year-ending 31 May 2022.

In doing so the board of directors have regard (amongst other matters) to:

A. The likely consequences of any decision in the long term:

Our decision to seek additional equity funding as part of our growth strategy will enable the achievement of a number of key contracts which in themselves will promote further greater growth opportunities for the Company, whilst enhancing our technical development which will be an aid to all our stakeholders.

Focussing on every area of cost to ensure maximum return to our shareholders.

The directors took action at the end of the year to strengthen the finances of the company by the raising of fresh equity to be prepared for the impacts of the supply chain difficulties being faced by business globally and the changes to working capital requirements as a consequence a supplier changing its terms of trade dramatically and at short notice.

Referenced in the Chief Financial Officer's Review

B. The interests of the Company's employees:

We have involved all our staff by giving them participation to varying degrees in the equity of the business. We continue to involve our whole team in the communications we have with our team on a monthly basis.

We have been surveying our staff now on a regular basis for over eight years and focus on enhancing their wellbeing, health and mental health.

Referenced in the Chief Executive's Review

C. The need to foster the Company's business relationships with suppliers, customers and others:

We promote trust based relationships with our customers. Our relationships with some customers have lasted for as the long as the company has been in business and we work hard to ensure our customers return to us. We did this by demonstrating that we understand their problems and demonstrate solutions for them through an interactive key account programme and focus closely on quality to ensure that the customer has a high regard for the Company.

We manage our supplier base closely to promote levels of business that meet our quality standards and gives the supplier a chance to interact with the Company to be able to expand his business with us if it is mutually suitable.

D. The impact of the Company's operations on the community and the environment:

The Company's environmental policies recognise the protection of the environment and natural resources as one of the principal business responsibilities.

We continue to develop our focus and reporting on this aspect of our activities.

Referenced in the ESG Engagement Report

E. The desirability of the Company maintaining a reputation for high standards of business conduct:

The Board is committed to complying with all applicable regulations and provides training and monitoring across the Company to all employees to encourage and ensure compliance.

Referenced in the ESG Engagement Report

F. The need to act fairly as between members of the Company:

The Company is quoted on the London AIM market and interacts regularly with its members. The Board is committed to enhance that dialogue with a developing programme of investor related communications and events.

Matthew Wethey
Chief Financial Officer
14 October 2022

Principal Risks and Uncertainties Report

RISK		DESCRIPTION AND POTENTIAL IMPACT	MITIGATION
Outbreak of Russia/Ukraine war	**Potential to change** **INCREASED** Effect; Significant downward impact on profitability.	During the final months of the financial year under review the Russian government initiated the invasion of their neighbour, Ukraine. This conflict has had a serious impact upon the global economy, for inflation and other unspecified economic impacts including the impact of economic sanctions (see below). This is likely to affect the Company's ability to service its customers and although we have mitigation in place to limit its impact on profitability this situation could of itself seriously threaten the Company's profitability in 2023.	In the short-term the impacts of the Russia/Ukraine war are to create problems across the globe for supply chains. There can be no specific mitigation against the impacts of the war. The Company is not exposed to either Russian or Ukrainian companies and the Board of Directors will continue to monitor specific impacts that may arise.
Imposition of Economic Sanctions	**Potential to change** **INCREASED** Effect: Significant downward impact on profitability	As a consequence of the conflict between Russia and Ukraine the Company is exposed to risk as a consequence of the imposition of economic sanctions posed by a number of governments on Russia, its people and institutions. It is unclear at this time that any sanctions have been specifically targeted in such a way as to present problems for the Company but it is likely that Global trade will continue to suffer and decrease and this may lead to loss of profits for the Company.	The imposition of economic sanctions is an arguable and unknowable action for which no specific mitigation can be planned. We do not have any significant trading relationship with either Russia or any country currently on known embargo listings. The Directors keep this under constant review. The supply chain risk is under constant review, and we maintain a good and open relationship with our suppliers to ensure that any possible delay or pricing impacts can be managed appropriately.
Chinese/Taiwan Confrontation	**Potential to change** **INCREASED** Effect: Significant downward impact on profitability	It is well known that a very significant portion of the capacity for the fabrication of silicon chips is based in Taiwan. It is also well-known that it has been the policy of the People's Republic of China to not recognise the sovereignty of Taiwan and has expressed an intention to one day unite the 2 countries. It is possible that China may choose to use force to achieve its geo-political aims and such an action could bring significant harm to the supply of silicon chips upon which the Company relies for a significant proportion of the chips it supplies to its customers. The impact therefore could be quite sudden and significantly damaging to the short-term trading prospects of the Company.	The Company has nurtured, and continues to nurture, relationships with foundries not located in Taiwan including foundries in Europe, USA and Singapore.

Principal Risks and Uncertainties Report continued

RISK		DESCRIPTION AND POTENTIAL IMPACT	MITIGATION
Economic Recession	**Potential to change** **INCREASED** Effect: Significant downward impact on profitability	As the world faces recessionary forces across the globe it is possible that demand for silicon chips will reduce compared to previous levels.	The Company focuses on specific customers who have specific applications and the decisions taken are of a long-term nature, and whilst some investment decisions might be delayed, it is the Company's belief that demand will be sufficient to occupy the capacity that the Company has to achieve its strategic goal.
Impact of rising Interest Rates	**Potential to change** **INCREASED** Effect: Loss of market share, reduced sales volumes and profitability	Interest rates have been historically low for a very long period of time but are now beginning to increase following the impacts originated by the Covid pandemic plus the impacts of the Ukrainian war. Rising interest rates traditionally have had a negative impact upon investment decisions across a range of industries and it's possible that this current tightening of interest rates may lead to some delays in anticipated investments in the application specific integrated chips which is the Company's area of expertise.	The Company has aligned its strategy with its focus on the automotive, industrial, medical wearables and space communications which are all markets which are forecast to have rapid increases in demand for ASICs. It is the Company's belief that by focussing on these large growing markets the impact of delayed investment decisions will be mitigated because of the quantum of opportunities that will remain.
Customers consolidating their supply chain	**Potential to change** **INCREASED** Effect: Loss of market share, reduced sales volumes and profitability	While the Company's core customers rely on third parties such as the Company to design and supply custom ASICs, customers can integrate this stage of the manufacturing process internally through organic growth and vertical integration. Therefore the Company is exposed to the risk of customers reducing reliance on third party ASIC design and suppliers, which can have a negative effect on the Company's future revenue.	In the short-term the consolidation of a supply chain cannot impact revenues due to the nature of the supply contracts that we have with our customers. In the medium-term those consolidations will affect revenues and the Company mitigates against this risk by working towards a reduction in customer concentration over the medium-term.
Failing to successfully implement our growth strategies	**Potential to change** **INCREASED** Effect: Loss of market share, reduced sales volumes and profitability	The future success of the Company is dependent upon the effective implementation of our growth strategy. This success may be adversely impacted by factors that the Company cannot currently foresee, such as unanticipated market forces, costs and expenses, technological developments, or the impact of the conflict between Russia and Ukraine and confrontation between China and Taiwan. Failure to implement its strategy or the eventuality that it takes longer than expected to achieve could adversely impact future financial results.	Management focus efforts to address the Company's strategic goals on a regular basis and has clear actions focussed on their achievement. Management regularly monitors their capacity as well as the progress towards achievement reviewing consistently the changes in the marketplace and their impact on our strategy. The Board monitors strategic achievement on a quarterly basis.

RISK		DESCRIPTION AND POTENTIAL IMPACT	MITIGATION
Cybersecurity	**Potential to change** **INCREASED** Effect: Exposure, hacking or Denial Of Service could impact adversely on profitability and cash generation.	Global cybersecurity threats to the Company could lead to unauthorised access to its information technology systems, products, customers, suppliers and third-party service providers. Cybersecurity incidents could potentially result in the disruption of our business operations and the misappropriation, destruction, or corruption of critical data and confidential or proprietary technological information. A number of our staff also work remotely.	The Company implements preventative security measures to prevent, detect, address to mitigate these threats. The Company has increased its spend on IT cybersecurity, has carried out an audit of threats and has upgraded all aspects of their IT security. The Company has increased the staff focussed on Cybersecurity and the demands of our suppliers in the production chain ensures that we maintain our cybersecurity at a very high level.
Attraction & retention of key employees	**Potential to change** **INCREASED** Effect: Will lead to increased capital expenditure to reduce reliance on labour resource which in turn over time should enhance margins.	Like many other companies the Company seeks to recruit skilled, trained team members and like those other companies the demand for those scarce resources is intense. The Company depends upon the continued service and performance of its key employees and whilst it has entered into contractual arrangements with them to secure their services, the demand for this type of labour resource ensures that it cannot be guaranteed that they can all be retained. The loss of key employees and the failure or difficulty in attracting new team members will impact the efficiencies of the Company's business and will lead to sub-optimal profitability.	Management have always sought to renew and improve the working environment of our labour force and this will continue. We seek to improve communication, to offer good compensation and to provide challenging tasks for our engineers to create an environment which we hope will prove to be attractive, not only for the current workforce, but for those we wish to attract.
Customer concentration	**Potential to change** **INCREASED** Effect: The Group could be at risk of loss of significant revenues compared to expectations.	Any deterioration of the Company's relationship with any one of their key customers, or the loss of orders from any one of them, would have a potentially material adverse impact on the Company's business and financial position.	It is inevitable at this stage of the Company's development as a manufacturer of ASICs that individual customers do from time to time become quite significant in terms of one year's revenue generation. However, over time, following the accretion of a number of contracts, the addition of new customers has less of a concentrative impact. Management believe that over time the threat from customer concentration will reduce.

Principal Risks and Uncertainties Report continued

RISK		DESCRIPTION AND POTENTIAL IMPACT	MITIGATION
Exposure to exchange rate fluctuations	**Potential to change** **UNCHANGED** Effect: Loss of market share, reduced sales volumes and profitability	The Company could be exposed to exchange rate fluctuations, principally the GBP, the US$ and the Euro. Changes in foreign currency exchange rates may affect the Company's pricing of products sold and materials purchased in foreign currencies.	The Company makes sales in foreign currencies and also makes purchases in those currencies. The Directors believe that the majority of exposure to foreign exchange rate fluctuations is mitigated by a natural hedge on sales and purchases. To the extent that there is no natural hedge, the Board take specified simple foreign exchange rate hedge forward contracts so that risk is clearly known at the point of initiation of the commercial transaction.

Chief Executive Officer
14 October 2022

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Corporate Governance

Corporate Governance Overview

The business of the Company is under the control of the Board of Directors who are responsible for running the Company for the benefit of its Shareholders in accordance with their fiduciary and statutory duties.

The Directors of EnSilica plc (**"Company"**) acknowledge the importance of good corporate governance and the requirement for companies admitted to trading on AIM to apply a recognised corporate governance code and explain compliance with that code.

The Directors have chosen to comply with the QCA Corporate Governance Code for Small and Mid-Size companies (**"QCA Code"**) which has become a widely recognised benchmark for corporate governance of smaller quoted companies, particularly AIM companies. In accordance with Rule 26 of the AIM Rules, companies details of how the Company complies with the QCA Code are provided on the Company's website: www.ensilica.com./investor-relations-analysis/corporate-governance/.

The Board meets at least ten times a year to review, formulate and approve the Company's strategy, budgets, corporate actions and oversee the Company's progress towards its goals.

The Board has established an Audit Committee and Remuneration Committee with formally delegated duties and responsibilities.

From time to time, additional Board Committees may be set up by the Board to consider specific issues when the need arises.

Board & Committee Independence

The Board has four independent non-executive directors and three executive directors (including the Chair). The Company regards the non-executive directors as "independent non-executive directors" within the meaning of the UK Corporate Governance Code and free from any relationship that could materially interfere with the exercise of their independent judgement, notwithstanding that the non-executive directors each hold a small number of shares and options in the Company. Janet Collyer is the Senior Independent Director.

Board Effectiveness Review

The Chair has instituted an annual review of the effectiveness of the Board, the results of which will be circulated to the Board and form the basis of a renewed assessment. Due to the short time between their employment and the year end a thorough review has not been appropriate for 2022. The Board has decided to take an integrated approach to Board effectiveness and is installing an ongoing Board effectiveness and improvement process which will be guided by external consultants with the goal to improve Board performance.

The Audit Committee

The Audit Committee comprises three independent non-executive directors. It is chaired by David Tilston, a chartered accountant, and its other members are Janet Collyer, Wasim Ahmed and Noel Hurley. The Chair, Chief Financial Officer, Chief Executive Officer and the Company's external auditors will be invited to attend meetings of the Audit Committee as appropriate. The Audit Committee is expected to meet formally at least four times a year and otherwise as required.

The Audit Committee has responsibility for ensuring that the financial performance of the Company is properly reported on and reviewed and its role includes: monitoring the integrity of the financial statements of the Company (including annual and interim accounts and results announcements); reviewing internal control and risk management systems; reviewing the adequacy and security of the Company's whistleblowing arrangements, fraud detection procedures and controls for the prevention of bribery; reviewing any changes to accounting policies; reviewing and monitoring the extent of the non-audit services undertaken by external auditors; and advising on the appointment of, and relationship with, the Company's external auditors.

The Remuneration Committee

The Remuneration Committee comprises three independent non-executive directors. It is chaired by Janet Collyer and its other members are David Tilston, Wasim Ahmed and Noel Hurley. The Chair, Chief Financial Officer, Chief Executive Officer, Head of Human Resources, and external advisers will be invited to attend meetings of the Remuneration Committee as appropriate. The Remuneration Committee is expected to meet at least twice each year.

The Remuneration Committee will have responsibility for determining (within the terms of the Company's and its Company's remuneration policy and in consultation with the Chair of the Board and/or the Chief Executive Officer) the total individual remuneration package for the Company's Chair, each Executive Director, the Company Secretary and each member of the Senior Management Team (including bonuses, incentive payments and share options or other share awards). The Remuneration Committee shall also: review the appropriateness and relevance of the Company's and its Company's directors' and workforce remuneration and related policies; appoint remuneration consultants and commission reports or surveys, where it deems necessary and within agreed financial limits; and

Corporate Governance Overview continued

review the design of all share incentive plans prior to Board or shareholder approval, and annually determine whether awards are to be made under share incentive plans.

The remuneration of Non-Executive Directors will be a matter for the Board or the shareholders (within the limits set out in the Articles of Association). No Director or Manager will be allowed to partake in any decisions as to their own remuneration.

Attendance at meetings during 2022

Financial planning and monitoring:

	Scheduled Board	Ad-hoc Board	Audit Committee	Remuneration Committee
M Hodgkins	4/4	4/4	0/0	1/1
I Lankshear	4/4	4/4	0/0	1/1
M Wethey	3/4	3/3	0/0	1/1
J Collyer	2/2	4/4	0/0	1/1
D Tilston	2/2	4/4	0/0	1/1
N Hurley	1/1	3/4	0/0	1/1
W Ahmed	1/1	4/4	0/0	1/1

Internal Controls and Financial Management

The Board has responsibility for establishing and monitoring the maintenance of the Company's internal financial and non-financial controls. The Board is cognisant that whilst internal controls reduce risk, they cannot eliminate risk entirely.

The key procedures which the Directors have established to enable them to have confidence that the internal controls are working and minimising risk are set out below:

The Board sets Company-wide policies and procedures:

- The Board has approved a number of policies and procedures, which are intended to address key financial, operational, compliance and reputational risks of the Company. They are regularly reviewed both by the Senior Management Team and the Audit Committee to confirm that they are appropriate and effective in managing the risks of the Company.
- The Company's policies and procedures are brought to the attention of the Company's staff at induction.

Authorisation limits are in place across the Company:

- The Board is reviewing the delegated authority matrix following the re-organisation of the business post IPO to ensure transparent delegation of authority to appropriately qualified persons across the company.
- Company performance is measured against budgets and variations are reviewed by the Board on a monthly basis.
- There is appropriate segregation of duties across the Company and limits on an individual's ability to authorise transactions.

Financial planning and monitoring:

- The Company sets annual budgets which cover operating performance and balance sheet management, including working capital.

Share Dealing Policy

The Company has adopted, with effect from admission of its shares to trading on AIM, a share dealing policy regulating trading and confidentiality of inside information for the Directors and other persons discharging managerial responsibilities (and closely associated people) which contain provisions appropriate for the company.

The Company will take all reasonable steps to ensure compliance by the Directors and any relevant employees within the terms of that share dealing policy.

In accordance with the Market Abuse Regulation (as applied in the UK), details of inside information released by the Company will be posted under "Regulatory News and Alerts" as soon as possible after release. All Regulatory News and Alerts will remain available on the Company's website for a minimum of five years.

Identification of business risks

The Directors are responsible for identifying the significant business risks and their execution for this task is monitored by the Audit Committee as well as the main Board.

Quality and Integrity of Personnel

The Company has high recruitment standards and aims to recruit the highest calibre of employees that it is able to. Employees with integrity and strong workplace ethics are considered essential to the operation of the Company's business.

Going Concern

The Directors have prepared the financial statements on a going concern basis as explained in note 2.1 to the financial statements. As at 31 May 2022, the Company had cash deposits of £5.7 million. In particular, management have carried out an assessment of the economic impact of the supply chain changes post the Covid pandemic as well as the impacts of the Ukraine war that began in February 2022. The details of the appropriateness of the use of the Going Concern basis is set out in the Chief Financial Officer's review.

Board of Directors

Mark Hodgkins

Executive Chair

Mark is a qualified Chartered Accountant and a former partner with both Grant Thornton and Ernst & Young. He joined EnSilica in 2016.

Most recently Mark has been CFO of Trackwise Designs plc.

As well as a career within the profession, Mark has also been Company Finance Director of a large private company and was responsible for managing a balance sheet over £120M of gross assets, he has also served as CEO of engineering business and as CFO of a publicly listed company.

Ian Lankshear

Chief Executive Officer

Ian co-founded EnSilica in 2001. Under his stewardship, the Company has enjoyed sustained growth based on market lead opportunities, innovation and export success.

Ian has strong technical and commercial background covering semiconductors and adjacent markets. Ian's early career was in Radar systems development for Siemens Plessey Systems. He moved into semiconductor development in 1996 working for Hitachi and then for Nokia. Ian holds a First Class Honours degree in Electrical & Electronics Engineering.

Matthew Wethey

Chief Financial Officer

Matthew is a qualified Chartered Accountant. He has held senior finance roles at Unipart Company, British American Tobacco PLC, Cosine UK Limited and PV Crystalox Solar PLC (PVCS).

Between 2009 and 2020, Matthew was Chief Financial Officer and Company Secretary at PVCS, a long-established supplier of photovoltaic silicon wafers, listed on the main market of the London Stock Exchange. Matthew started working for EnSilica in July 2021.

Janet Collyer

Non-Executive Director

Janet is an experienced senior international group director with proven strategic and ecosystems management experience in the key commercial and technology aspects of the semiconductor systems industry. As an engineer by trade, with a MA in Engineering from the University of Cambridge, Janet spent 30 years working at NASDAQ-listed, Cadence Design Systems – eventually securing senior account positions and C-Suite level exposure. Janet is currently a non-executive director at the Aerospace Technology Institute, the Chair at Machine Discovery Ltd and Chair at Quantum Dice Ltd. As well as her board roles, Janet advises organisations working to increase female representation in STEM and mentors women on the path to C-Suite roles.

Board of Directors continued

David Tilston

Non-Executive Director

David is a Fellow of both the Institute of Chartered Accountants in England and Wales and the Association of Corporate Treasurers.

He has over 30 years' experience in finance functions within public companies, including at Group CFO level. His most recent executive positions were as Interim Group CFO of Northgate plc and before that Interim Group CFO at Consort Medical plc. He is currently Senior Independent Director and Audit Committee Chairman at AIM listed SDI Group plc and is a member of the Remuneration and Nomination Committees.

David was formerly non-executive director and Chair of the Audit Committee and member of the Remuneration Committee at Sepura plc between 2007 to 2013, having joined the Board prior to its IPO. He is also Trustee and Treasurer at British Exploring Society, a youth development charity.

Noel Hurley

Non-Executive Director

Noel is a senior executive in the semiconductor business. He has held various commercial and managerial roles at ARM Ltd including Vice President responsible for Product Marketing, General Manager of the CPU group as well as forming and leading ARM's Business segments and Strategy and Incubation groups.

He was a co-founder of XMOS Semiconductors and has held multiple board positions in semiconductor and technology companies. Noel is also currently the CEO of YellowDog Ltd, a cloud software business.

Wasim Ahmed

Non-Executive Director

Woz is a seasoned senior executive with an established track record in the semiconductor industry, having led global strategy, venturing, M&A, marketing, business development and corporate functions across the business lifecycle.

Woz spent 15 years at Imagination Technologies, latterly as Chief Strategy Officer and Chief of Staff. He was also a senior executive at the national innovation agency, Innovate UK, and previously held product and segment marketing management roles at Arc (now Synopsys) and Hitachi (now Renesas).

Woz is currently working as a C-level consultant and also mentors early stage start-ups.

Audit Committee Report

During the year, the Committee reviewed the appropriateness of the Company's interim and full year financial reporting, including the consideration of significant financial reporting judgements made by management, taking into account reports from management and the external auditors.

Fair, Balanced, Understandable and Comprehensive Reporting

The Audit Committee has provided advice to the Board on whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's financial position and performance, business model and strategy. Each Director was also asked to provide this confirmation.

Under its terms of reference, the Committee is responsible for assessing the scope, fee, objectivity and effectiveness of external audits and for making a recommendation to the Board regarding the appointment, reappointment or removal of the external auditors on an annual basis.

The Committee also regularly reviews the nature, extent, objectivity and cost of non-audit services provided by the external auditors. In doing this the Committee has not approved any non-audit expenditure.

The Company has a policy that the external auditors will not perform any other work for the Company and thus do not compromise their independence. To ensure compliance with this policy, the Audit Committee reviewed and approved the remuneration received by UHY Hacker Young LLP for the audit service.

The main areas of focus considered by the Committee during the year were as follows:

Area of Focus	Conclusion
Revenue recognition	The policies adopted and set out for Revenue Recognition in Note 2 on Accounting Policies are in line with the requirements of IFRS 15. For Services and Consultancy 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 as this is considered the most appropriate measurement of performance of the obligations. The Committee have identified revenue recognition as a significant issue. It was agreed that the Auditors would focus on this area. The Company has adopted the correct controls, policies and procedures to ensure inclusion of the revenues in compliance with IFRS 15.
Capitalisation of development costs	The Committee acknowledged that this aspect of accounting treatment is and will be a recurring focus by the Auditors due to its materiality. The accounting policies were reviewed and the Committee was satisfied that the processes and procedures in regard to this capitalisation process remained unaltered from previous years and were appropriate. The Committee paid particular attention to the judgements made in assessing the valuation of this asset.
Going Concern	The Committee acknowledged that given the impacts of the Russia/Ukraine war and the current economic environment of the pandemic on the Company's supply chain which affects the working capital cycle, then Going Concern would become a focus for the Auditor. The Committee was satisfied that the focus on Going Concern by the executive directors has been sufficient and that the review has been thorough and concurred with the executive directors that the Going Concern assumption was applicable.
Treatment of IPO expenses	The Committee reviewed the decision made by the executive directors of how to split the costs incurred on an equity raise via IPO. The Committee agreed that the judgement, whilst costs incurred on an equity raise should be recognised against equity in share premium, costs that relate to a stock market listing should be recognised as an expense in the consolidated statement of comprehensive income, was appropriate.

David Tilston
Audit Committee Chair

14 October 2022

Directors' Remuneration Report

Key Activities for 2022

The remuneration committee only met once between the IPO and the end of the financial year as a consequence of the gap between the two being so short.

The terms of reference of the remuneration committee are:

- To review and update as necessary the Committee's Terms and References
- To take whatever appropriate external advice as appropriate to be able to conduct an annual benchmarking review of the executive remuneration and structure.
- To work with the executive directors to determine a bonus scheme that can ensure all employees are suitability incentivised to maximise their contribution.
- To support the executives in their review of the Company's remuneration and employment policies for the senior management and employees
- To consider the award of options to executives and staff are in line with market practice.

Directors' Interests – Remuneration (audited)

Remuneration for executive directors comprises base salary, pension contributions and benefits in kind. In addition, certain directors are paid a car allowance or receive a contribution to their travel expenses.

The Executive and Non-Executive directors' remuneration for 2022 is set out in the table below:

	Base Salary £	Benefits & Car Allowance £	Pension £	Fixed Pay Total £	Bonus £	Remuneration Total 2022 £	Remuneration Total 2021 £
Executive							
M Hodgkins *	20,000	0	0	20,000	0	20,000	-
I Lankshear	125,000	619	6,250	131,869	0	131,869	131,869
M Wethey	139,464	289	5,333	145,086	0	145,086	-
Non-Executive							
J Collyer	7,500	0	0	7,500	0	7,500	-
D Tilston	6,667	0	0	6,667	0	6,667	-
N Hurley	5,833	0	0	5,833	0	5,833	-
W Ahmed	5,833	0	0	5,833	0	5,833	-

* M Hodgkins also received fees of £67,194 in the year to 31 May 2022 (FY 2021: £76,000) in respect of consultancy services undertaken prior to employment by the company.

Directors' Interests – Interests in share options

The Company operates a Share Option scheme for all its employees. Details of the Company's option schemes are set out in note 24 to the financial statements. Details of options held by Directors who were in office at 31 May 2022 are set out below.

2022 LTIP Options are subject to a performance target based on the fully diluted earnings per share ("EPS") reported in the Company's audited financial statements for the financial year ending 31 May 2025, whereupon the options will become exercisable:

(a) as to 25 per cent. if the fully diluted EPS reaches 2p per share;

(b) as to a further 50 per cent. if the fully diluted EPS reaches 5p per share;

(c) as to a final 25 per cent. if the fully diluted EPS reaches 6.5p per share; and

(d) on a sliding basis on fully diluted EPS between targets a) and b) and b) and c).

Directors' Remuneration Report continued

The IL Option has been granted by the Company, on the basis that certain shareholders will deliver Ordinary Shares on the exercise of the IL Option at the Exercise Price. The IL Option will not become exercisable unless those shareholders agree to deliver those shares. The maximum number of Ordinary Shares under the IL Option is 4,000,000. The IL Option is not subject to performance targets, but the maximum number of Ordinary Shares under the IL Option shall be reduced relative to the value of Ordinary Shares which the shareholders in question have been able to sell in the market in the 12 months following Admission, so that if no Ordinary Shares are sold then the IL Option will cease to be exercisable.

The options granted to Non-Executive Directors are not subject to performance criteria and are subject to a four year vesting period, where one third vest two years after grant and two thirds vest four years after grant. The options will lapse and not be exercisable if the relevant Non-Executive Director ceases to be an officer of the Company.

The market price of the Company's shares at 31 May 2022 was 43 pence. The range of market prices during the year was 43 pence to 57 pence.

	Date of Grant	Number	Exercise Price	Vesting Date	Expiry Date	Plan
M Hodgkins	23/05/2022	1,500,000	£0.50	31/05/2025	23/05/2032	2022 LTIP
I Lankshear	23/05/2022	3,000,000	£0.50	31/05/2025	23/05/2032	2022 LTIP
I Lankshear	23/05/2022	4,000,000	£0.50	24/03/2023	01/12/2024	IL Option
M Wethey	23/05/2022	250,000	£0.50	31/05/2025	23/05/2022	2022 LTIP
J Collyer	18/05/2022	50,000	£0.50	18/05/2024 – 18/05/2026	23/05/2032	NED Options
D Tilston	18/05/2022	50,000	£0.50	18/05/2024 – 18/05/2026	23/05/2032	NED Options
N Hurley	18/05/2022	50,000	£0.50	18/05/2024 – 18/05/2026	23/05/2032	NED Options
W Ahmed	18/05/2022	50,000	£0.50	18/05/2024 – 18/05/2026	23/05/2032	NED Options

Directors' Interests – Interests in shares

During the year M Hodgkins acquired 150,000 shares in the Company at an average price of £0.50, M Wethey acquired a 35,062 shares in the Company at an average price of £0.50, J Collyer acquired 30,000 shares at an average price of £0.50, D Tilston acquired 50,000 shares at an average price of £0.50, N Hurley acquired 20,000 shares at an average price of £0.50 and W Ahmed acquired 12,000 shares at an average price of £0.50.

The interests of directors, who were serving as at 31 May 2022, in the ordinary shares of the Company are set out below:

	Holding Balance at 31 May 2022	Percentage of Share Capital at 31 May 2022	Holding Balance at 31 May 2021	Percentage of Share Capital at 31 May 2021
Executive				
Mark Hodgkins	530,902	0.71%	21,000	1.06%
Ian Lankshear	16,040,358	21.32%	902,000	45.72%
Matthew Wethey	35,062	0.05%		
Non-Executive				
Janet Collyer	30,000	0.04%		
David Tilston	50,000	0.07%		
Noel Hurley	20,000	0.02%		
Wasim Ahmed	12,000	0.03%		

Service Contracts

Executive Directors:

a) Pursuant to an agreement with the Company dated 18 May 2022, Mark Hodgkins is employed by the Group as Executive Chairman. Mr. Hodgkins' salary is based on a pro rata basis at an equivalent rate of £200,000 per annum accruing day to date at a rate of 1/260 of his annual salary, based upon a commitment of a maximum of three days per week. Mr Hodgkins is entitled to a bonus of between 35 per cent. and 50 per cent. of base salary depending on the extent to which the Company achieves and/or exceeds budget and is also entitled to certain benefits including pension contributions and private medical insurance. Mr. Hodgkins' employment commencement date for the purposes of his continuous employment is 31 March 2022. In addition to the usual conduct-related termination rights, the service agreement entitles Mr. Hodgkins or the Company to terminate his employment on six months' notice. Mr. Hodgkins' service agreement contains confidentiality undertakings and prohibitions (which apply for a period of six months following termination of employment) on competing, soliciting and dealing with customers, poaching employees and interfering with relationships with suppliers.

b) Pursuant to an agreement with the Company dated 18 May 2022, Ian Lankshear is employed by the Group as Chief Executive Officer. Mr. Lankshear's salary is £200,000 per annum. Mr. Lankshear is entitled to a bonus of between 35 per cent. and 50 per cent. of base salary depending on the extent to which the Company achieves and/or exceeds budget and is also entitled to certain benefits including pension contributions and private medical insurance. Mr. Lankshear's employment commencement date for the purposes of his continuous employment is 21 May 2001. In addition to the usual conduct-related termination rights, the service agreement entitles Mr. Lankshear or the Company to terminate his employment on 12 months' notice. Mr. Lankshear's service agreement contains confidentiality undertakings and prohibitions (which apply for a period of six months following termination of employment) on competing, soliciting and dealing with customers, poaching employees and interfering with relationships with suppliers.

c) Pursuant to an agreement with the Company dated 11 March 2022, Matthew Wethey is employed by the Company as Chief Financial Officer. Mr. Wethey's salary is £160,000 per annum. Mr. Wethey is entitled to a bonus of between 35 per cent. and 50 per cent. of base salary depending on the extent to which the Company achieves and/or exceeds budget and is also entitled to certain benefits including pension contributions and private medical insurance. Mr. Wethey's employment commencement date for the purposes of his continuous employment is 19 July 2021. In addition to the usual conduct-related termination rights, the service agreement entitles Mr. Wethey or the Company to terminate his employment on six months' notice. Mr. Wethey's service agreement contains confidentiality undertakings and prohibitions (which apply for a period of six months following termination of employment) on competing, soliciting and dealing with customers, poaching employees and interfering with relationships with suppliers.

Non-Executive Directors:

a) Pursuant to a letter of appointment with the Company dated 1 April 2022, David Tilston has been appointed as a Non-Executive Director of the company with immediate effect. The appointment is subject to Board review and re-election at the next annual general meeting and is terminable earlier by either side giving three months' notice at any time. The fee payable to Mr. Tilston will be paid £40,000 per annum before tax, with an anticipated time commitment of 20 days per annum.

b) Pursuant to a letter of appointment with the Company dated 1 April 2022, Janet Collyer has been appointed as a Non-Executive Director of the Company with immediate effect. The appointment is subject to Board review and re-election at the next annual general meeting and is terminable earlier by either side giving three months' notice at any time. The fee payable to Ms. Collyer will be paid £45,000 per annum before tax, with an anticipated time commitment of 20 days per annum.

c) Pursuant to a letter of appointment with the Company dated 1 April 2022, Wasim Ahmed has been appointed as a Non-Executive Director of the company with immediate effect. The appointment is subject to Board review and re-election at the next annual general meeting and is terminable earlier by either side giving three months' notice at any time. The fee payable to Mr. Ahmed will be paid £35,000 per annum before tax, with an anticipated time commitment of 20 days per annum.

Directors' Remuneration Report continued

d) Pursuant to a letter of appointment with the Company dated 1 April 2022, Noel Hurley has been appointed as a Non-Executive Director of the company with immediate effect. The appointment is subject to Board review and re-election at the next annual general meeting and is terminable earlier by either side giving three months' notice at any time. The fee payable to Mr. Hurley will be paid £35,000 per annum before tax, with an anticipated time commitment of 20 days per annum.

Janet Collyer
Remuneration Committee Chair

14 October 2022

Directors' Report

Principal Activities

EnSilica is a leading fabless design house focused on custom ASIC design and supply for OEMs and system houses, as well as IC design services for companies with their own design teams.

The company has world-class expertise in supplying custom RF, mmWave, mixed signal and digital ASICs to its international customers in the automotive, industrial, healthcare and communications 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.

Our impressive record of success has been achieved working with customers ranging from start-ups to blue-chip companies. Our project portfolio ranges from module design to multi-million gate System-on-Chip.

We measure our success by customer satisfaction and the quality of the solutions, services and designs we deliver. Our approach is to develop long-term relationships with our customers and encourage strong partnerships with our suppliers, while providing meaningful and challenging work for our staff in a friendly, professional working environment. The company is headquartered near Oxford, UK and has design centres across the UK and in Bangalore, India and Porto Alegre, Brazil.

The Directors have set out their update on strategy within the CEO and CFO reports, and that includes a review of the markets that the Company is addressing, as well as the actions being taken to meet the strategic goals of the Company.

The Directors of the Company

Mark Hodgkins	Executive Chair
Ian Lankshear	Chief Executive Officer
Matthew Wethey	Chief Financial Officer and Company Secretary
Janet Collyer	Senior Independent Director
Noel Hurley	Non-Executive Director
Wasim Ahmed	Non-Executive Director
David Tilston	Non-Executive Director

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

The Directors are required to prepare Financial Statements for each financial year. The Directors have elected to prepare the Company Financial Statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, for the year ended 31 May 2022.

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 Company and of the profit or loss of the 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 estimates that are reasonable and prudent;
- state whether the Financial Statements have been prepared in accordance with IFRS;
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Directors' Report continued

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's external auditors are unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Dividends

The Company's consideration with regard to the payment of dividends in the future is and will be affected by a range of factors, principally it will be the generation of distributable profits within the Company. The Board adopts a dividend policy for the Company which will be based upon the availability of sufficient distributable profits. The Directors will only commence the payment of dividends when it becomes commercially prudent to do so. The Directors do not approve a dividend for the year ended 31 May 2022.

Research and Development

It is the nature of the Company's business that it needs to continually develop its intellectual property to meet the demands of their customers by being able to remain at the forefront in their addressed markets. The detail and costs of these developments are as set out in the Chief Executive's Review, the Chief Financial Officer's Review.

Director's indemnity

The Company's Articles of Association provide, subject to the provisions of United Kingdom legislation, for an indemnity for Directors and Officers of the Company with regard to liabilities that they may incur in the discharge of their duties or in the exercise of their powers, including any liability relating to proceedings brought against them which relates to anything done, or omitted, or anything alleged to have been done or omitted by them as officers or employees of the Company or Company.

Directors' Liability Insurance is in place in respect of all the Company's Directors.

Donations

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

Independent Auditor

The Auditor, UHY Hacker Young LLP, has indicated its willingness under section 489 of the Companies Act 2006 to continue in office and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

Annual General Meeting

The Company's Annual General Meeting will be held at 100 Park Drive, Milton Park, Abingdon OX14 4RY on 24 November 2022 at 10 am.

Matters covered elsewhere

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium Sized Companies and Company's (Accounts and Reports) Regulations 2008 certain matters that are required to be disclosed in the Directors' Report have been omitted as they have been included in either the Chief Executive's Review, the Chief Financial Officer's Review and Strategic Report, or the Principal Risks and Uncertainties Report. These matters relate to the business review, principal risks and uncertainties, key performance indicators, future developments and research and development activity.

By order of the Board

Matthew Wethey
Company Secretary
14 October 2022

ESG Engagement Report

EnSilica recognises that for it to be sustainable, success cannot be at the expense of the environment, its employees or wider society.

Governance has been the lead focus of its ESG strategy but with the climate emergency and the major societal upheaval caused by the Covid-19 pandemic, Environmental and Social sustainability actions are rightly being brought to the fore.

Ethics And Compliance (see Governance Report)

Employees (see Governance Report)

Environmental Sustainability

As is the case with all businesses the Company has an emphasis on environmental sustainability. We make it a responsibility of all employees to take advantage of our initiatives to reduce carbon footprint.

Our direct carbon footprint is limited as we only consume power for the IT equipment which all our employees are provided with. We have for many years promoted working from home which our business model lends itself to. We have initiatives to encourage reduced carbon impact from travelling to work with initiatives for cycle use and assistance with the purchase of electric vehicles.

Our business methodology has decreased the use of paper many years ago and we continue to operate a virtually paper free office. All our premises are designed or redesigned to ensure that energy usage at our facilities is optimised.

Code of Professional Conduct

EnSilica's Code of professional conduct sets out the values and standards of behaviour expected from all employees and also deals with how employees and business partners can report any concerns that may arise.

We are committed to acting professionally, fairly and with integrity in all our business dealings and relationships.

The Code promotes corporate social responsibility across the business. It sets out the responsibilities of employees in ensuring that they carry out their business activities in a manner aligned with the Company's values and business principles. All staff are required to ensure that they comply with all relevant laws and regulations. The Code sets out behaviours that are unacceptable and which could bring EnSilica plc's reputation into disrepute. It contains guidance on avoiding conflicts of interest, confidentiality, our approach to gifts and hospitality, bribery and corruption.

Upholding the Code is the responsibility of all EnSilica plc employees. All those working for, or on behalf of, EnSilica plc are required to confirm that they have read and understood the Code of Professional Conduct, and a copy is readily available to all employees.

Anti-Corruption and Anti-Bribery Policy

The Company has a robust anti-corruption and anti-bribery policy which applies to the Board, all employees of the Company and persons associated with the Company (such as consultants, contractors or agency staff). The Company's anti-corruption and anti-bribery policy requires such persons to observe and uphold a zero-tolerance position on bribery and corruption, as well as providing guidance on how to recognise and deal with bribery and corruption issues and their potential consequences, while preserving acceptable boundaries of corporate hospitality and entertainment.

The Company expects all employees and persons associated with the Company to conduct their day-to-day business activities in a fair, honest and ethical manner; to be aware of, and refer to, this policy in all of their business activities worldwide; and to conduct business on the Company's behalf in compliance with it.

Management at all levels are responsible for ensuring that those reporting to them, internally and externally, are made aware of and understand this policy.

Dealings with customers

We work closely with customers and prospects to help us improve the value that we can add to their businesses through our products and services and in the manner that these products and services are delivered.

We are open and honest about our products and services, communicating with customers all appropriate information that they need in order to ensure that we consistently meet their expectations;

We seek regular feedback from our customers as to our performance against their expectations and against the benchmark performance of our competitors, so as to help us to continue to deliver continuous and sustained improvement; We ensure that any issues or problems are dealt with in a timely manner, openly, efficiently and with fairness.

Dealings with suppliers

We recognise that we cannot deliver our products and services without a functioning and sustainable supply chain. We work with our suppliers to improve the value of the products and

ESG Engagement Report continued

services that they deliver to us and thereby to improve the value of the products and services that we offer to our customers. We identify and select suppliers to work in partnership with EnSilica using fair and reasonable methods.

We identify and work only with suppliers who operate to ethical business standards. We are therefore seeking to engage with, to encourage and where necessary, to educate our suppliers to be ready to support us with the Environmental performance metrics and improvement programmes required by our customers.

Our relationships with our employees

Our success depends on our people. EnSilica recognises the vital role that our employees play, and that effective teamwork is critical for us to achieve our corporate goals.

We ensure that our employment practices are fair and in full compliance with UK employment legislation. We strive to make EnSilica plc a “great place to work” where our actions demonstrate this via values that the team deliver each and every day.

We maintain equality of opportunity in all employment practices, policies and procedures regardless of race, nationality, gender, age, marital status, sexual orientation, disability and religious or political beliefs. We recognise the importance of a healthy age balance within the business and maintain succession plans for all business units, identifying and investing in future leaders. We continue to invest in apprentices and graduates.

The full circle of feedback is also supported by our annual employee survey which covers all aspects life within the EnSilica group and is presented and discussed at monthly staff meetings alongside business performance and future plans.

Confidentiality

Our Code of Professional Conduct emphasises the need for confidentiality to be maintained in all of our business activities.

Our policy and practices help to ensure that all staff understand what constitutes confidential information and restricts internal access based on a “need to know basis”. Information relating to third parties is not disclosed without the third parties’ written consent.

Bribery Act

We implement and enforce effective systems to uphold our zero-tolerance approach to bribery and corruption. To ensure that we only work with third parties whose standards are consistent with our own, all third parties who act on behalf of EnSilica plc are obliged by written agreement to comply with the standards set out in the Code.

Human rights

EnSilica plc is committed to respecting the human rights of all those working with or for us. We do not accept any form of child or forced labour and we will not do business with anyone who fails to uphold these standards.

Modern slavery

EnSilica plc has developed and implemented an Anti-Slavery and Human Trafficking Policy to comply with the requirements of the UK’s Modern Slavery Act 2015.

EnSilica plc has a zero-tolerance approach to modern slavery and is committed to acting ethically and with integrity in all of its business dealings and relationships and to implementing and enforcing effective systems and controls to ensure modern slavery is not taking place anywhere in its business or in any of its supply chains.

Health and Safety

EnSilica plc places health and safety at the core of all business activities in order to ensure a safe working environment for everyone involved in the business. As a corner stone of our business operations Health and Safety reporting is a standing item on the local management teams and Board agendas. All employees are encouraged to take an active role in ensuring that our working environment is a safe place to work.

Training sessions for all employees are undertaken on commencement, including DSE Training and Workstation Assessment.

The Company places health and safety at the core of all business activities in order to ensure a safe working environment for everyone involved in the business. As a cornerstone of its business operations, health and safety reporting is a standing item on Senior Management Team and Board meeting agendas.

All employees are encouraged to take an active role in ensuring that our working environment is a safe place to work and visit by:

- behaving in such a way as to avoid incidents and agreeing to adhere to the Company’s policies and procedures;
- actively reporting all safety observations and incidents;
- being involved in safety audits and risk assessments; and
- undertaking regular awareness training sessions.

Independent Auditor's Report to the Members of Ensilica PLC

Opinion

We have audited the financial statements of Ensilica Plc (the 'Company') and its subsidiaries ('the Group') for the year ended 31 May 2022 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Financial Position, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows and notes to the financial statements, including significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards.

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 May 2022 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK adopted International Accounting Standards; 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 Group and 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 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

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statement is appropriate.

Our evaluation of the director's assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

Evaluation of Management Assessment

- Assessing the transparency and the completeness and accuracy of the matters covered in the going concern disclosure by evaluating management's cashflow projections for the next 12 months and the underlying assumptions.
- Obtaining budgets and cashflow forecasts, reviewing the methodology behind these, ensuring arithmetically correct and challenged the assumptions.
- Obtaining post year end trading results and compared these to budget to ensure budgeting is reasonable and results are in line with expectations.
- Evaluating the key assumptions in the forecast, which were consistent with our knowledge of the business and considered whether these were supported by the evidence we obtained.
- Discussing plans for the Group going forward with management, ensuring these had been incorporated into the budgeting and would not have an impact on the going concern status of the Group.
- Considering the headroom in respect of the group's loan covenants to date and in the forecast period.

Independent Auditor's Report to the Members of Ensilica PLC
continued

- Comparing the prior period forecast against current period actual performance to assess management's ability to forecast accurately.
- Reviewing the disclosures relating to going concern basis of preparation and found that these provided an explanation of the directors' assessment that was consistent with the evidence we obtained.

Key observations:

The Group's forecasts include consideration of certain downside scenarios such as the impact of Covid-19, supply chain issues and inflationary pressures. The Group were profitable in the year and generated a profit after tax of £565k (2021: loss £2.1 million). They generated net cash from operating activities of £1.391 million in the year (£0.434 million used in 2021) and had a cash balance of £5.7 million (2021: £1.4 million).

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. However, clear and full disclosure of the facts and the directors' rationale for the use of the going concern basis of preparation, is a key financial statement disclosure and so was the focus of our audit in this area. Auditing standards require that to be reported as a key audit matter.

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

Our approach to the audit

We designed our audit by obtaining an understanding of the Group and its environment, and assessing the risk of material misstatement in the financial statements. When assessing the risk of material misstatement, we consider whether the directors made judgements or assumptions that are, by their nature, subjective. The scope of our audit was influenced by the level of materiality we determined.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account an understanding of their activities, the accounting processes and controls, and the industry in which they operate. Our planned audit testing was directed accordingly and was focused on areas where we assessed there to be the highest risk of material misstatement.

During the audit we reassessed and re-evaluated audit risks and tailored our approach accordingly.

The audit testing included substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls and the management of specific risk.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant findings, including any significant deficiencies in internal control that we identify during the audit.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matters</th><th>How our scope addressed these matters</th></tr>
<tr><td>

1. Capitalisation and impairment of development expenditure

The Group has capitalised £8.480 million (2021: £6.387 million) of development costs. There is a key judgement in determining whether the nature of the product engineering costs satisfy the criteria for capitalisation to 'Intangible Assets: Product development in progress', the timing of when this capitalisation should commence, and the Group's stage in development cycle more generally in the current period, the risk of satisfaction of International Accounting Standard 38 (IAS38) capitalisation requirements is less associated with the future economic viability as in previous periods but primarily related to the allocation of directly attributable expenditure.

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Our audit work included, but was not restricted to:

- Assessing the appropriateness of the Group's accounting policy in comparison to IAS 38;
- Ensuring a sample of product engineering costs were eligible for capitalisation;
- Agreeing the nature of the capitalised costs was consistent with the description of the accounts to which those costs were recorded;
- Reviewing and challenging the assumptions used in the future cash flows 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.

The group's accounting policy on research and development expenditure is shown in section B of the accounting policies and related disclosures are included in note 9. The Audit Committee identified capitalisation of development cost as a significant issue in its report, where the Committee has also described the actions that it has taken to address this issue.

Key observations:

We have not found any issues or errors in respect of the capitalisation of expenditure therefore are satisfied the carrying value is materially correct.

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Independent Auditor's Report to the Members of Ensilica PLC
continued

Key audit matters	How our scope addressed these matters
Revenue recognition The Group recognised revenue from contracts for the initial non-recurring engineering (NRE) costs of development amounting to approximately £15.293 million for the year ended 31 May 2022, and had accrued income of approximately £1.01 million and contract liabilities of approximately £14,000 as at 31 May 2022. The Group's revenue and cost of purchase orders are recognised by reference to the progress of satisfying the performance obligation at the reporting date in line with International Financial Reporting Standard 15 (IFRS 15). The Group recognises both income and costs by reference to the percentage of completion of the contract which requires the management's estimation. In addition, significant judgement is required in estimating the total hours of work required for the contract, the number of hours of work performed at each stage which may have an impact on progress of the project contracts and the corresponding profit taken.	Our audit work included, but was not restricted to: • Understanding the basis of percentage of completion of the contract through discussion with the management to evaluate the reasonableness of the estimated completion; • Completing cut-off testing to assess whether sales are accounted for in the period in which services are provided to the customers in accordance with the company accounting policy and IFRS 15; • Reviewing specific contracts, the time spent on the projects to the year end and the total time budgeted to be spent to ensure the percentage of completion method has been appropriately applied; • Assessing and recalculating, on a sample basis, the accuracy of the percentage of completion by agreeing to time spent on contracts; • Using data analytics software to assess the correlation between the revenue entries and trade receivables and subsequent cash receipt to gain assurance over the occurrence assertion. The group's accounting policy on revenue recognition is shown in section B of the accounting policies and related disclosures are included in note 1. The Audit Committee identified revenue recognition as a significant issue in its report, where the Committee has also described the actions that it has taken to address this issue. **Key observations:** Following review of the accrued revenue and contract liabilities we are satisfied they are materially correct.

Our application of materiality

The scope and focus of our audit was influenced by our assessment and application of materiality. We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements.

We define financial statement materiality as the magnitude by which misstatements, including omissions, could reasonably be expected to influence the economic decisions taken on the basis of the financial statements by reasonable users.

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

Materiality Measure	Group	Parent
Overall materiality	We determined materiality for the financial statements to be:	
	2022: £267,000 (2021: £155,000)	2022: £214,000 (2021: £124.000)
How we determine it	Revenue is deemed to be a key performance indicator, therefore materiality was set at 1.75% of total revenue of the Group.	Revenue was also deemed to be the key performance indicator for the company, therefore materiality was set at 1.75% of total revenue of the Parent Company.
Rationale for benchmarks applied	We believe the total revenue is the most appropriate benchmark due to the size and stage of development of the Company and Group.	
Performance materiality	On the basis of our risk assessment, together with our assessment of the Group and Company's control environment, our judgement is that performance materiality for the financial statements should be 60% of materiality for the Company and Group	
	2022: £160,000 (2021: £93,000)	2022: £128,00 (2021: £74,000)
Reporting threshold	We agreed with the Audit Committee (with the Board in 2021) that we would report to them all misstatements over 5% of Group and company materiality identified during the audit as set out below, as well as differences below that threshold that, in our view, warrant reporting on qualitative grounds. We also report to the Audit Committee (with the Board in 2021) on disclosure matters that we identified when assessing the overall presentation of the financial statements.	
	2022: £13,500 (2021: £7,500)	2022: £10,500 (2021: £6,000)

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 annual report. 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 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 themselves.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the Members of Ensilica PLC
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 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 in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 23, 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 internal controls 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 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 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.

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 part 3 of Chapter 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.

James Astley (Senior Statutory Auditor)
for and on behalf of UHY Hacker Young
Chartered Accountants
Statutory Auditor
London, United Kingdom
Date: 14 October 2022

Quadrant House
4 Thomas More Square
London E1W 1YW

Financial Statements

Consolidated Statement of Comprehensive Income

For the year ended 31 May 2022

	Note	2022 £'000	2021 £'000
Revenue	3	15,293	8,607
Cost of sales		(10,246)	(6,550)
Gross profit		5,047	2,057
Other (expense)/operating income	5	(14)	297
Administrative expenses excluding non-recurring items		(4,328)	(2,523)
Impairment of intangible assets	12	-	(2,019)
IPO costs		(699)	-
Total administrative expenses		**(5,027)**	**(4,542)**
Operating profit/(loss)	5	6	(2,188)
Interest income	7	25	7
Interest expense	8	(565)	(552)
Loss before taxation		(534)	(2,733)
Taxation	9	683	658
Profit/(loss) for the year		**149**	**(2,075)**
Other comprehensive income/(expense) for the year			
Currency translation differences		40	(39)
Total comprehensive income/(expense) for the year		**189**	**(2,114)**
Profit/(loss) for the year attributable to:			
Owners of the company		149	(2,075)
Non-controlling interests		-	-
		149	**(2,075)**
Total comprehensive income/(expense) for the year attributable to:			
Owners of the company		40	(39)
Non-controlling interests		-	-
		40	**(39)**
Basic earnings per share (pence)	10	0.20	(5.88)
Diluted earnings per share (pence)	10	0.20	(5.88)
Adjusted Basic earnings per share (pence)	10	1.13	(5.88)
Adjusted Diluted earnings per share (pence)	10	1.11	(5.88)

Consolidated Statement of Financial Position

As at 31 May 2022

	Note	2022 £'000	2021 £'000	1 June 2020 £'000
Assets				
Non-current assets				
Property, plant and equipment	11	382	262	275
Intangible assets	12	8,576	6,506	6,844
Total non-current assets		**8,958**	**6,768**	**7,119**
Current assets				
Inventories	14	215	30	94
Trade and other receivables	15	3,257	2,950	1,448
Corporation tax recoverable		1,671	2,203	1,195
Cash and cash equivalents	16	5,742	1,404	2,181
Total current assets		**10,885**	**6,587**	**4,918**
Total assets		**19,843**	**13,355**	**12,037**
Current liabilities				
Borrowings	17	(800)	(753)	(848)
Lease liabilities	18	(88)	(103)	(90)
Trade and other payables	19	(2,391)	(3,099)	(1,953)
Total current liabilities		**(3,279)**	**(3,955)**	**(2,891)**
Non current liabilities				
Borrowings	17	(4,166)	(5,046)	(3,105)
Lease liabilities	18	(105)	(193)	(135)
Provisions	20	(140)	(149)	(70)
Deferred tax	21	-	(1,174)	(1,183)
Total non current liabilities		**(4,411)**	**(6,562)**	**(4,493)**
Total liabilities		**(7,690)**	**(10,517)**	**(7,384)**
Net assets		**12,153**	**2,838**	**4,653**
Equity				
Issued share capital	23	134	2	2
Share premium account		6,900	-	-
Currency differences reserve		1	(39)	-
Retained earnings		5,118	2,875	4,651
Equity attributable to owners of the Company		12,153	2,838	4,653
Non-controlling interests		-	-	-
Total equity		**12,153**	**2,838**	**4,653**

The financial statements were approved by the Board of Directors and authorised for issue on 14 October 2022 and signed on its behalf by:

Ian Lankshear
Chief Executive Officer

Matthew Wethey
Chief Financial Officer

Company registration number: 04220106

Consolidated Statement of Changes in Equity

For the year ended 31 May 2022

	Share capital £'000	Share premium account £'000	Currency translation reserve £'000	Retained earnings £'000	Total equity £'000
At 31 May 2019	2	-	8	4,463	4,473
Comprehensive income/(expense) for the year to 31 May 2020					
Profit for the year	-	-	-	161	161
Other comprehensive expense	-	-	(8)	-	(8)
Total comprehensive income for the year	-	-	(8)	161	153
Share based payment	-	-	-	27	27
At 31 May 2020	2	-	-	4,651	4,653
Comprehensive expense for the year to 31 May 2021					
Loss for the year	-	-	-	(2,075)	(2,075)
Other comprehensive expense	-	-	(39)	-	(39)
Total comprehensive expense for the year	-	-	(39)	(2,075)	(2,114)
Share based payment	-	-	-	32	32
Deferred tax in respect of share options	-	-	-	267	267
At 31 May 2021	2	-	(39)	2,875	2,838
Comprehensive income for the year to 31 May 2022					
Profit for the year	-	-	-	149	149
Other comprehensive expense	-	-	40	-	40
Total comprehensive income for the year	-	-	40	149	189
Share based payment	-	-	-	120	120
Deferred tax in respect of share options	-	-	-	1,713	1,713
Corporation tax in respect of share options	-	-	-	378	378
Issue of share capital	132	7,407	-	-	7,539
Costs of share issue	-	(507)	-	-	(507)
Bonus share issue	-	-	-	(117)	(117)
At 31 May 2022	134	6,900	1	5,118	12,153

Non-controlling interests hold 0.002% of the issued share capital of the Indian subsidiary, Ensilica India Private Limited in accordance with local requirements and there is a non-controlling interest of £nil at 31 May 2022 (31 May 2021:£nil), further details are disclosed in note 28.

Consolidated Statement of Cash Flows

For the year ended 31 May 2022

	Note	2022 £'000	2021 £'000
Cash flows from operating activities			
Cash generated from operations	A	(1,915)	(342)
Tax received/(paid)		3,306	(92)
Net cash generated from/(used in) operating activities		**1,391**	**(434)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(276)	(45)
Additions to intangible assets		(2,241)	(1,672)
Interest received		25	7
Net cash used in investing activities		**(2,492)**	**(1,710)**
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		6,915	-
Interest paid		(565)	(185)
Lease liability payments		(103)	(94)
Receipt of bank loans		-	2,450
Repayment of bank loans		(768)	(784)
Commitment fees		(80)	-
Net cash generated from financing activities		**5,399**	**1,387**
Net increase/(decrease) in cash and cash equivalents		**4,298**	**(757)**
Cash and cash equivalents at beginning of year		1,404	2,181
Foreign exchange gains/(losses)		40	(20)
Cash and cash equivalents at end of year	B	5,742	1,404

Notes to the Consolidated Statement of Cash Flows

For the year ended 31 May 2022

A. Cash generated from operations

The reconciliation of profit/(loss) for the year to cash generated from operations is set out below:

	2022 £'000	2021 £'000
Profit/(loss) for the year	**149**	**(2,075)**
Adjustments for:		
Depreciation	160	114
Amortisation of intangible assets	171	114
Impairment of intangible assets	-	2,019
Share based payments	120	32
Grant income not cash received	-	(187)
Net interest costs	540	545
Tax credit	(683)	(658)
	456	**(96)**
Working capital movements		
(Increase)/decrease in inventories	(185)	64
Increase in trade and other receivables	(304)	(1,502)
(Decrease)/increase in trade and other payables	(699)	1,113
(Decrease)/increase in provisions	(1,183)	79
Cash generated from/(used in) operations	**(1,915)**	**(342)**

B. Analysis of net debt

	At 1 June 2020 £'000	Cash flow £'000	Non-cash changes £'000	At 31 May 2021 £'000
Loans	(3,953)	(1,666)	(180)	(5,799)
Lease liabilities	(225)	94	(165)	(296)
Liabilities arising from financing activities	(4,178)	(1,572)	(345)	(6,095)
Cash and cash equivalents	2,181	(757)	(20)	1,404
Net debt	(1,997)	(2,329)	(365)	(4,691)

	At 1 June 2021 £'000	Cash flow £'000	Non-cash changes £'000	At 31 May 2022 £'000
Loans	(5,799)	768	65	(4,966)
Lease liabilities	(296)	50	53	(193)
Liabilities arising from financing activities	(6,095)	818	118	(5,159)
Cash and cash equivalents	1,404	4,298	40	5,742
Net debt	**(4,691)**	**5,116**	**158**	**583**

Parent Company Statement of Financial Position

As at 31 May 2022

	Note	2022 £'000	2021 £'000	1 June 2020 £'000
Assets				
Non-current assets				
Property, plant and equipment	11	228	169	146
Intangible assets	12	8,576	6,506	6,844
Investments	13	68	0	0
Total non-current assets		**8,872**	**6,675**	**6,990**
Current assets				
Inventories	14	215	30	94
Trade and other receivables	15	2,909	2,732	1,232
Corporation tax recoverable		1,671	2,203	1,166
Cash and cash equivalents	16	5,655	1,072	2,050
Total current assets		**10,450**	**6,037**	**4,542**
Total assets		**19,322**	**12,712**	**11,532**
Current liabilities				
Borrowings	17	(800)	(753)	(848)
Lease liabilities	18	(50)	(71)	(51)
Trade and other payables	19	(2,860)	(3,168)	(1,923)
Total current liabilities		**(3,710)**	**(3,992)**	**(2,822)**
Non current liabilities				
Borrowings	17	(4,166)	(5,046)	(3,105)
Lease liabilities	18	(78)	(132)	(42)
Deferred tax	19	-	(1,174)	(1,183)
Total non current liabilities		**(4,244)**	**(6,352)**	**(4,330)**
Total liabilities		**(7,954)**	**(10,344)**	**(7,152)**
Net assets		**11,368**	**2,368**	**4,380**
Equity				
Issued share capital	23	134	2	2
Share premium account		6,900	-	-
Retained earnings		4,334	2,366	4,378
Total equity		**11,368**	**2,368**	**4,380**

The loss for the financial year dealt with in the financial statements of the Parent Company was £126,000 (2021: £2,311,000). The financial statements were approved by the Board of Directors and authorised for issue on 14 October and are signed on its behalf by:

I Lankshear
Chief Executive Officer

M Wethey
Chief Financial Officer

Company registration number: 04220106

Parent Company Statement of Changes in Equity

For the year ended 31 May 2022

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
At 31 May 2020	2	-	4,378	4,380
Comprehensive expense for the year to 31 May 2021				
Loss for the year	-	-	(2,311)	(2,311)
Other comprehensive expense	-	-	-	-
Total comprehensive expense for the year	-	-	(2,311)	(2,311)
Share based payment	-	-	32	32
Deferred tax in respect of share options	-	-	267	267
At 31 May 2021	2	-	2,366	2,368
Comprehensive income for the year to 31 May 2022				
Profit for the year	-	-	(126)	(126)
Other comprehensive expense	-	-	-	-
Total comprehensive income for the year	-	-	(126)	(126)
Share based payment	-	-	120	120
Deferred tax in respect of share options	-	-	1,713	1,713
Corporation tax in respect of share options	-	-	378	378
Issue of share capital	132	7,407	-	7,539
Costs of share issue	-	(507)	-	(507)
Bonus share issue	-	-	(117)	(117)
At 31 May 2022	134	6,900	4,334	11,368

Parent Company Statement of Cash Flows

For the year ended 31 May 2022

	Note	2022 £'000	2021 £'000
Cash flows from operating activities			
Cash generated from operations	A	(1,748)	(480)
Tax received/(paid)		3,378	-
Net cash generated from/(used in) operating activities		**1,630**	**(480)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(174)	(224)
Additions to intangible assets		(2,241)	(1,673)
Acquisition of subsidiary		(68)	-
Interest received		-	2
Net cash used in investing activities		**(2,483)**	**(1,895)**
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		6,915	-
Interest paid		(556)	(546)
Lease liability payments		(75)	(59)
Receipt of bank loans		-	2,786
Repayment of bank loans		(768)	(784)
Commitment fees		(80)	-
Net cash generated from financing activities		**5,436**	**1,397**
Net increase/(decrease) in cash and cash equivalents		**4,583**	**(978)**
Cash and cash equivalents at beginning of year		1,072	2,050
Cash and cash equivalents at end of year	B	5,655	1,072

Notes to the Parent Company Statement of Cash Flows

For the year ended 31 May 2022

A. Cash generated from operations

The reconciliation of profit/(loss) for the year to cash generated from operations is set out below:

	2022 £'000	2021 £'000
Loss for the year	**(126)**	**(2,311)**
Adjustments for:		
Depreciation	115	77
Amortisation of intangible assets	171	110
Impairment of intangible assets	-	2,019
Other amortisation	-	20
Share based payments	120	32
Net interest costs	556	544
Tax credit	(754)	(770)
	82	**(278)**
Working capital movements		
(Increase)/decrease in inventories	(185)	63
Increase in trade and other receivables	(176)	(1,500)
(Decrease)/increase in trade and other payables	(295)	1,244
(Decrease)/increase in provisions	(1,174)	(9)
Cash generated from/(used in) operations	**(1,748)**	**(480)**

B. Analysis of net debt

	At 1 June 2020 £'000	Cash flow £'000	Non-cash changes £'000	At 31 May 2021 £'000
Loans	(3,953)	(1,666)	(180)	(5,799)
Lease liabilities	(93)	(156)	46	(203)
Liabilities arising from financing activities	(4,046)	(1,822)	(134)	(6,002)
Cash and cash equivalents	2,050	(978)	-	1,072
Net debt	(1,996)	(2,800)	(134)	(4,930)

	At 1 June 2021 £'000	Cash flow £'000	Non-cash changes £'000	At 31 May 2022 £'000
Loans	(5,799)	768	65	(4,966)
Lease liabilities	(203)	50	25	(128)
Liabilities arising from financing activities	(6,002)	818	90	(5,094)
Cash and cash equivalents	1,072	4,583	-	5,655
Net debt	**(4,930)**	**5,401**	**90**	**561**

Notes to the Consolidated Financial Statements

For the year ended 31 May 2022

1. General information

Ensilica plc is a public limited company incorporated in the United Kingdom, listed on the Alternative Investment Market ('AIM') of the London Stock Exchange. The Company is domiciled in the United Kingdom and its registered office is 100 Park Drive, Milton Park, Abingdon, OX14 4RY. The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the 'Group').

The group is a leading fabless design house focused on custom ASIC design and supply for OEMs and system houses, as well as IC design services for companies with their own design teams. The company has world-class expertise in supplying custom RF, mmWave, mixed signal and digital ICs to its international customers in the automotive, industrial, healthcare and communications 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. The company is headquartered near Oxford, UK and has design centres across the UK and in India and Brazil.

On 6 May 2022 the company, Ensilica Limited re-registered as a public limited company, Ensilica plc.

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with UK-adopted International Accounting Reporting Standards (IAS) as issued by the International Accounting Standards Board (IASB) and the Companies Act 2006.

The financial information has been prepared under the historical cost convention unless otherwise specified within these accounting policies. The financial information and the notes to the financial information are presented in thousands of pounds sterling ('£'000'), the functional and presentation currency of the Group, except where otherwise indicated.

The principal accounting policies adopted in preparation of the financial information are set out below. The policies have been consistently applied to all periods presented, unless otherwise stated.

Judgements made by the Directors in the application of the accounting policies that have a significant effect on the financial information and estimates with significant risk of material adjustment in the next year are discussed in note 2.

2. Accounting policies

First-time adoption of IFRS

These financial statements, for the year ended 31 May 2022, are the first the Group has prepared in accordance with IAS. For periods up to and including the year ended 31 May 2021, the Group prepared its financial statements in accordance with UK Generally Accepted Accounting Practice (FRS 102).

Accordingly, the Group has prepared financial statements which comply with UK-adopted IAS applicable for the year ended 31 May 2022, together with the comparative data as at and for the year ended 31 May 2021, as described in the accounting policies. In preparing these financial statements, the Group's opening statement of financial position was prepared as at 1 June 2020, the Group's date of transition to IAS. Note 27 explains the principal adjustments made by the group in stating its IFRS statement of financial position as at 1 June 2020 and its previously published UK GAAP financial statements as at and for the year ended 31 May 2021.

Estimates

The estimates at 31 May 2022 are consistent with those made for the same dates in accordance with UK GAAP therefore no adjustments are necessary on conversion.

First-time adoption of IFRS reconciliations

On conversion to UK-adopted IFRS, an adjustment was required to capitalise various right of use assets, and to incorporate corresponding lease liabilities into the balance sheet. Rental charges previously expensed were removed and replaced by depreciation and finance interest charges.

There have been no adjustments to the Group's opening position on transition to UK-adopted IFRS from UK GAAP apart from the changes noted above as at 1 June 2020.

Note 27 to the financial statements includes the reconciliation of equity and the income statements from UK GAAP to UK-adopted IFRS for the comparative year to 31 May 2021.

2. Accounting policies – continued

Disclosure exemptions adopted

IFRS 1 First-Time Adoption of International Reporting Standards allows first-time adopters certain exemptions from retrospective application of certain IFRS.

The Group has applied the following exemptions:

- The Group has applied the transitional provision in IFRIC 4 Determining Whether an Arrangement Contains a Lease and has assessed all arrangements based upon the conditions in place as at the date of transition.
- The Group has applied the transitional provisions in IAS 23 Borrowing Costs and capitalised borrowing costs relating to all qualifying assets after the date of transition. Similarly, the Group has not restated for borrowing costs capitalised under UK GAAP on qualifying assets prior to the date of transition to UK-adopted IFRS.

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 2022. As at 31 May 2022 the Group financing arrangements consisted of a loan of £3.1 million from SME Alternate Financing and a Coronavirus Business Interruption Loan (CBIL) for £2.1 million used to mitigate delays caused by Covid-19. The Group held a cash balance of £5.7 million at that date. The possible continuing and future impact of the Russia/Ukraine war on the Group has been considered in the preparation of the financial statements.

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.

Consolidation

The financial information includes the results of Ensilica plc and its subsidiary undertakings. The results of the subsidiary undertakings are included from the date that effective control passed to the company. All subsidiaries were incorporated by the Company with no trading prior to their inclusion in the Group.

Revenue, profits and balances between group companies are eliminated on consolidation.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated in full on consolidation.

Revenue recognition

Revenue, in accordance with IFRS15 is recognised at an amount that reflects the consideration to which the group expects to be entitled in exchange for transferring control of goods or services to a customer. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

The following principles are applied to each area of revenue as set out below:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when the group satisfies performance obligations

Notes to the Consolidated Financial Statements – continued

For the year ended 31 May 2022

2. Accounting policies – continued

Services

Design services are provided specifically for each customer and may be either consultancy services only in respect of IC design or design services as part of a design and supply model involving a contract for the initial non-recurring engineering costs of development (NRE). 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 as this is considered the most appropriate measurement of performance of the obligations. 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.

Sale of goods

Revenue from the sale of goods is recognised when control over the goods has passed to the buyer, usually on dispatch of the goods when 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 as the Group fulfils its performance obligation.

Licensing and similar income

Income in respect of a licensing arrangement for the use of IP is recognised on a straight line basis over the period of the agreement or where typically linked to the delivery of design services, recognised by reference to the underlying arrangement and delivery of services.

Invoicing of revenue is undertaken in accordance with the terms of the agreement with the customer. If amounts recognised in respect of revenue for completed performance obligations have not been invoiced at the financial position date, accrued income is recognised. When an invoice is due for payment at the statement of financial position date but the associated performance obligations have not been fulfilled the amounts due are recognised as trade receivables and a deferred income contract liability is recognised for the value of the performance obligations that have not been provided.

Employee benefits

The Ensilica Group operates a defined contribution pension scheme. Contributions are recognised in the Statement of Comprehensive Income in the year in which they become payable in accordance with the rules of the scheme.

Short term employee benefits including holiday pay are recognised as an expense in the period in which the service is rendered.

Share based payment

The Group operates an equity-settled share-based compensation plan in which the Group receives services from employees as consideration for share options. The fair value is established at the point of grant using an appropriate pricing model and then the cost is recognised as an expense in administrative expenses in the statement of comprehensive income, together with a corresponding increase directly in equity over the period in which the services are fulfilled. This is the estimated period to vesting in respect of employees. The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

Taxation

The taxation expense or credit comprises current and deferred tax recognised in the profit for the financial period or in other comprehensive income or equity if it arises from amounts recognised in other comprehensive income or directly in equity. Current tax is provided at amounts expected to be paid (or recovered) in respect of the taxable profits for the period using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset and where the deferred tax balances relate to the same taxation authority.

2. Accounting policies – continued

Non-recurring items

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

Government grants

Grants are accounted under the accruals model, and grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure. Government grants relate to the receipt of Coronavirus Job Retention Scheme income, to innovation grants and to the interest free period on Coronavirus Business Interruption loans.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling on the date of the transaction. Monetary assets or liabilities denominated in foreign currencies at the Statement of Financial Position date are translated at the rate ruling on that date and all translation differences are charged or credited in the Statement of Comprehensive Income.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in a separate equity reserve.

Intangible assets - research and development expenditure

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

An internally generated intangible asset arising from development (or the development phase) of an internal project is recognised if, and only 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;
- The method by which probable future economic benefits will be generated is known;
- The group is able to sell or use the product;
- There are adequate technical, financial and other resources required to complete the development;
- 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. Where the above criteria are not met, development expenditure is charged to the consolidated income statement in the period in which it is incurred. 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.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and impairment losses. An impairment review is undertaken annually, and 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. This is typically 5 to 10 years, and the charge is reported within administrative expenses in the consolidated statement of comprehensive income.

As part of the impairment review, consideration is also made regarding the validity of impairment provisions made in previous periods, and to whether the provision is still warranted in the period under review.

Research expenditure is recognised as an expense in the period in which it is incurred.

Notes to the Consolidated Financial Statements – continued

For the year ended 31 May 2022

2. Accounting policies – continued

Financial assets

Financial assets, including trade and other receivables, cash and cash equivalent balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method. Cash and cash equivalents comprise cash held at bank which is available on demand.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), which is estimated using past experience of the group's historical credit losses experienced over the three year period prior to the period end. Historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the group's customers, such as inflation rates. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and ageing. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The Group recognises loss allowances for expected credit losses on financial assets measured at amortised cost to the extent that these are material. The Group has determined that there is no material impact of ECLs on the financial information.

Financial liabilities

Financial liabilities, including trade and other payables and bank borrowings are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Borrowings are initially stated at the fair value of the consideration received after deduction of wholly attributable issue costs. Borrowings are subsequently stated at amortised cost using the effective interest method.

Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Group and the lease does not benefit from a guarantee from the Group.

2. Accounting policies – continued

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date

The amount expected to be payable by the lessee under residual value guarantees:

- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used)
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification

The Group did not make any such adjustments during the years presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the ‘Property, Plant and Equipment’ policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line “Other expenses” in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Notes to the Consolidated Financial Statements – continued

For the year ended 31 May 2022

2. Accounting policies – continued

Property, plant and equipment

Property, plant and equipment assets are stated at cost less depreciation. 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. Depreciation is provided on all property, plant and equipment assets at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life, as follows:

Asset class	Depreciation method rate
Leasehold improvements	Over the period of the lease
Computer Software	5 years straight line on cost
Office Equipment	4 years straight line on cost
Computer Equipment	3 years straight line on cost

Inventories

Inventories are valued at the lower of purchase cost and net realisable value, after due regard for any slow moving items. Net realisable value is based on selling price less anticipated costs to completion and selling costs. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its net realisable value. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

Share capital and reserves

Financial instruments issued by the company are treated as equity only to the extent that they do not meet the definition of a financial liability. The parent company's ordinary shares are classified as equity instruments.

The cumulative currency differences reserve represents translation differences in respect of the net assets of overseas subsidiaries.

Retained earnings comprises opening retained earnings and total comprehensive income for the year, net of dividends paid.

New or revised accounting standards and interpretations

At the date of authorisation of these financial statements, the company has not early adopted the following amendments to Standards and Interpretations that have been issued but are not yet effective:

Standard or Interpretation	Effective for accounting periods commencing on or after
Amendments to IAS 37: Onerous Contracts - Cost of Fulfilling a Contract	01 January 2022
Annual improvements to IFRS standards 2018-2020: Amendments to IAS 1: Classification of Liabilities as Current or Non-Current	01 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies	01 January 2023
Amendments to IAS 8: Definition of Accounting Estimates	01 January 2023
Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01 January 2023

The application of these standards is not expected to have a material impact on the amounts reported in these financial statements.

2. Accounting policies – continued

Critical accounting estimates and judgements

The preparation of the financial information under IFRS requires the use of certain critical accounting assumptions and requires management to exercise its judgement and to make estimates in the process of applying the Group's accounting policies.

Management bases its estimates on historical experience and on various other assumptions that management believes to be reasonable in the circumstances. The key estimates and judgements used in the preparation of this financial information that could result in a material change in the carrying value of assets or liabilities within the next twelve months are as follows:

Intangible assets – capitalisation, impairment and amortisation of development expenditure

Judgement

The capitalisation of development costs is subject to a degree of judgement in respect of the timing when the commercial viability of new technology and know-how is reached, 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. In making their judgements, the Directors considered the carrying values that are shown in note 12.

Estimation

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 is amortised over the estimated useful life of the know-how based on experience of and future expected customer product cycles and lives. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments and economic utilisation.

Impairment tests, when reviews indicate that these are applicable, are based on risk adjusted future cash flows discounted using appropriate discount rates. These future cash flows are based on forecasts which include estimated factors and are inherently judgemental. Future events could cause the assumptions to change which could have an adverse effect on the future results of the Group.

Revenue

Estimation

In accordance with the policy on revenue recognition, management are required to judge the percentage of completion of the contract in order to recognise both income and costs. The overall recognition of revenue will depend upon the nature of the project and whether it is billed on a time and materials basis, or, on a project milestone basis where invoices can only be raised on completion of specific, pre-agreed objectives. The company maintains complete and accurate records of employees' time and expenditure on each project which is regularly assessed to determine the percentage completion, and thereby whether it is appropriate to recognise any profits.

The level of management judgement is based on a strong track record of successful completion of projects and accurate forecasting of the time required together with the hindsight period available to support the balance sheet date assumptions made.

Adjusting items

The Group has chosen to present an adjusted measure of profit and earnings per share, which excludes certain items which are separately disclosed due to their size, nature or incidence, and are not considered to be part of the normal operating costs of the Group. These costs include IPO preparation costs. The Group believes adjusting for these items provides additional useful information to users of the financial statements to enable a better understanding of the Group's underlying financial performance. The classification of items as adjusting requires significant management judgement.

Treatment of costs incurred in relation to the IPO

The decision of how to split the costs incurred on an equity raise via IPO requires judgement given that, whilst costs incurred on an equity raise should be recognised against equity in share premium, costs that relate to a stock market listing should be recognised as an expense in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements – continued

For the year ended 31 May 2022

3. Analysis of revenue

The Board continues to define all the Group's trading as operating in the integrated circuit design market and considers all revenue to relate to the same, one operating segment. Revenue is defined as per the accounting policies.

Revenue in respect of the supply of products is recognised at a point in time. Design and related services including income for the use of IP are recognised over the period when services are provided.

	2022 £'000	2021 £'000
Recognised at a point in time		
Supply of products	1,769	677
Recognised over time		
NRE design services	6,250	2,146
Consultancy design services	7,073	4,856
Licensing related income	201	928
	13,524	7,930
	15,293	8,607
By destination:		
UK	2,808	3,175
Rest of Europe	4,721	2,968
Rest of the World	7,764	2,464
Total revenue	**15,293**	**8,607**

The nature of the design services and projects is such that there will be significant customers as a proportion of revenue in any one year but that these may be different customers from year to year. Revenue in respect of two customers amounted to £5.5m and £2.9m representing 36% and 19% of the revenue for the year ended 31 May 2022 (2021: three different customers amounted to £3.6m at 19%, 12% and 10%).

The group's non-current assets comprising investments, tangible and intangible fixed assets and the net assets by geographical location are:

		31 May 2022		31 May 2021
	Non-current assets £'000	Net assets £'000	Non-current assets £'000	Net assets £'000
United Kingdom	8,804	11,301	6,639	2,340
India	67	817	129	498
Brazil	87	35	-	-
	8,958	**12,153**	**6,768**	**2,838**

4. Alternative performance measures

These items are included in normal operating costs of the business, but are significant cash and non-cash expenses that are separately disclosed because of their size, nature or incidence. It is the Group's view that excluding them from operating profit gives a better representation of the underlying performance of the business in the year.

The Group's primary results measure, which is considered by the directors of Ensilica plc to better represent the underlying and continuing performance of the Group, is Adjusted EBITDA as set out below. EBITDA is a commonly used measure in which earnings are stated before net finance income, amortisation and depreciation as a proxy for cash generated from trading.

	2022 £'000	2021 £'000
Operating profit/(loss) before interest	6	(2,188)
Impairment of intangible fixed assets	-	2,019
IPO costs	699	-
Adjusted Operating profit/(loss) before interest	705	(169)
Depreciation	160	114
Amortisation of intangible assets	171	114
Adjusted EBITDA	1,036	59
Profit/(loss) for the year	149	(2,075)
Impairment costs	-	2,019
IPO costs	699	-
Adjusted Profit/(loss) for the year	**848**	**(56)**

Impairment of intangible fixed assets

In both FY2020 and FY2021 there were impairments of intangible assets which were recognised as exceptional costs. These impairment reviews wrote down historic IP and capitalised cost where future income streams were not forecast.

IPO Costs

Attributable costs relating to the IPO performed during the year have been recognised within the consolidated statement of comprehensive income as an exceptional cost. These costs are excluded from the adjusted results of the Group since the costs are one-off in nature and will not repeat in future years.

Notes to the Consolidated Financial Statements – continued

For the year ended 31 May 2022

5. Operating profit/(loss)

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

	2022 £'000	2021 £'000
Depreciation of property, plant and equipment	106	43
Depreciation of right-of-use assets	54	71
Amortisation of intangible assets	171	114
Impairment of intangible assets	-	2,019
Cost of inventory sold	1,717	1,663
Research and development costs	1,761	2,109
Share based payments	120	32
Foreign exchange (gains)/losses	(40)	20
Research and development expenditure credit	14	-
Government job retention scheme income	-	(80)
Government innovation grants	-	(30)
Government business interruption payment income	-	(187)
Total government grants received	**14**	**(297)**

Development expenditure was also capitalised in each year as shown in note 12.

Auditor's remuneration:		
Audit of the Group and Company financial statements	53	51
Non-audit services – reporting accountant services	83	-
Total Fees payable to the Group's auditor	**136**	**51**

6. Information regarding directors and employees

Employees

The aggregate remuneration of employees comprised:

	2022 £'000	2021 £'000
Wages and salaries	6,601	4,715
Social security costs	679	461
Other pension costs	777	604
Share based payments	46	32
Total	**8,103**	**5,812**

Average number of employees

The monthly average number of employees in the year was:

	2022	2021
Administration	10	9
Marketing	5	4
Research, development and technical	102	83
Total	**117**	**96**

6. Information regarding directors and employees – continued

Directors' remuneration

	2022 £'000	2021 £'000
Directors' remuneration – aggregate emoluments	378	202
Group pension contributions in respect of 2 (2021:1) directors	12	6
Share based payments	-	-
	390	208
Remuneration of the highest paid director	140	126
Group pension contributions	5	6
Share based payments	-	-
	145	**132**

Key management is defined as those persons having authority and responsibility for planning, directing, and controlling the activities of the Group, and was considered to be only the executive directors with compensation as disclosed above.

7. Interest receivable

	2022 £'000	2021 £'000
Bank interest receivable	25	7
	25	**7**

8. Interest payable

	2022 £'000	2021 £'000
Interest on bank and other borrowings	461	518
Lease liability financing charges	15	14
Interest on conversion of convertible loan note	47	-
Other interest	42	20
	565	**552**

9. Taxation on profit/(loss)

	2022 £'000	2021 £'000
Current taxation		
UK corporation tax credit	1,293	1,036
Foreign tax charge	(71)	(120)
	1,222	916
Deferred taxation		
Origination and reversal of timing differences	(539)	88
Charge due to change in tax rate	-	(346)
	(539)	(258)
Tax credit on profit/(loss)	**683**	**658**

Notes to the Consolidated Financial Statements – continued

For the year ended 31 May 2022

9. Taxation on profit/(loss) – continued

Factors affecting the tax credit for the year

The tax credit on the profit/(loss) for the year differs from applying the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are reconciled below:

	2022 £'000	2021 £'000
Loss before taxation	(534)	(2,733)
Corporation tax at standard rate	(102)	(519)
Factors affecting charge for the year:		
Disallowable expenses	135	16
Research and development allowances	(1,205)	(832)
Reduced rate on surrender of R&D losses for tax credit	360	322
Deduction relating to share options exercised	-	(35)
Differing tax rates	-	44
Charge due to change in tax rate	129	346
Tax credit on profit/(loss)	**(683)**	**(658)**

The UK government announced on 23 September 2022 the intention to cancel the proposed increase in the corporation tax rate from 19% to 25% from April 2023. At the 31 May 2022 the increase in the main rate to 25% remained enacted and as such is the rate used for calculating deferred tax balances.

10. Earnings per share

	2022	2021
Profit/(loss) used in calculating EPS (£'000)	**149**	**(2,075)**
Number of shares for basic EPS ('000s)	75,232	35,286
Basic earnings per share (pence)	**0.20**	**(5.88)**
Number of shares for diluted EPS ('000s)	76,106	35,286
Diluted earnings per share (pence)	**0.20**	**(5.88)**

Adjusted Earnings per share

	2022	2021
Adjusted Profit/(loss) used in calculating EPS (£'000)	**848**	**(2,075)**
Number of shares for basic EPS ('000s)	75,232	35,286
Adjusted basic earnings per share (pence)	**1.13**	**(5.88)**
Number of shares for diluted EPS ('000s)	76,106	35,286
Adjusted diluted earnings per share (pence)	**1.11**	**(5.88)**

There are 424,440 of exercisable share options over ordinary shares respectively which are potentially dilutive to profit.

As part of the company's 2022 long term incentive plan, share options over 6,661,500 Ordinary shares and warrants over 450,000 Ordinary shares are potentially dilutive to profit.

The figures for 2021 have been restated to better reflect the conversion of ordinary shares that took place as part of the IPO process in 2022 and shows results as though the share conversion on IPO had taken place in 2021.

11. Property, plant and equipment

Group	Right-of-use property £'000	Office equipment £'000	Right-of-use equipment £'000	Computer equipment £'000	Total £'000
Cost					
At 1 June 2019	354	49	138	229	770
Additions	63	5	-	43	111
Disposals	-	(2)	-	(8)	(10)
Exchange adjustments	(14)	-	-	-	(14)
At 31 May 2020	403	52	138	264	857
Depreciation					
At 1 June 2019	(207)	(35)	(43)	(166)	(451)
Charge for the year	(69)	(6)	(28)	(41)	(144)
Disposals	-	1	-	6	7
Exchange adjustments	6	-	-	-	6
At 31 May 2020	(270)	(40)	(71)	(201)	(582)
Net book value					
At 31 May 2020	**133**	**12**	**67**	**63**	**275**
Cost					
At 1 June 2020	403	52	138	264	857
Additions	-	4	36	70	110
Cessation of lease/disposals	(191)	-	-	(13)	(204)
Exchange adjustments	(18)	-	-	-	(18)
At 31 May 2021	194	56	174	321	745
Depreciation					
At 1 June 2020	(270)	(40)	(71)	(201)	(582)
Charge for the year	(42)	(6)	(29)	(37)	(114)
Cessation of lease/disposals	191	-	-	13	204
Exchange adjustments	9	-	-	-	9
At 31 May 2021	(112)	(46)	(100)	(225)	(483)
Net book value					
At 31 May 2021	**82**	**10**	**74**	**96**	**262**
Cost					
At 1 June 2021	194	56	174	321	745
Additions	-	142	-	134	276
Cessation of lease/disposals	-	-	-	-	-
Exchange adjustments	19	-	-	-	19
At 31 May 2022	213	198	174	455	1,040
Depreciation					
At 1 June 2021	(112)	(46)	(100)	(225)	(483)
Charge for the year	(29)	(23)	(25)	(83)	(160)
Cessation of lease/disposals	-	-	-	-	-
Exchange adjustments	(15)	-	-	-	(15)
At 31 May 2022	(156)	(69)	(125)	(308)	(658)
Net book value					
At 31 May 2022	**57**	**129**	**49**	**147**	**382**

Notes to the Consolidated Financial Statements – continued

For the year ended 31 May 2022

11. Property, plant and equipment – continued

Company	Right-of-use property £'000	Office equipment £'000	Right-of-use equipment £'000	Computer equipment £'000	Total £'000
Cost					
At 1 June 2019	191	46	126	226	589
Additions	-	3	-	38	41
Disposals	-	-	-	(1)	(1)
At 31 May 2020	191	49	126	263	629
Depreciation					
At 1 June 2019	(139)	(33)	(42)	(162)	(376)
Charge for the year	(38)	(5)	(25)	(39)	(107)
Disposals	-	-	-	-	-
At 31 May 2020	(177)	(38)	(67)	(201)	(483)
Net book value					
At 31 May 2020	**14**	**11**	**59**	**62**	**146**
Cost					
At 1 June 2020	191	49	126	263	629
Additions	-	3	-	98	101
Cessation of lease/disposals	(191)	-	-	(14)	(205)
At 31 May 2021	-	52	126	347	525
Depreciation					
At 1 June 2020	(177)	(38)	(67)	(201)	(483)
Charge for the year	(14)	(5)	(25)	(34)	(78)
Cessation of lease/disposals	191	-	-	14	205
At 31 May 2021	-	(43)	(92)	(221)	(356)
Net book value					
At 31 May 2021	**-**	**9**	**34**	**126**	**169**
Cost					
At 1 June 2021	-	52	126	347	525
Additions	-	96	-	78	174
Cessation of lease/disposals	-	-	-	-	-
At 31 May 2022	-	148	126	425	699
Depreciation					
At 1 June 2021	-	(43)	(92)	(221)	(356)
Charge for the year	-	(19)	(26)	(70)	(115)
Cessation of lease/disposals	-	-	-	-	-
At 31 May 2022	-	(62)	(118)	(291)	(471)
Net book value					
At 31 May 2022	**-**	**86**	**8**	**134**	**228**

12. Intangible assets

Group and Company	Development costs £'000	Software £'000	Total £'000
Cost			
At 1 June 2019	4,163	-	4,163
Additions	3,308	-	3,308
At 31 May 2020	7,471	-	7,471
Amortisation and impairment			
At 1 June 2019	(77)	-	(77)
Charge for the year	(100)	-	(100)
Impairment in the year	(450)	-	(450)
At 31 May 2020	(627)	-	(627)
Net book value			
At 31 May 2020	**6,844**		**6,844**
Cost			
At 1 June 2020	7,471	-	7,471
Additions	1,672	123	1,795
At 31 May 2021	9,143	123	9,266
Amortisation and impairment			
At 1 June 2020	(627)	-	(627)
Charge for the year	(110)	(4)	(114)
Impairment in the year	(2,019)	-	(2,019)
At 31 May 2021	(2,756)	(4)	(2,760)
Net book value			
At 31 May 2021	**6,387**	**119**	**6,506**
Cost			
At 1 June 2021	9,143	123	9,266
Additions	2,241	-	2,241
At 31 May 2022	11,384	123	11,507
Amortisation and impairment			
At 1 June 2021	(2,756)	(4)	(2,760)
Charge for the year	(148)	(23)	(171)
Impairment in the year	-	-	-
At 31 May 2022	(2,904)	(27)	(2,931)
Net book value			
At 31 May 2022	**8,480**	**96**	**8,576**

Capitalised development expenditure relates to developed intellectual property in respect of circuit and chip design.

The recoverable amount of a cash generating unit (CGU) is assessed using a value in use model across each individual project that forms the intellectual property that has been capitalised. The value in use for each portion is dependent on the envisaged life cycle of the CGU using a discount factor of 10% (2021:10%), being the cost of capital for the CGU.

Notes to the Consolidated Financial Statements – continued

For the year ended 31 May 2022

13. Investments in subsidiaries

Company	31 May 2022 £'000	31 May 2021 £'000	1 June 2020 £'000
Investments in subsidiaries at 1 June	-	-	-
Investments in Ensilica Do Brasil Sociedade Unipessoal Limitada	68	-	-
EnSilica India Private Limited	-	-	-
Total	**68**	**-**	**-**

Name	Country of incorporation	Nature of business	Proportion of Ordinary shares directly held
Ensilica India Private Limited	India	Semiconductor design consultants	99.99%
Registered office: No.2064, 2nd floor, Siri Iris, 24th Main, 1st Sector, HSR layout, Bangalore, 560 102			
Ensilica ADAS Limited	UK	Semiconductor design consultants (dormant)	100.00%
Registered office: Building 3 115 Olympic Avenue, Milton Park, Abingdon, Oxfordshire, United Kingdom, OX14 4SA			
Ensilica Do Brasil Sociedade Unipessoal Limitada	Brazil	Semiconductor design consultants	100.00%
Registered office: 6681 Av Ipiranga, Sala 1009 Preio 99, Partenon, Porto Alegre, Rio Grande do Sul, Brasil			

On 30 July 2021 the company invested 450,000 Brazilian Rials in consideration for a 100% interest in the share capital of Ensilica Do Brasil Sociedade Unipessoal Limitada. The company is registered in Brazil under Numero de Inscrição : 42.934.252/001-38.

14. Inventories

Group and Company	31 May 2022 £'000	31 May 2021 £'000	1 June 2020 £'000
Raw materials and consumables	**215**	30	94

No impairment losses have been recorded in respect of inventory in the three year period.

15. Trade and other receivables

Group	31 May 2022 £'000	31 May 2021 £'000	1 June 2020 £'000
Current			
Trade receivables	1,541	2,446	867
Other receivables	458	111	97
Prepayments	248	131	140
Accrued income	1,010	262	344
Total	**3,257**	**2,950**	**1,448**

Analysis of expected credit losses is included in note 22.

15. Trade and other receivables – continued

Company	31 May 2022 £'000	31 May 2021 £'000	1 June 2020 £'000
Current			
Trade receivables	1,297	2,236	669
Other receivables	357	104	79
Prepayments	245	131	140
Accrued income	1,010	261	344
Total	**2,909**	**2,732**	**1,232**

Analysis of expected credit losses is included in note 22.

16. Cash and cash equivalents

Group	31 May 2022 £'000	31 May 2021 £'000	1 June 2020 £'000
Cash at bank and in hand	**5,742**	1,404	2,181

Company	31 May 2022 £'000	31 May 2021 £'000	1 June 2020 £'000
Cash at bank and in hand	**5,655**	1,072	2,050

17. Borrowings

Group and Company	31 May 2022 £'000	31 May 2021 £'000	1 June 2020 £'000
Current			
Bank loans	800	753	848
Non-current			
Bank loans	4,166	5,046	3,105
Total	**4,966**	**5,799**	**3,953**

A bank loan of £2,068,000 (2021: £2,425,000) is secured by fixed and floating charges over the assets of the group and bears interest at rates of 8% over SONIA or 10% if higher. It is repayable in monthly instalments over the period to August 2026.

A loan of £3,088,000 (2021: £3,506,000) is unsecured and bears interest at a fixed rate of 13%. It is being repaid by quarterly instalments over the period to October 2027.

The loan liabilities are stated net of unamortised loan issue costs as at 31 May 2022 of £189,000 (2021: £132,000) which are being amortised over the period to the loan repayment dates.

Notes to the Consolidated Financial Statements – continued

For the year ended 31 May 2022

18. Lease liabilities

The group has entered into lease contracts in respect of property in the jurisdictions from which it operates, and the use of equipment which are typically for terms of 3 to 5 years. In respect of options to extend the initial period these are factored into the liabilities where the group plans to use these for a longer period. For property leases, it is customary for lease contracts to be reset periodically to market rental rates. Leases of equipment comprise only fixed payments over the lease terms.

Right of use assets, additions and amortisation are included in note 11. Interest expenses relating to lease liabilities are included in note 8.

Other amounts relating to leases were as follows:

	31 May 2022 £'000	31 May 2021 £'000
Short term lease expense	100	83
Cash outflow for capitalised leases	109	82
Total cash outflow from leases	209	165

The maturity of lease liabilities were as follows:

	31 May 2022 £'000	31 May 2021 £'000	1 June 2020 £'000
Within 1 year	88	103	90
1-2 years	105	67	63
2-5 years	-	126	72
Total	**193**	**296**	**225**

19. Trade and other payables

Group	31 May 2022 £'000	31 May 2021 £'000	1 June 2020 £'000
Current			
Trade payables	919	879	789
Taxation and social security	227	812	489
Other payables	75	5	2
Accruals	1,156	544	384
Contract liabilities	14	859	289
Total	**2,391**	**3,099**	**1,953**

Company	31 May 2022 £'000	31 May 2021 £'000	1 June 2020 £'000
Current			
Trade payables	1,620	955	789
Taxation and social security	200	804	460
Other payables	8	6	2
Accruals	1,018	544	383
Contract liabilities	14	859	289
Total	**2,860**	**3,168**	**1,923**

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

In the year ended 31 May 2022 £859,000 of revenue was recognised in respect of contract liabilities at 31 May 2021 (year ended 31 May 2021: £289,000 in respect of liabilities at 31 May 2020).

20. Provisions

	31 May 2022 £'000	31 May 2021 £'000	1 June 2020 £'000
Overseas employee provisions	140	149	70

The provision relates to the liability under the Government of India Gratuity Act in respect of payments to employees on cessation of service in respect of death or disability or otherwise after more than 5 years service.

21. Deferred tax liabilities

	Intangible assets £'000	Accelerated capital allowances £'000	Tax losses £'000	Other £'000	Total £'000
At 31 May 2020	1,300	14	(131)	-	1,183
Charge/(credit) for the year	296	50	(42)	(46)	258
Debited to equity in the year	-	-	-	(267)	(267)
At 31 May 2021	1,596	64	(173)	(313)	1,174
Charge/(credit) for the year	524	15	-	-	539
Debited to equity in the year	-	-	-	(1,713)	(1,713)
At 31 May 2022	**2,120**	**79**	**(173)**	**(2,026)**	**-**

Deferred tax has been recognised at an average rate of 25% (2021: 25%, 2020: 19%).

22. Financial Instruments

Financial risk management

The determination of financial risk management policies and the treasury function is managed by the CFO. Policies are set to reduce risk as far as possible without unduly affecting the operating effectiveness of the group.

The Group's activities expose it to a variety of financial risks, the most significant being credit risk, liquidity risk and interest rate risk together with a degree of foreign currency risk as discussed below.

Categories of financial instruments

The Group has the below categories of financial instruments:

Recognised at amortised cost	31 May 2022 £'000	31 May 2021 £'000	1 June 2020 £'000
Cash and bank balances	5,742	1,404	2,181
Trade receivables - net	1,541	2,446	867
Accrued income	1,010	262	344
Other receivables	457	111	97
Total financial assets	**8,750**	**4,223**	**3,489**
Trade payables	919	879	789
Other payables	1,231	549	386
Bank loans	4,966	5,799	3,953
Total financial liabilities	**7,116**	**7,227**	**5,128**

There were no assets or liabilities at 31 May 2022, 2021 or 2020 that were recognised and measured at fair value in the financial information.

Notes to the Consolidated Financial Statements – continued

For the year ended 31 May 2022

22. Financial Instruments – continued

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss for the Group. Financial instruments, which potentially subject the Group to concentration of credit risk, consist primarily of cash and cash equivalents, trade accounts receivable and accrued income.

The Group places its cash and cash equivalents with major financial institutions, which management assesses to be of high-credit quality in order to limit the exposure of each cash deposit to a minimal level.

Trade receivables

Trade accounts receivable are derived primarily from design income and have 0-45 day payment terms, most commonly 30 days. The largest customer accounts for 25% of the balance at 31 May 2022 (2021: 39%, 2020:19%) of the trade receivable balance as a result of the invoices relating to design projects with a significant element being in advance of the design services being carried out. Credit risk with respect to accounts receivable is otherwise dispersed across a number of customers. Collateral is not required for accounts receivable. The credit worthiness of customers with balances in trade receivables not yet due has been assessed as high.

The ageing of trade receivables according to their original due date is detailed below:

	31 May 2022 £'000	31 May 2021 £'000	1 June 2020 £'000
Not yet due	1,179	859	692
1-30 days past due date	229	1,587	89
Over 30 days past due date	133	-	86
Total	**1,541**	**2,446**	**867**

The expected credit loss on balances is considered immaterial.

Other receivables and accrued income are considered to bear similar risks to trade receivables. Hence any expected credit loss on other financial assets is considered to be immaterial.

Liquidity risk

The Group funds its business through bank and other loans and from cash generated from operations including the payment terms with customers to fund larger design projects. Details of the Group's borrowings are discussed in note 17. The Group monitors and manages cash within its banking facilities to mitigate any liquidity risk it may face. The following table shows the Group's contractual maturities of financial liabilities based on undiscounted cash flows including interest charges and the earliest date on which the Group is obliged to make repayment:

At 31 May 2020	Less than one year £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000	Total £'000
Trade and other payables	1,175	-	-	-	1,175
Bank loans	1,151	708	2,265	952	5,076
Lease liabilities	102	69	76	-	247
Total	**2,428**	**777**	**2,341**	**952**	**6,498**

22. Financial Instruments – continued

At 31 May 2021	Less than one year £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000	Total £'000
Trade and other payables	1,489	-	-	-	1,489
Bank loans	1,236	1,317	3,952	1,227	7,732
Lease liabilities	117	95	124	-	336
Total	**2,842**	**1,412**	**4,076**	**1,227**	**9,557**

At 31 May 2022	Less than one year £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000	Total £'000
Trade and other payables	2,151	-	-	-	2,151
Bank loans	1,383	1,390	3,722	396	6,891
Lease liabilities	98	71	54	-	223
Total	**3,632**	**1,461**	**3,776**	**396**	**9,265**

Interest rate risk

The bank loan of £2.4m is subject to interest at rates of 8% over SONIA if this exceeds 10%. A 1% increase in interest rates would therefore have a £24,000 impact per annum on finance costs at current base rates.

The other bank loan bears interest at a fixed rate of 13%. A 1% increase in interest rates would therefore have had no impact on finance costs at current base rates.

Currency risk

The Group operates from the UK with sterling being its functional currency and has a degree of exposure to foreign currency risk, with this predominantly being income and expenses in US dollars together with Indian rupees in respect of both income and operational activity in the Indian subsidiary. The impact of a 10% fluctuation in all foreign exchange rates moving in the same direction against GBP has been assessed to be an overall impact of approximately £200,000 as mitigated by some matching of income and expenses together with the relatively short payment terms for accounts receivable (including the USD balance at 31 May 2022).

The net underlying foreign currency balances, comprising overseas assets and liabilities, cash, receivables and payables in the UK, in the Group statement of financial position by underlying currency at the year end were:

	USD £'000	Euro £'000	INR £'000	Total £'000
At 31 May 2020	162	139	293	594
At 31 May 2021	1,644	892	605	3,141
At 31 May 2022	**1,453**	**352**	**388**	**2,193**

Capital management

The Group's capital comprises share capital and retained earnings. The Group's objectives when maintaining capital are:

To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The capital structure of the Group consists of shareholders equity as set out in the consolidated statement of changes in equity. The longer term funding requirements for development have been financed from term bank debt. All working capital requirements are financed from existing cash resources.

The Group sets the amount of capital it requires in proportion to risk in conjunction with the retained earnings. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. 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.

Notes to the Consolidated Financial Statements – continued

For the year ended 31 May 2022

23. Share capital

Allotted, called up and fully paid	At 31 May 2022 £'000	At 31 May 2021 £'000	At 1 June 2020 £'000
1,700,000 A ordinary shares of £0.001 each (2020 and 2019: 1,700 £1 A shares)	-	2	2
273,000 B ordinary shares of £0.001 each (2020 and 2019: 273 £1 B shares)	-	-	-
75,231,809 ordinary shares of £0.001 each	75	-	-
59,190 (2021:Nil) Deferred shares of £1.00 each (2020:Nil)	59	-	-
	134	**2**	**2**

On 19 April 2022:

I. the Directors capitalised the sum of £59,190 standing to the credit of the profit and loss account of the Company and applied such sum in paying up in full 59,190 new Deferred shares, credited as fully paid, and issuing and allotting such shares to the holders of A Ordinary Shares and B Ordinary Shares at the rate of 3 new Deferred Shares for every 1 A Ordinary Share and 1 B Ordinary Share held by them on the First Capitalisation Record Date;

II. the re-registration of the Company as a public limited company by the name of Ensilica plc was approved by the Shareholders; and

III. the adoption of new articles of association appropriate for a public limited company listed on AIM in substitution for and to the exclusion of all other articles of association (with effect from the re-registration of the Company as a public limited company) was approved by the Shareholders;

On 6 May 2022, the re-registration of the Company as a public limited company by the name of EnSilica plc took effect. Immediately prior to Admission, the further changes to the share capital of the Company pursuant to the Capital Reorganisation (as more fully described in paragraph 4 of this Part IV) are expected to take effect.

Immediately prior to admission of the company's shares on AIM, the company effected a capital reorganisation, which resulted in the following:

a) Effective on the Capital Reorganisation Date, 1,050,000 new B Ordinary Shares, 580,000 new C Ordinary Shares and 718,000 new D Ordinary Shares were issued and allotted following the exercise of options over such shares by the relevant option holders;

b) Effective on the Capital Reorganisation Date, the sum of £55,679.04 standing to the credit of the profit and loss account of the Company was capitalised and applied in paying up in full 29,091,207 new A Ordinary Shares, 20,460,744 new B Ordinary Shares, 4,518,734 new C Ordinary Shares and 1,608,319 new D Ordinary Shares, all credited as fully paid, and issuing and allotting such shares respectively to the holders of A Ordinary Shares, B Ordinary Shares, C Ordinary Shares and D Ordinary Shares as appearing on the Company's register of members immediately following the issue and allotment of the shares referred to in paragraph 4.1(a) above to reflect the liquidation preference provisions contained in the articles of association of the Company referred to in paragraph 3.3(h)iii above as they apply to Admission;

c) Conditional upon the foregoing and effective upon the Capital Reorganisation Date, each of the resulting A Ordinary Shares, B Ordinary Shares, C Ordinary Shares and D Ordinary Shares were converted into Ordinary Shares;

d) 3,231,805 new Ordinary Shares were issued to the holders of the Convertible Loan Notes pursuant to the CLN Conversion conditional upon Admission; and

e) 12,000,000 new Ordinary Shares were issued pursuant to the Fundraising conditional upon Admission.

24. Share based payment

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 (converted to 1,050,000 £0.001 B ordinary shares at £0.001 per share). The options were 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 and were all exercised in May 2022. The share based payment charges for these B options was estimated at a fair value of 20 pence each using a Black Scholes share pricing model with a 40% volatility, 1% risk free rate and 5 year vesting period assumptions.

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 were exercisable for up to 10 years subject to the capital value of the company on an exit exceeding £14m for C options and exceeding £23m for D options with all C options and the majority of D options exercised in May 2022.

Options were granted in May 2022 to directors and employees under the new 2022 LTIP scheme over 6,461,500 ordinary shares at an exercise price of £0.50 per share. These are subject to performance conditions in respect of earnings per share for the year ending 31 May 2025. The share based payment charges for these options was calculated at a fair value of 18 pence each using a Black Scholes share pricing model with 50% volatility, 2% risk free rate and 3.5 year vesting period assumptions.

Options were also granted in May 2022 over 200,000 ordinary shares to non-executive directors at an exercise price of £0.50 subject only to a 4 year vesting period. A fair value of 19 pence per share has been calculated using a Black Scholes share pricing model with 50% volatility, 2% risk free rate and 4 year vesting period assumptions.

A share based payment charge of £46,000 (2021: £32,000) has been recognised in the statement of comprehensive income.

			2017 EMI scheme		2022 LTIP scheme	Non-executive options
	Average exercise price	B options Number	C options Number	D options Number	Number	Number
Share options outstanding at 31 May 2020	£0.001	1,050,000	-	-	-	-
Share options granted during the year	£0.001	-	580,000	811,000	-	-
Share options outstanding at 31 May 2021	£0.001	1,050,000	580,000	811,000	-	-
Exercised in May 2022	£0.001	(1,050,000)	(580,000)	(718,000)	-	-
Remaining options aligned to new ordinary share structure	£0.001	-	-	331,440	-	-
Share options granted during the year	£0.50	-	-	-	6,461,500	200,000
Share options outstanding at 31 May 2022	**£0.47**	**-**	**-**	**424,440**	**6,461,500**	**200,000**

The weighted average exercise price for all options is £0.47 at 31 May 2022 (£0.001 per share at 31 May 2021 and 2020) and the average remaining vesting period was estimated at 3 years at 31 May 2022 (2021: 2 years, 2020: 2 years).

There are also arrangements in place under which employees have an option to buy existing shares from certain shareholders at £0.50 per share. These will not impact the company nor dilute shareholdings and are considered outside the scope of share based payment accounting.

Warrants were issued to the listing advisers over 450,000 ordinary shares at an exercise price of £0.50, exercisable in the 3 years following the date of admission to AIM. The share based payment of £74,000 in respect of the services was calculated at a fair value of 17 pence per share using a Black Scholes model with 50% volatility, 2% risk free rate and immediate vesting period assumption, and relates to expenses that have been charged to the share premium account with no impact on the income statement.

Notes to the Consolidated Financial Statements – continued

For the year ended 31 May 2022

24. Share based payment – continued

The weighted average exercise price for the warrants is £0.50 at 31 May 2022.

	Exercise price	Ordinary shares	Expiration date
Warrants issued over Ordinary shares in year	0.50	450,000	22 May 2025
Exercisable at 31 May 2022		450,000	

25. Share premium

Group and Company	31 May 2022 £'000	31 May 2021 £'000	1 June 2020 £'000
At 1 June	-	-	-
Conversion of loan notes into ordinary shares	1,419	-	-
Issue of new shares	5,988	-	-
Expenses relating to share issue	(507)	-	-
Total	**6,900**	**-**	**-**

The issue of share capital from the convertible loan notes and the IPO was £7.4 million and IPO expenses of £0.5 million have been deducted from equity and charged to the share premium account.

The net proceeds of the Fundraising are to be used primarily to develop further the Company's depth and strength of offering. As well as providing the Company with funds it will enhance both transparency and the international profile of the Company with customers, allow the Company to access equity capital to fund growth and support potential M&A opportunities, and enable the Company to attract, recruit and retain key employees.

Share issue costs relate to commissions charged and other directly attributable costs of the fundraise exercise.

In addition IPO costs of £0.699 million in relation to the listing have been charged to the Income statement.

26. Post balance sheet events

On 27 June 2022, the Company entered into a 10 year lease for premises situated at 100 Park Drive, Milton Park, Abingdon, Oxfordshire, OX14 4RY. The lease has a break clause after 5 years from date of signing.

Subsequent to the year end, the group incorporated a new subsidiary, EnSilica GMBH, based in Munich, Germany .

27. Related party transactions

During the year the company undertook transactions with the following related parties:

		2022		2021	
Name	Services	Transactions during the year £'000	Balance Owing/(owed) at 31 May 2022 £'000	Transactions during the year £'000	Balance Owing/ (owed) at 31 May 2021 £'000
Ensilica India Private Limited	Semiconductor design services	1,428	Nil	579	79
EnSilica Do Brasil Sociedade Unipessoal Limitada	Semiconductor design services	614	Nil	Nil	Nil
Non-Executive Directors services prior to Company appointment:					
Hexameter Services Limited	Consultancy services - D Tilston	14	Nil	Nil	Nil
Janet Collyer	Consultancy services	14	Nil	Nil	Nil

Details of Directors' remuneration for services during the year is separately disclosed in note 6.

28. Non-controlling interests

A non-controlling interest exists for the Group's subsidiary Ensilica India Private Limited, where 1 shareholder holds 1 share in the Company, representing 0.002% of the issued share capital.

The summarised results of the company are shown below:

	2022 £'000	2021 £'000
Current assets	1,236	646
Non current assets	67	11
Current liabilities	(319)	(11)
Non current liabilities	(167)	(149)
	817	**497**
Equity attributable to owners of the Company	817	497
Non-controlling interests	-	-
Revenue	2,251	1,322
Expenses	(1,940)	(1,095)
Profit for the year	311	227
Profit attributable to the owners of the Company	311	227
Profit attributable to the non-controlling interests	-	-
Profit for the year	**311**	**227**

29. Reserves

Retained earnings

Retained earnings includes all current and prior year retained profits and losses attributable to the owners of the parent company.

Currency translation reserve

The currency translation reserve includes all translation differences that arise from the conversion of the financial statements of the Group's foreign subsidiary entities into pound sterling (£).

Share premium account

The share premium account includes the amount by which a share has been issued in excess of its nominal value. The account has also been used to offset costs in relation the raising of funds via a share issue (note 25).

Notes to the Consolidated Financial Statements – continued

For the year ended 31 May 2022

30. IFRS First time adoption

These are the first period of financial information prepared under IFRS. IFRS 1 First-Time Adoption of International Financial Reporting Standards allows first-time adopters certain exemptions from the retrospective application of certain IFRSs. IFRS has been applied with a transition date of 1 June 2020 and no exemptions have been applied in respect of the transition.

This note sets out the adjustments that have been necessary to the previously published financial statements prepared under UK GAAP upon transition to IFRS.

A IFRS 16 Leases

Under this standard, the concept of assessing a lease contract as either operating or financing is replaced by a single lessee accounting model. Former operating lease contracts with terms in excess of a year result in a lessee acquiring and recognising a right-to-use asset and a financial liability. The asset will be depreciated over the term of the lease and the interest on the financing liability is charged over the same period. At inception of a lease, a liability representing the future lease payments discounted at an incremental borrowing rate and with an equal right of use asset at inception was recognised. The income statement is impacted, with the rent expense relating to operating leases being replaced by a straight line depreciation charge arising from the right-to-use assets and interest charges arising from lease financing which are higher in earlier years.

This was an asset of £192,000 and liability of £218,000 at transition. The carrying value of right-of-use assets at 31 May 2022 was £202,000 (2021: £275,000, 2020: £200,000). The carrying value of lease liabilities at 31 May 2022 was £194,000 (2021: £296,000,2020: £225,000).

The operating lease rentals of £112,000, £83,000 and £68,000 expensed in FY20, FY21 and FY22 have been replaced by the inclusion of depreciation of £94,000, £68,000 and £54,000 together with financing charges of £18,000, £11,000 and £7,000 impacting profits by £nil, £5,000 increase and £8,000 increase respectively. There was no impact on tax.

B Deferred tax

Under IFRS, a deferred tax asset is recognised in respect of the tax deduction relating to EMI share options, based on the deduction that would have arisen if exercise had occurred at the balance sheet date. In May 2022, a number of options were exercised (see note 23), resulting in an overall total deduction, including the total already provided in 2021 amounting to £2,026k.

A deferred tax asset has not been created where the available deduction is in excess of any future potential deferred tax liability.

C IFRS 15

Under IFRS 15 amounts included in trade debtors that were not due at the balance sheet date and relate to deferred income are excluded from trade debtors and deferred income. No adjustment has been made in effect of IFRS 15 at 31 May 2022 (2021:£677,000 in respect of this with no net impact on net current assets or net assets).

D Reclassifications

The assets subject to hire purchase and finance leases with a net book value of £6,000, £157,000 and £120,000 at 31 May 2020, 2021 and 2022 have been reclassified to right-of-use assets in accordance with IFRS 16.

The hire purchase and finance lease liabilities of £7,000, £163,000 and £118,000 at 31 May 2020, 2021 and 2022 have been reclassified to lease liabilities in accordance with IFRS 16.

E Cash flow statements

The transition adjustments have no impact on the net cash flow for the periods. However, the cash flow statement has been adjusted for the revised IFRS result for the period and the changes in balances and classification resulting from the application of IFRS. The amounts are explained above and impact cash flow classification as follows:

- IFRS 16. The adjusted result increases depreciation and interest offset by the lease payments presented in financing activities under IFRS.

Deferred tax. This adjusts the result for the year and tax adjustment to this.

30. IFRS First time adoption – continued

Reconciliation of Equity at 1 June 2020

Group	UK GAAP £'000	IFRS 16 £'000	IFRS £'000
Assets			
Non-current assets			
Property, plant and equipment	83	192	275
Intangible assets	6,844	-	6,844
Total non-current assets	6,927	192	7,119
Current assets			
Inventories	94	-	94
Trade and other receivables	1,465	(17)	1,448
Corporation tax recoverable	1,195	-	1,195
Cash and cash equivalents	2,181	-	2,181
Total current assets	4,935	(17)	4,918
Total assets	11,862	175	12,037
Current liabilities			
Borrowings	(848)	-	(848)
Lease liabilities	-	(85)	(85)
Trade and other payables	(1,962)	4	(1,958)
Total current liabilities	(2,810)	(81)	(2,891)
Non current liabilities			
Borrowings	(3,105)	-	(3,105)
Lease liabilities	-	(133)	(133)
Provisions	(70)	-	(70)
Deferred tax	(1,183)	-	(1,183)
Trade and other payables	(2)	-	(2)
Total non current liabilities	(4,360)	(133)	(4,493)
Total liabilities	(7,170)	(214)	(7,384)
Net assets	4,692	(39)	4,653
Equity			
Issued share capital	2	-	2
Currency translation reserve	-	-	-
Retained earnings	4,690	(39)	4,651
Total equity	4,692	(39)	4,653

Notes to the Consolidated Financial Statements – continued
For the year ended 31 May 2022

30. IFRS First time adoption – continued

Reconciliation of Equity at 31 May 2021

Group	UK GAAP £'000	IFRS 16 £'000	Reclassification £'000	Deferred tax £'000	IFRS £'000
Assets					
Non-current assets					
Property, plant and equipment	265	116	(119)	-	262
Intangible assets	6,387	-	119	-	6,506
Total non-current assets	6,652	116	-	-	6,768
Current assets					
Inventories	30	-	-	-	30
Trade and other receivables	3,644	(17)	(677)	-	2,950
Corporation tax recoverable	2,203	-	-	-	2,203
Cash and cash equivalents	1,404	-	-	-	1,404
Total current assets	7,281	(17)	(677)	-	6,587
Total assets	13,933	99	(677)	-	13,355
Current liabilities					
Borrowings	(753)	-	-	-	(753)
Lease liabilities	-	(61)	(42)	-	(103)
Trade and other payables	(3,818)		719	-	(3,099)
Total current liabilities	(4,571)	(61)	677	-	(3,955)
Non current liabilities					
Borrowings	(5,046)	-	-	-	(5,046)
Lease liabilities	-	(72)	(121)	-	(193)
Provisions	(149)	-	-	-	(149)
Deferred tax	(1,487)	-	-	313	(1,174)
Trade and other payables	(121)	-	121	-	-
Total non current liabilities	(6,803)	(72)	-	313	(6,562)
Total liabilities	(11,374)	(133)	677	313	(10,517)
Net assets	2,559	(34)	-	313	2,838
Equity				-	
Issued share capital	2	-	-	-	2
Currency translation reserve	(40)	1	-	-	(39)
Retained earnings	2,597	(35)	-	313	2,875
Total equity	2,559	(34)	-	313	2,838

30. IFRS First time adoption – continued

Reconciliation of net income for the year ended 31 May 2021

Group	UK GAAP £'000	IFRS 16 £'000	Deferred tax £'000	IFRS £'000
Revenue	8,607	-	-	8,607
Cost of sales	(6,550)	-	-	(6,550)
Gross profit	2,057	-	-	2,057
Other operating income	297	-	-	297
Administrative expenses	(4,557)	15	-	(4,542)
Operating loss	(2,203)	15	-	(2,188)
Interest income	7	-		7
Interest expense	(541)	(11)	-	(552)
Loss before tax	(2,737)	4	-	(2,733)
Taxation	612	-	46	658
Loss for the year	(2,125)	4	46	(2,075)
Other comprehensive income for the year				
Currency translation differences	(40)	1	-	(39)
Total comprehensive income for the year	(2,165)	5	46	(2,114)

Reconciliation of Equity at 1 June 2020

Company	UK GAAP £'000	IFRS 16 £'000	IFRS £'000
Assets			
Non-current assets			
Property, plant and equipment	73	73	146
Intangible assets	6,844	-	6,844
Total non-current assets	6,917	73	6,990
Current assets			
Inventories	94	-	94
Trade and other receivables	1,232	-	1,232
Corporation tax recoverable	1,166	-	1,166
Cash and cash equivalents	2,050	-	2,050
Total current assets	4,542	-	4,542
Total assets	11,459	73	11,532
Current liabilities			
Borrowings	(848)	-	(848)
Lease liabilities	(5)	(46)	(51)
Trade and other payables	(1,927)	4	(1,923)
Total current liabilities	(2,780)	(42)	(2,822)

Notes to the Consolidated Financial Statements – continued
For the year ended 31 May 2022

30. IFRS First time adoption – continued

Company	UK GAAP £'000	IFRS 16 £'000	IFRS £'000
Non current liabilities			
Borrowings	(3,105)	-	(3,105)
Lease liabilities	(2)	(40)	(42)
Provisions	-	-	-
Deferred tax	(1,183)	-	(1,183)
Trade and other payables	-	-	-
Total non current liabilities	(4,291)	(40)	(4,331)
Total liabilities	(7,070)	(82)	(7,152)
Net assets	4,389	(9)	4,380
Equity			
Issued share capital	2	-	2
Currency translation reserve	-	-	-
Retained earnings	4,387	(9)	4,378
Total equity	4,389	(9)	4,380

Reconciliation of equity at 31 May 2020 and 2021

Company At 31 May 2020	UK GAAP as reported £'000	IFRS 16 £'000	Deferred tax £'000	IFRS £'000
Share capital	2	-	-	2
Currency translation reserve	-	-	-	-
Retained earnings	4,387	(9)	-	4,378
Total equity	4,389	(9)	-	4,380

At 31 May 2021	UK GAAP as reported £'000	IFRS 16 £'000	Deferred tax £'000	IFRS £'000
Share capital	2	-	-	2
Currency translation reserve	-	-	-	-
Retained earnings	2,059	(6)	313	2,366
Total equity	2,061	(6)	313	2,368

Glossary of Terms

5G	The fifth generation technology standard for broadband cellular networks, which cellular phone companies began to deploy worldwide in 2019.
Analog	A type of signal in an electronic circuit that takes on a continuous range of values rather than only a few discrete values
ADAS	Advanced driver-assistance systems
AGM	Annual General Meeting of the Company's shareholders
AI	Artificial Intelligence
ASIC	An application-specific integrated circuit is an integrated chip, custom-designed for a specific application
Beamforming	Beamforming or spatial filtering is the technique used in antenna for directional signal transmission or reception. This is achieved by combining elements in an array of elements in such a way that signals at particular angles experience constructive interference whilst others experience destructive interference. Beamforming is used in Radar, 5G antenna and satellites, it allows the focusing of one or more beams to improve the sensitivity of the system.
CAGR	Compound Annual Growth Rate, a method of assessing the average growth of a value over time.
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash Generating Unit
Chip	Electronic integrated circuit
Digital	A type of signal used to transit information that has only discrete levels of some parameter ("usual voltage").
DSE	Display Screen Equipment
EBIT	Earnings before interest and taxes (also known as operating profit)
EBITDA	Earnings before depreciation, amortisation, interest and taxes
ESG	Environmental, Social and Governance
Fabless	A company that design and delivers semiconductors by outsourcing the fabrication ("manufacturing") process.
Foundry	A manufacturing plant where silicon wafers are produced.
Group	The Company and its subsidiaries
IC	Integrated Circuit. An electronic device with numerous components on a single chip.
IFRS	International Financial Reporting Standards
IP	Intellectual Property
IPO	Initial Public Offering
Ka or Ka-band	A portion of the microwave part of the electromagnetic spectrum defined as frequencies in the range 26.5 to 40 gigahertz (GHz).
KPIs	Key performance indicators, a range of indicators to assess performance, to ensure performance is aligned to strategy and to ensure continued alignment with shareholder interests.
LTIP	Long Term Incentive Plan
Mixed Signal	A combination of analog and digital signals being generated, controlled or modified on the same chip.
mmWave	Millimetre wave; the band of radio frequencies in the electromagnetic spectrum from 30 to 300 gigahertz (GHz) often used for Satellite, 5G and Radar systems. These are also microwave frequency bands.
NRE	Non-Recurring engineering cost
OEM	Original equipment manufacturer; such as car manufacturers or complex products which include sub-systems from other suppliers.
QCA	The Quoted Companies Alliance
R&D	Research and development
RF	Radio frequency
Semiconductor	A base material halfway between a conductor and an insulator, which can be physically altered by mixing in certain atoms. Semiconductors form the basis for present-day electronics.
SoC	System-on-Chip. An integrated circuit with all the necessary electronic circuits and parts for a given system.
Tape-Out	A major milestone in every ASIC project lifecycle representing the transition between the design phase and the manufacturing phase. It means the design phase is completed and you are ready to send out the design files to the Fab for mask generation and production.
Turnkey	Involving the provision of a complete product or service that is ready for immediate use.
Wafer	A slice of silicon from a 4, 5, 6 or 8 inch diameter silicon bar and used as the foundation on which to build semiconductor products

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