EnSilica PLC
your trusted IC partner

Placing and Admission to AIM

Nominated adviser and Broker

Allenby CAPITAL

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, or as to the action you should take, you should consult your stockbroker, solicitor, accountant or other independent adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities in the United Kingdom. The whole of the text of this document should be read. You should be aware that an investment in the Company involves a high degree of risk and prospective investors should carefully consider the section entitled "Risk Factors" in Part II of this document, which sets out certain risk factors relating to any investment in Ordinary Shares.

This document, which comprises an admission document drawn up in accordance with the AIM Rules for Companies, has been issued in connection with the application for Admission. This document does not comprise a prospectus for the purposes of the Prospectus Regulation Rules and has not been approved by or filed with the Financial Conduct Authority. Application will be made for the Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence at 8.00 a.m. on 24 May 2022.

The Company and the Directors, whose names appear on page 9 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the Financial Conduct Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.

The Ordinary Shares are not traded on any other recognised investment exchange and no other such applications have been made. All the Ordinary Shares, including the Placing Shares, will, on Admission, rank equally in all respects, including the right to receive all dividends or other distributions thereafter declared, made or paid.

EnSilica PLC

(Incorporated and registered in England & Wales under the Companies Act 2006 with registered number 04220106)

AIM ADMISSION DOCUMENT

PLACING AND SUBSCRIPTION OF ORDINARY SHARES

AND

ADMISSION TO TRADING ON AIM

Nominated Adviser and Sole Broker

Allenby Capital Limited, which is authorised and regulated in the UK by the FCA, is acting solely as nominated adviser and broker to the Company and is not acting for anyone else in connection with the Fundraising or Admission. Allenby Capital Limited will not be responsible to any person other than the Company for providing the protections afforded to its customers or for advising any other person on the contents of any part of this document. The responsibilities of Allenby Capital Limited as the Company's nominated adviser under the AIM Rules for Companies and AIM Rules for Nominated Advisers are owed solely to London Stock Exchange plc and are not owed to the Company or any Director or Shareholder or to any other person. No representation or warranty, express or implied, is made by Allenby Capital Limited as to the contents of this document or any matter, transaction or arrangement referred to in it. To the fullest extent permitted by law, no liability whatsoever is accepted by Allenby Capital Limited for the accuracy of any information or opinions contained in this document or for the omission of any material information for which it is not responsible.

IMPORTANT INFORMATION

General

This document should be read in its entirety before making any decision to subscribe for or purchase any Ordinary Shares. Prospective investors should rely only on the information contained in this document. No person has been authorised to give any information or make any representations other than as contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Company or Allenby Capital Limited or any of their respective affiliates, officers, directors, partners, employees or agents. No representation or warranty, express or implied, is made by Allenby Capital Limited, nor any of its directors, officers, agents or advisers, as to the accuracy or completeness of such information, and nothing contained in this document is, or shall be relied upon as, a promise or representation by Allenby Capital Limited or any of its directors, officers, agents or advisers, as to the past, present or future. No person has been authorised to give any information or make any representation other than those expressly contained in this document and, if given or made, such information or representation must not be relied upon as having been so authorised. Without prejudice to the Company's obligations under the AIM Rules for Companies, neither the delivery of this document nor any subscription or purchase made under this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company or the Group since the date of this document or that the information contained herein is correct as at any time subsequent to its date.

Prospective investors in the Company must not treat the contents of this document or any subsequent communications from the Company or Allenby Capital Limited or any of their respective affiliates, officers, directors, partners, employees or agents as advice relating to legal, taxation, accounting, regulatory, investment or any other matters.

If there is any doubt about the contents of this document or the action which should be taken, prospective investors should immediately seek independent financial, investment, legal or tax advice from their stockbroker, bank manager, solicitor, accountant or other independent adviser who is authorised under the FSMA if the investor is based in the United Kingdom, or, if the investor is based outside the United Kingdom, from an alternative appropriately authorised independent adviser.

Save for the responsibilities and liabilities, if any, which may be imposed on Allenby Capital Limited by the FSMA or the regulatory regime established thereunder, Allenby Capital Limited does not accept any responsibility for any the contents of this document, including its accuracy, completeness, verification or for any statement made or purported to be made by it, or on its behalf, in connection with the Company, the Ordinary Shares or the Fundraising and Admission. Allenby Capital Limited accordingly disclaims all and any liability whether arising in tort, contract or otherwise in respect of or in connection with this document or any such statement.

Neither the Company, Allenby Capital Limited, or any of their respective officers, directors, agents or advisers accepts any responsibility for the appropriateness, fairness, accuracy, completeness or reliability of any information reported by the press or other media, or any forecasts, views or opinions expressed by the press or other media or any other person regarding or in connection with the Fundraising or the Group.

As required by the AIM Rules for Companies, the Company will update the information provided in this document by means of a supplement to it if a significant new factor that may affect the evaluation of the Fundraising by prospective investors occurs prior to Admission or if it is noted that this document contains any mistake or substantial inaccuracy. This document and any supplement thereto will be made public in accordance with the AIM Rules for Companies.

This document is not intended to provide the basis of any credit or other evaluation, and should not be considered as a recommendation, by the Company or Allenby Capital Limited or any of their respective representatives, that any recipient of this document should subscribe for or purchase any of the Ordinary Shares. Prior to making any decision as to whether to subscribe for or purchase any Ordinary Shares, prospective investors should read the entirety of this document and, in particular, the section entitled "**Risk Factors**" in Part II of this document. It is noted that investing in and holding the Ordinary Shares involves financial risk and prospective investors should carefully consider whether such an investment is suitable for them taking into account the information contained in this document and their independent circumstances.

Investors should ensure that they read the whole of this document and not just rely on key information or information summarised within it. In making an investment decision, prospective investors must rely upon their own examination (or an examination by the prospective investor's FSMA-authorised or other appropriate advisers) of the Group and the terms of this document, including the risks involved. Any decision to purchase Ordinary Shares should be based solely on this document and the prospective investor's own (or such prospective investor's FSMA authorised or other appropriate advisers') examination of the Company.

Investors who subscribe for or purchase Ordinary Shares in the Fundraising will be deemed to have acknowledged that: (i) they have not relied on Allenby Capital Limited or any person affiliated with it in connection with any investigation of the accuracy of any information contained in this document for their investment decision; (ii) they have relied only on the information contained in this document; and (iii) no person has been authorised to give any information or to make any representation concerning the Company or the Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation has not been relied upon as having been authorised by or on behalf of the Company, the Directors or Allenby Capital Limited, nor any of their respective directors, officers, agents or advisers.

None of the Company, the Directors or Allenby Capital Limited or any of their respective representatives makes any representation to any purchaser of Ordinary Shares regarding the legality of an investment by such subscriber or purchaser.

In connection with the Fundraising, Allenby Capital Limited and any of its affiliates, acting as investors for their own accounts, may acquire Ordinary Shares, and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Ordinary Shares and other securities of the Company or related investments in connection with the Fundraising or otherwise. Accordingly, references in this document to the Ordinary Shares being offered, subscribed, purchased, acquired, placed or otherwise dealt with should be read as including any offer to, or subscription, purchase, acquisition, dealing or placing by Allenby Capital Limited or any of its affiliates acting as investors for their own accounts. Allenby Capital Limited does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Allenby Capital Limited and any of its affiliates may have engaged, and may in the future, from time to time, engage, in transactions with, and provided various investment banking, financial advisory or other services in the ordinary course of their business with the Group, for which they would have received, and may in the future receive, customary fees. As a result of these transactions, these parties may have interests which may not be aligned, or could possibly conflict, with the interests of investors.

Notice to prospective investors in the United Kingdom

No Ordinary Shares have been offered or will be offered pursuant to the Fundraising to the public in the United Kingdom, except that the Ordinary Shares may be offered to the public in the United Kingdom at any time:

1. to any legal entity which is a qualified investor as defined under Article 2 of the UK Prospectus Regulation;
2. to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the UK Prospectus Regulation), subject to obtaining the prior consent of Allenby Capital Limited for any such offer; or
3. in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of the Ordinary Shares shall require the Company, Allenby Capital Limited or any other person to publish a prospectus pursuant to section 85 of the FSMA or supplemental prospectus pursuant to Article 23 of the UK Prospectus Regulation. For the purposes of this provision, the expression an "offer to the public" in relation to the Ordinary Shares in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and any Ordinary Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Ordinary Shares and the expression "UK Prospectus Regulation" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

In addition, in the United Kingdom, the Fundraising is only being directed at persons who are "qualified investors" (within the meaning of Article 2 of the UK Prospectus Regulation) who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"); or (ii) are high net worth entities falling within Article 49(2)(a) to (d) of the Order; or (iii) are such other persons to whom it may otherwise be lawful to communicate it to (each, a "**Relevant Person**"). Any investment or investment activity to which this document relates is only available to Relevant Persons and will be engaged in only with such persons. Persons who are not Relevant Persons should not rely on or act upon this document.

Notice to prospective investors in the European Economic Area

In relation to each Member State of the EEA (each a "**Member State**"), no Ordinary Shares have been offered or will be offered pursuant to the Fundraising to the public in that Member State prior to the publication of a prospectus in relation to the Ordinary Shares which has been approved by the competent authority in that Member State, or otherwise in accordance with the EU Prospectus Regulation, except that offers of Ordinary Shares to the public may be made at any time under the following exemptions under the EU Prospectus Regulation:

- to any legal entity which is a qualified investor as defined in the EU Prospectus Regulation;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the EU Prospectus Regulation) in such Member State; or
- in any other circumstances falling within Article 4(2) of the EU Prospectus Regulation,

provided that no such offer of Ordinary Shares shall require the Company or any other person to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 2(e) of the EU Prospectus Regulation and each person who initially acquires any Ordinary Shares or to whom any offer is made under the Fundraising will be deemed to have represented, acknowledged and agreed that it is a qualified investor within the meaning of the EU Prospectus Regulation.

Neither the Company nor Allenby Capital Limited has authorised, nor does either of them authorise, the making of any offer of Ordinary Shares in circumstances in which an obligation arises for the Company to publish a prospectus or a supplemental prospectus in respect of such offer.

For the purposes of this provision, the expression "an offer to the public" in relation to any offer of Ordinary Shares in any Member State means a communication in any form and by any means presenting sufficient information on the terms of the offer and any Ordinary Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Ordinary Shares.

Other jurisdictions

The distribution of this document and the offer and sale of Ordinary Shares in certain jurisdictions may be restricted by law. No action has been taken or will be taken to permit the possession or distribution of this document (or any other offering or publicity materials relating to Ordinary Shares) in any jurisdiction where action for that purpose may be required or doing so is restricted by law. Accordingly, neither this document, nor any advertisement or any other offering material may be distributed or published in or from any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

This document does not constitute an offer to sell, or the solicitation of an offer to buy or subscribe for, securities in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for publication or distribution in or into the United States, New Zealand, Canada, the Republic of South Africa or Japan. The Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") nor under the applicable securities laws of any States of the United States, or any province or territory of New Zealand, Canada, the Republic of South Africa or Japan, nor in any country or territory where to do so may contravene local securities laws or regulations. Accordingly, the Ordinary Shares may not be offered or sold directly in or into the United States, New Zealand, Canada, the Republic of South Africa, Japan or to any resident of the aforementioned jurisdictions.

Furthermore, no actions have been or will be taken to allow any offering of Ordinary Shares under the applicable securities laws of any jurisdiction where action for that purpose may be required or doing so is restricted by law.

Forward looking statements

Certain statements in this document are or may be deemed to be "forward looking statements", including statements about current beliefs and expectations of the Directors. In particular, the words "envisage", "projects", "expect", "anticipate", "estimate", "may", "should", "plan", "intend", "will", "would", "could", "target", "believe" and similar expressions (or in each case their negative and other variations or comparable terminology) can be used to identify forward looking statements. Such forward looking statements relate to matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Board's expectations of external conditions and events, current business strategy, plans and the other objectives of management for future operations and estimates and projections of the Group's financial performance. Though the Board believes these expectations to be reasonable at the date of this document, they may prove to be erroneous. Forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, achievements or performance of the Group, or the industry in which the Group operates, to be materially different from any future results, achievements or performance expressed or implied by such forward looking statements. Prospective investors are strongly recommended to read the risk factors set out in Part II of this document.

Any forward looking statement in this document speaks only as of the date it is made. Save as required by law, regulation or the AIM Rules for Companies, the Company undertakes no obligation to publicly release the results of any revisions to any forward looking statements in this document that may occur due to any change in the Board's expectations or in order to reflect events or circumstances after the date of this document.

Any forward looking statement in this document based on past or current trends and/or activities of the Group should not be taken as a representation or assurance that such trends or activities will continue in the future. No statement in this document is intended to be a profit forecast or to imply that the earnings of the Group for the current year or future years will match or exceed the historical or published earnings of the Group.

Presentation of financial information

Unless otherwise indicated, financial information set out in this document has been prepared in accordance with applicable International Financial Reporting Standards ("**IFRS**"). For full details of the basis of preparation, please refer to page 57 (Basis of preparation) of the Group's Historical Financial Information in Part III, Section B ("**Historical Financial Information on the Group**") of this document. Any unaudited financial information set out in this document has been extracted without material adjustment from the Group's accounting records. Certain non-IFRS measures such as operating profit and losses before exceptional items have been included in the Historical Financial Information, as the Directors believe that these provide important alternative measures with which to assess the Group's performance. Prospective investors should not consider these as an alternative for revenue or operating profit which are IFRS measures. Additionally, the Company's calculations of non-IFRS measures may be different from the calculation used by other companies and therefore comparability may be limited.

Presentation of currencies

Unless otherwise indicated, all references in this document to "sterling", "pounds sterling", "GBP", "£", "penny", "pence" or "p" are to the lawful currency of the United Kingdom and references to "US$" are references to the lawful currency of the United States. Unless otherwise indicated, the financial information set out in this document has been expressed in pounds sterling.

Rounding

The information contained in this document, including financial information presented in a number of tables, has been rounded to the nearest whole number or the nearest decimal place. Therefore, the actual arithmetic total of the numbers in a column or row in a certain table may not conform exactly to the total figure given

for that column or row. In addition, certain percentages presented in the tables in this document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

Market, economic and industry data

This document includes market share and industry data and forecasts that were obtained by the Group from industry publications and surveys and from the Group's knowledge of its industry. Where information has been sourced from a third party, the Company confirms that the information has been accurately reproduced and, as far as the Company is aware and has been able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Such third-party information has not been audited or independently verified and the Company and the Directors accept no responsibility for its accuracy or completeness.

Certain market share information and other statements in this document regarding the industry in which the Group operates and the Group's position relative to its competitors are not based on published statistical data or information obtained from independent third parties. Rather, such information and statements reflect the Directors' best estimates based upon information obtained from trade and business organisations and associations and other contacts within the industry in which it competes, as well as information published by its competitors.

No incorporation of websites

The contents of the Company's websites (or any other website) do not form part of this document and prospective investors should not rely on such information.

Interpretation

Certain terms used in this document are defined and certain technical and other terms used in this document are explained at the section of this document under the heading "**Definitions**".

All times referred to in this document are, unless otherwise stated, references to London time.

All references to legislation in this document are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation or regulation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

Notice to Distributors

Solely for the purposes of Paragraph 3.2.7R regarding the responsibilities of UK Manufacturers under the Product Governance requirements contained within Chapter 3 of the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the UK Product Governance Requirements) may otherwise have with respect thereto, the Ordinary Shares have been subject to a product approval process, which has determined that the Ordinary Shares are: (i) compatible with an end target market of (a) retail investors, (b) investors who meet the criteria of professional clients and (c) eligible counterparties, each as defined in UK Product Governance Requirements; and (ii) eligible for distribution through all distribution channels as are permitted by UK Product Governance Requirements (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Ordinary Shares may decline and investors could lose all or part of their investment; the Ordinary Shares offer no guaranteed income and no capital protection; and an investment in the Ordinary Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to

the requirements of any contractual, legal or regulatory selling restrictions in relation to the Fundraising. For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of the UK Product Governance Requirements; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to, the Ordinary Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Placing Shares and determining appropriate distribution channels.

CONTENTS

DIRECTORS, SECRETARY AND ADVISERS

Directors	Mark Nicholas Hodgkins – *Executive Chairman* Ian William Ernest Lankshear – *Chief Executive Officer* Matthew John Julius Wethey – *Chief Financial Officer* David Frank Tilston – *Non-Executive Director* Janet Edith Nkabidwa Collyer – *Non-Executive Director* Wasim Ahmed – *Non-Executive Director* Noel Francis Hurley – *Non-Executive Director*
Company Secretary	Matthew Wethey
Company's Website	https://www.ensilica.com/
Registered Office	Building 3, 115 Olympic Avenue Milton Park Abingdon Oxfordshire OX14 4SA
Nominated Adviser and Broker	Allenby Capital Limited 5 St Helen's Place London EC3A 6AB
Solicitors to the Company	Fieldfisher LLP Riverbank House 2 Swan Lane London EC4R 3TT
Solicitors to the Nominated Adviser and Broker	Memery Crystal (a trading name of RBG Legal Services Limited) 165 Fleet Street London EC4A 2DY
Reporting Accountants to the Company	UHY Hacker Young Quadrant House 4 Thomas More Square London E1W 1YW
Registrars	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA
Financial PR	Vigo Consulting Sackville House 40 Piccadilly London W1J 0DR

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2022
Publication date of this document	18 May
Allotment of EIS/VCT Placing Shares	23 May
Allotment of General Placing Shares and Subscription Shares and sale of Sale Shares	24 May
Admission becomes effective and dealings in the Enlarged Share Capital to commence on AIM	8.00 a.m. on 24 May
Expected date for CREST accounts to be credited with Placing Shares (where applicable)	As soon as practicable after 8.00 a.m. on 24 May
Expected date for share certificates to be despatched (where applicable)	by 7 June

Each of the times and dates in the above timetable is subject to change without further notice. All references are to London time unless otherwise stated.

KEY STATISTICS

Number of Ordinary Shares in issue immediately prior to the Placing	60,000,004
Number of EIS/VCT Placing Shares	7,060,000
Number of General Placing Shares	4,738,000
Number of Subscription Shares	202,000
Number of Sale Shares	300,000
Number of Loan Note Conversion Shares	3,231,805
Number of New Ordinary Shares	15,231,805
Enlarged Share Capital on Admission	75,231,809
Percentage of Enlarged Share Capital represented by the Placing Shares (excluding the Sale Shares) and the Subscription Shares	16.0%
Placing Price	50p
Market capitalisation on Admission at the Placing Price[1]	£37,615,905
Gross proceeds of the Fundraising	£6,000,000
Estimated net proceeds of the Fundraising[2]	£4,900,000
AIM symbol for the Ordinary Shares	ENSI
ISIN for the Ordinary Shares	GB00BN7F1618
SEDOL	BN7F161
LEI	213800R6VXRU7MJTAF04

1. *The market capitalisation of the Company at any given time will depend on the market price of the Ordinary Shares at that time. There can be no assurance that the market price of an Ordinary Share will equal or exceed the Placing Price.*
2. *After deduction of estimated commissions, fees and expenses payable by the Company of approximately £1.1 million.*

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

"**2017 EMI Plan**"	the EnSilica Enterprise Management Incentive (EMI) Share Option Plan, adopted on 29 June 2017, as amended on 15 February 2021, details of which are set out in paragraph 12.1 of Part IV of this document
"**2022 LTIP**"	the EnSilica PLC Long Term Incentive Plan, adopted shortly before Admission, details of which are set out in paragraph 12.2 of Part IV of this document
"**Act**"	the Companies Act 2006
"**Admission**"	the admission of the Existing Ordinary Shares and the New Ordinary Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules for Companies
"**AIM**"	the London Stock Exchange's AIM market
"**AIM Rules for Companies**"	the AIM Rules for Companies published by the London Stock Exchange
"**Allenby Capital**"	Allenby Capital Limited, a private limited company incorporated in England & Wales under registered number 6706681, nominated adviser and broker to the Company pursuant to the AIM Rules for Companies
"**Articles**"	the articles of association of the Company adopted conditional upon Admission
"**Capital Reorganisation**"	the reorganisation of the share capital of the Company taking place on the business day immediately prior to Admission and which is summarised in paragraph 4 of Part IV of this document
"**Capital Reorganisation Date**"	the business day immediately prior to the date of Admission
"**CLN Conversion**"	the conversion of the Convertible Loan Notes including accrued interest into new Ordinary Shares which is to take effect on Admission
"**Company**" or "**EnSilica**"	EnSilica PLC, incorporated in England & Wales with registered number 04220106
"**Concert Party**"	together, those shareholders in the Company deemed to be acting in concert in accordance with the Takeover Code, further details of whom are set out in paragraph 24 of Part I of this document
"**Convertible Loan Notes**"	the £1,375,000 10 per cent. convertible redeemable loan notes subscribed for by the Convertible Noteholders
"**Convertible Loan Note Instrument**"	the instrument dated 23 December 2021 that constituted the Convertible Loan Notes as amended by a deed of variation dated 31 December 2021
"**Convertible Noteholders**"	the holders of the Convertible Loan Notes

"**CREST**"	the electronic system for the holding and transferring of shares and other securities in paperless form operated by Euroclear UK & International Limited
"**CREST Regulations**"	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
"**Directors**" or "**Board**"	the directors of the Company, whose names appear on page 9 of this document
"**DTRs**"	the Disclosure Guidance and Transparency Rules made by the FCA pursuant to section 73A of the FSMA from time to time
"**EIS**"	the Enterprise Investment Scheme, as set out in Part 4 of the Income Tax Act 2007 and Schedule 5B Taxation of Chargeable Gains Act 1992, as amended from time to time
"**EIS Relief**"	the relief available to investors under EIS
"**EIS/VCT Placing**"	the conditional placing by Allenby Capital on behalf of the Company at the Placing Price of the EIS/VCT Shares pursuant to the Placing Agreement
"**EIS/VCT Placing Shares**"	7,060,000 new Ordinary Shares to be issued at the Placing Price pursuant to the Placing Agreement
"**Enlarged Share Capital**"	the issued Ordinary Shares upon Admission, comprising the Existing Ordinary Shares and the New Ordinary Shares
"**ETR**"	the market identifier code for Extra, a trading venue operated by the Frankfurt Stock Exchange
"**EU**"	the European Union
"**Existing Ordinary Shares**"	the 60,000,004 Ordinary Shares in issue (assuming the Capital Reorganisation has occurred) immediately prior to Admission
"**Fundraising**"	the EIS/VCT Placing, the General Placing and the Subscription
"**FSMA**"	the Financial Services and Markets Act 2000
"**General Placing**"	the conditional placing by Allenby Capital on behalf of the Company at the Placing Price of the General Placing Shares pursuant to the Placing Agreement
"**General Placing Shares**"	4,738,000 new Ordinary Shares to be issued at the Placing Price pursuant to the Placing Agreement
"**Group**"	the Company and its subsidiary undertakings
"**IL Option**"	an option granted to Ian Lankshear over up to 4,000,000 Ordinary Shares under the 2022 LTIP exercisable at the Placing Price, which is intended to be satisfied by the transfer of existing Ordinary Shares, details of which are set out in paragraph 7.5 of Part IV of this document;
"**IP**"	Intellectual Property
"**Loan Note Conversion Shares**"	the 3,231,805 new Ordinary Shares to be issued at a 12 per cent. discount to the Placing Price pursuant to the conversion of the

	Convertible Loan Notes and payment of associated interest upon Admission
"**Lock-in Period**"	a period of 24 months from Admission
"**Lock-in Agreements**"	the lock-in and orderly market agreements entered into by the Locked-in Shareholders, the Company and Allenby Capital, details of which are set out in paragraph 14.4 of Part IV of this document
"**Locked-in Shareholders**"	each of the Directors, Richard Marley, Richard Hamer, Marc Castells and certain other employees of the Company holding Ordinary Shares
"**London Stock Exchange**"	London Stock Exchange Group plc
"**Nasdaq**"	Nasdaq Stock Market
"**NED Options**"	the options over an aggregate of 200,000 Ordinary Shares that have been granted, conditional upon Admission, to the Non-Executive Directors, as more fully described at paragraphs 7.3 and 7.4 of Part IV of this document
"**New Ordinary Shares**"	together, the Loan Note Conversion Shares, the EIS/VCT Placing Shares, the General Placing Shares and the Subscription Shares
"**Non-Executive Directors**"	David Tilston, Janet Collyer, Wasim Ahmed and Noel Hurley
"**NYSE**"	New York Stock Exchange
"**Official List**"	the Official List of the FCA
"**Ordinary Shares**"	ordinary shares of £0.001 each in the capital of the Company following the Capital Reorganisation
"**Placee(s)**"	those persons who have conditionally agreed to subscribe for and/or purchase the Placing Shares at the Placing Price pursuant to the Placing
"**Placing**"	the conditional placing of the Placing Shares at the Placing Price by Allenby Capital as broker to the Company pursuant to the Placing Agreement and Selling Shareholders Agreements
"**Placing Agreement**"	the conditional agreement dated 18 May 2022 between Allenby Capital, the Company and the Directors relating to the Placing, details of which are set out in paragraph 14.1 of Part IV of this document
"**Placing Price**"	50 pence per share
"**Placing Shares**"	together, the EIS/VCT Placing Shares, the General Placing Shares and the Sale Shares
"**Prospectus Regulation Rules**"	the prospectus regulation rules made by the FCA pursuant to section 73A of the FSMA from time to time
"**QCA Code**"	The QCA Corporate Governance Code published by the Quoted Companies Alliance in April 2018 and as amended from time to time
"**Registrars**"	Equiniti Limited

"**Sale Shares**"	the 300,000 Ordinary Shares to be sold to the Placees by the Selling Shareholders pursuant to the Placing
"**Selling Shareholders**"	those individuals listed in paragraph 14.3 of Part IV of this document
"**Selling Shareholders Agreements**"	the conditional agreements each dated 18 May 2022 between each of the Selling Shareholders, the Company and Allenby Capital relating to the placing of the Sale Shares, further details of which are set out in paragraph 14.3 of Part IV of this document
"**Shareholder**"	a holder of Ordinary Shares
"**Share Option Plans**"	together, the 2017 EMI Plan and the 2022 LTIP
"**Subscribers**"	those persons who have conditionally agreed to subscribe for the Subscription Shares at the Placing Price pursuant to the Subscription
"**Subscription**"	the conditional subscription for the Subscription Shares at the Placing Price by the Subscribers pursuant to the Subscription Letters
"**Subscription Letters**"	the subscription letters between the Company and each of the Subscribers as more fully described in paragraph 14.2 of Part IV of this document
"**Subscription Shares**"	the 202,000 new Ordinary Shares subscribed for by the Subscribers pursuant to the Subscription Letters
"**Takeover Code**"	the City Code on Takeovers and Mergers
"**Takeover Panel**"	the Panel on Takeovers and Mergers
"**UK**" or "**United Kingdom**"	the United Kingdom of Great Britain and Northern Ireland
"**UK MAR**"	the UK Market Abuse Regulation, which is the retained UK law version of the EU Market Abuse Regulation (596/2014) pursuant to the European Union (Withdrawal) Act 2018
"**Uncertificated**" or "**in uncertificated form**"	recorded on a register of securities maintained by Euroclear UK & International Limited in accordance with the CREST Regulations as being in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
"**US**" or "**United States**"	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
"**VCT**"	a company which is, for the time being, approved as a venture capital trust as defined by Section 259 of the Income Tax Act 2007
"**VCT Relief**"	the income tax relief available to investors of a VCT

In the document, references to "pounds sterling", "£", "pence" and "p" are to the lawful currency of the United Kingdom. References to dollars and US$ are to the lawful currency of the United States.

All times referred to in this document are, unless otherwise stated, references to London time.

References in this document to holdings of Ordinary Shares as at the date of this document or otherwise are to holdings of Ordinary Shares assuming the Capital Reorganisation had already taken place on such date.

GLOSSARY

The following technical terms apply throughout this document:

5G	5G is the fifth generation technology standard for broadband cellular networks, which cellular phone companies have begun to deploy worldwide in 2019.
AI	Artificial Intelligence; the intelligence of machine and the branch of computer science which aim to create it.
analogue	A type of signal in an electronic circuit that takes on a continuous range of values rather than only a few discrete values.
ASIC or **ASICs**	Application-specific integrated circuit; an integrated circuit chip customised for a particular use, rather than intended for general-purpose off-the-shelf IC often called a catalogue part.
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.
BLE	Bluetooth Low Energy; a communication standard supporting low-power transfer of data.
bluetooth	A standard for the short-range wireless interconnection of mobile phones, computers, and other electronic devices.
chips or **microchip**	Unit of packaged electronic circuitry that is manufactured from a material such as silicon at a very small scale.
CMOS	Complementary Metal Oxide Semiconductor; a technology for making low power integrated circuits.
DAB	Digital Audio Broadcast; an international digital broadcast radio standard. It has been adopted by countries such as the UK, France and Korea.
ECG	Electrocardiogram; a test used to evaluate the heart.
Fabless	Fabless Company.
Fabless Semiconductor Model and **Fabless Company**	A business model or a company that sells semiconductor products but does not have a manufacturing facility for the silicon wafers used in its products; it outsources the fabrication to a wafer manufacturing foundry.
Fab or **Foundry**	A semiconductor manufacturing facility which processes wafers for the production of integrated circuits.
GEO	Geosynchronous equatorial orbit; an Earth-centred orbit with an orbital period that matches Earth's rotation on its axis.
IC or **integrated circuit**	A semiconductor device that combines multiple transistors and other components interconnecting on a single piece of semiconductor material.

IoT	Internet of Things; describes physical objects, that are embedded with sensors, processing ability, software, and other technologies, and that connect and exchange data with other devices and systems over the Internet or other communications networks.
Ka or **Ka-band**	K_a band; a portion of the microwave part of the electromagnetic spectrum defined as frequencies in the range 26.5 to 40 gigahertz (GHz).
LEO	Low earth orbit; a satellite system in the Lower Earth Orbit, it is normally at an altitude of less than 1000 km but could be as low as 160 km above Earth.
MIMO	Multiple-input and multiple-output; a method for multiplying the capacity of a radio link using multiple transmission and receiving antennas to exploit multipath propagation.
mixed signal	Describes a combination of analogue and digital signals being generated, controlled or modified on the same chip.
mmWave	Millimeter 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.
OEM	Original equipment manufacturer; such as car manufacturers or complex products which include sub-systems from other suppliers.
R&D	research and development.
RFI	Request for information.
RFQ	Request for quote.
silicon	The chemical element of atomic number 14, a non-metal with semiconducting properties, used in making electronic circuits. The majority of chips are manufactured with silicon.
semiconductor	A solid substance that has a conductivity between that of an insulator and that of most metals, either due to the addition of an impurity or because of temperature effects.
SoC	System on chip; an IC with many functions integrated, one function normally integrated is a microprocessor (computer).
TAM	total addressable market.
tape-out or **taped-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.
Tier 1	Companies that supply parts or systems directly to OEMs are called Tier 1 suppliers. Some of these brands are recognisable household names, like Bosch or Continental. Some of them are less so such as Visteon and Veoneer.
Tier 2	Many firms supply parts that are used in the manufacturing supply chain, even though these firms themselves does not sell directly to OEMs. These firms which supply Tier 1 customers are called Tier 2 suppliers. Examples include computer chip manufacturers like NXP and NVIDIA.

Tier 3	Suppliers of services, or raw, or close-to-raw, materials to Tier 2 companies.
wafer	In the fabrication of integrated circuits, the thin slice of semiconductor material, usually silicon, which is typically 8 or 12 inch in diameter, in and upon which integrated circuits are built. The wafer is processed in a foundry to produce semiconductor products.
Wi-Fi	Wi-Fi is a family of wireless network protocols, based on the IEEE 802.11 family of standards, which are commonly used for local area networking of devices and Internet access.

EXECUTIVE SUMMARY

The following information is derived from, and should be read in conjunction with, the whole of this document, including, in particular, the section headed Risk Factors in Part II of this document. Shareholders should read the whole of this document and not rely on this Executive Summary section.

Semiconductors are integral to the functioning of most of the electronic products we use today. The industry is experiencing growth which the Directors believe is set to continue through this decade due to emerging technologies such as autonomous driving, artificial intelligence, 5G and the Internet of Things. Established in 2001, EnSilica initially provided consultancy services to this high growth industry, specifically around the design of Application Specific Integrated Circuits, and now provides a full design and supply service for ASICs under the Fabless Semiconductor Model.

The Directors believe that EnSilica has multiple strengths that are important to the success of its business:

- **Global business with c. 120 employees:** Oxfordshire headquartered EnSilica has design centres in Wokingham, Sheffield, Bangalore, India and Porto Alegre in Brazil. The senior management team has in-depth experience covering commercial, design engineering, IP licensing, fabless production, quality assurance and operations. The business is ISO9001 certified, an ARM Approved Design Partner and has formal partnerships with leading foundries including TSMC (NYSE:TSM) and Global Foundries (NASDAQ:GFS).
- **ASICs market forecasted to grow 8.2 per cent. through to 2026 and reach US$27.6 billion:** ASIC benefits include: i) smaller size; ii) lower power consumption; iii) greater functionality; iv) improved data security – less exposed to hackers; v) enhanced IP security – harder to copy than an IC populated with off-the-shelf components; and vi) supply chain resilience due to reduced risk of components reaching end of life.
- **ASICs Design and Supply model – higher margin, longer term revenue streams:** Customers pay an upfront fee towards the cost of design, tooling and test development of the ASIC and then purchase the finished ASICs from EnSilica or pay a royalty on production of devices. Significant revenues to EnSilica could occur when chip production is underway, which can be 2 to 5 years from project initiation.
- **Increased investment into IP portfolio:** IP reduces the time to market of developing an ASIC as well as providing an additional licensing revenue stream. The current IP portfolio includes various IP covering cryptography, power management, RF and mmWave design and a unique Radar IP targeted at autonomous vehicles.
- **Automotive – key target market:** the estimated IC content per car in monetary value is expected to increase from US$380 in 2017 to more than US$590 in 2025, leading to the automotive semiconductor segment TAM growing from US$37.9 billion in 2020 to an estimated US$113.9 billion in 2030. EnSilica is active in the automotive sector and is an approved supplier to three automotive Tier 1s (Visteon Inc, Vitesco Technologies and Continental AG).
- **Satellite user terminals – key target market:** Connecting to LEO satellites requires a new generation of ASICs. In 2018 EnSilica was awarded a €2 million project from the UK Space Agency to develop an RF Integrated Circuit, 75 per cent. funded by the agency. This project has assisted in EnSilica expanding into the satellite sector. For example, EnSilica has recently been selected by AST SpaceMobile to develop an ASIC for their space-based cellular broadband network.
- **Three ASICs now in supply phase and pipeline at an all-time high:** EnSilica has developed ASICs for the Industrial, IoT, mobile, consumer and smart healthcare industries. Three ASICs have been released for production with anticipated long-term supply revenue. EnSilica is currently working on costings with potential customers for several further potential design and supply projects.
- **AIM admission to fund growing Design and Supply pipeline:** Design and Supply work can provide access to long-term revenue streams when the ASIC enters the production stage and EnSilica sells the chip or receives a royalty per chip. A successful ASIC can therefore generate high margin returns over several years.

PART I

INFORMATION ON THE COMPANY

1. Introduction

As global digitisation continues, there has been a rapid expansion in demand for electronics, particularly across the global automotive, industrial, wearables and 5G markets, resulting in an increased demand for semiconductor chips, a key component in any electronic equipment or system. In recognition of the advantages of customised chips, manufacturers of electronics are increasingly making use of application specific integrated circuits (ASICs) in their products to realise the benefits that ASICs bring. The ASIC market size is projected to reach US$27.6 billion by 2026, at a CAGR of 8.2 per cent. between 2021-2026.

EnSilica is a designer and supplier of ASICs. ASICs are Integrated Circuits or semiconductor chips developed for a particular use, offering a wide range of specific applications rather than general purpose use. The Company has expertise in the area of designing complex mixed signal ASICs. Mixed signal ASICs combine digital and analogue functions onto a single chip.

The Company was established in 2001 as a specialist consultancy designing ICs on a contract basis. Using over 15 years' first-hand industry experience, the Company was able to begin transitioning to a design and supply business model in 2016. EnSilica now provides an end-to-end service for the design and supply of ASICs, outsourcing certain elements of the manufacturing to third parties – otherwise known as a Fabless Semiconductor Model.

EnSilica's customers currently range from global corporations and OEMs to technology start-ups, including automotive Tier 1s, industrial enterprises, as well as software companies and service providers developing proprietary hardware. EnSilica is an approved supplier to Visteon Inc (NASDAQ: VC), Continental AG (ETR: CON), Vitesco Technologies (ETR: VTSC), Infineon Technologies ETR:IFX), AST Mobile (NASDAQ: ASTS) and Square Inc (NYSE: SQ), amongst others.

The Company's historic profitability has enabled it to re-invest a significant proportion of profits to support R&D and the development of intellectual property and its transition to an ASIC design and supply business model.

2. Background to the semiconductor industry and ASICs

Semiconductors are integral to the functioning of most electronic products we use today. They can be found in a broad spectrum of products such as computers, smartphones, automobiles, satellites, gaming hardware and medical equipment. The global semiconductor industry is set to continue its robust growth well into the next decade due to emerging technologies such as an increase in autonomous driving assisted technology, AI, 5G and the IoT. The worldwide market size in 2020 was US$425 billion and is projected to reach US$803 billion by 2028.[1]

At the highest level, semiconductors can be classified either as discrete devices, such as individual transistors, or integrated circuits (ICs), where a number of transistors and other components are combined to form a more complicated electronic subsystem. An IC (or chips as they are commonly known) is an electronic circuit with microscopic structures formed on a semiconductor wafer, which is fabricated on a circular plate, mostly commonly made from silicon.

ICs can be classified into different types: memory chips for storing data; digital chips for processing binary data as 1's and 0's such as microprocessors; and analogue and mixed signal chips for interfacing to the real world. Mixed signal chips include analogue as well as digital functions, handling signals such as temperature, pressure, light, ECG, sound or speed in addition to performing power management functions such as regulating or converting voltages for electronic devices.

[1] Fortune Business Insights: "Semiconductor Market Size, Share and COVID-19 Impact Analysis, By Components"

Growth in the semiconductor industry has been driven by, amongst other factors, content expansion in computing, mobile and consumer electronics. However, research analysts anticipate that as each of these markets approach saturation, the automotive sector, which is itself evolving with the onset of more complex and sophisticated electronics (such as infotainment, self-driving capabilities, connectivity, safety and security systems), has become one of the fastest growing opportunities within the semiconductor sector. This is followed by the industrial electronics sector, which is seeing increasing semiconductor application in security, transportation and energy management configurations.

Semiconductor shortage

An unprecedented surge in demand coupled with global factory outages, exacerbated by the COVID-19 pandemic, has contributed to a well-documented global semiconductor chip shortage.

According to Deloitte Global, the worldwide semiconductor shortage will persist throughout 2022 with some component lead times pushing into 2023. The demand for semiconductors has been reinforced by the move to an increasingly remote working economy, rising interest in chip-intensive electric vehicles, the roll out of 5G cellular services as well as the phasing out of 4G cellular devices, and increased automation generally. For example, throughout 2019 and 2020 there was a 50 per cent., 468 per cent. and 6 per cent. growth in electric vehicles, 5G smartphones and personal computers, respectively.

As demand continues to outstrip supply, average selling prices for wafers have risen. Furthermore, in the short term, lead times between order and finished goods has extended from less than 16 weeks to more than 40 weeks. In contrast, and in line with the increased demand for chip-intensive devices, design starts of new chips has increased globally.

In the long term, it is expected that the impact of the semiconductor shortage will be mitigated through additional capacity being available by 2023. Accordingly, with demand and supply stabilising to a more normal level, there will be increasing prospects of overcapacity in the mid-term. In addition, the shortage has encouraged electronic systems companies to move towards vertical integration strategies. Such a move will mean such companies bring strategic components increasingly under their control by having custom ASICs developed directly by or for themselves.

The COVID-19 pandemic has highlighted the importance of access to a local thriving semiconductor ecosystem. Currently, with Asia accounting for 60 per cent. of global semiconductor sales, European authorities recognise the need to be less dependent on a handful of East Asian countries. As a result, to encourage local semiconductor design and production capabilities, the European Commission intends to adopt a “European Chips Act” in 2022. Similarly, the current UK government intentions are for the UK to become more self-sufficient in relation to the semiconductor industry.

The impact to date of the semiconductor shortage on EnSilica has been minimal given that it is able to pass through price increases to customers and its current bias is towards design rather than supply, with the latter starting to increase during 2022 and beyond as the pipeline of projects comes to fruition.

In the longer term, the Directors believe the impacts of supply shortage could ultimately benefit EnSilica. New capacity being built is based on 12 inch wafer technology and this larger diameter enables the production of more ICs from a single wafer which is more efficient and improves productivity. In the last 30 years foundries have progressed from producing 1 inch wafers to much of current capacity based on 8 inch wafers. The new planned capacity is generally based on 12 inch wafer technology which will require redesign work for ASICs originally planned to be produced using 8 inch technology which could create new opportunities for EnSilica.

In addition, the chip shortage has highlighted shortfalls in the supply chain which the Directors believe will encourage electronic systems companies to move towards vertical integration, whereby using ASICs they will bring strategic components under their control and not be exposed to shortages in particular “off the shelf” components.

ASICs

ICs are traditionally, in most cases, manufactured as “off-the-shelf” components, otherwise known interchangeably as either catalogue components or catalogue parts. Catalogue components or parts are designed to service a range of products and often interoperate with existing system components. Catalogue

components or parts are mass-produced and can benefit from economies of scale. Notwithstanding these benefits, ICs manufactured as catalogue components or parts may have disadvantages such as not being able to perform the desired function.

In contrast, semiconductor users are increasingly incorporating custom ASICs into their electronic products as opposed to off-the-shelf ICs or catalogue parts. The use of an ASIC or custom chip for a particular use provides many benefits over catalogue parts, including:

- **Space saving**

  Due to the ability to have full autonomy to select the composition of the chip, including the removal of unnecessary pins and functions, ASICs can be made smaller in dimension than traditional ICs. This has contributed to the ongoing size reduction of electronic devices.

- **Low power consumption**

  A custom design can select the appropriate technology and technique to optimise the power requirements of the system, delivering much lower overall power consumption than off-the-shelf components.

- **Greater functionality**

  An ASIC can offer features and functions that simply might not be achievable within design constraints using standard off-the-shelf catalogue components or parts

- **Product differentiation**

  With unique configurations, ASICs encourage the design and manufacturing of products that are distinguished from competitors.

- **Data security**

  ASICs have unique design codes, unlike traditional ICs which utilise generic design codes. Accordingly, ASICs are less susceptible to hackers manipulating the underlying design code as is more often the case for off-the-shelf ICs. This is reinforced through the ability to encrypt the ASIC as well as use random number, device ID and key storage mechanisms.

- **Intellectual property security**

  With many of the components integrated into one silicon device, fewer signals are exposed to potential hackers, giving fewer opportunities to steal sensitive data.

- **Supply chain resilience**

  ASICs can help reduce the number of ICs in a system through integration. This simplifies the supply chain and reduces the dependency on specific off-the-shelf ICs that may be in short supply due to their high demand.

Investment in an ASIC is one of the main ways of differentiating a product to make it stand out from the competition. Many leading companies have built products that incorporate ASICs, including:

- ***Apple***

  Apple, the American multinational technology company, has developed *Apple Silicon. Apple Silicon* is a series of systems-on-a-chip and system-in-package processors which are intended to form the basis of all future generations of Apple's iPhone, iPad, Apple TV and Apple Watch. Apple's 2020 MacBook Air incorporated the M1 chip, an early-stage *Apple Silicon* creation.

- ***Microsoft***

  Microsoft, the American multinational technology company which produces, amongst other things, computer software, consumer electronics and personal computers, has notably incorporated ASICs into the infrastructure of Microsoft Azure – a public cloud computing platform. Furthermore, Microsoft can get more performance out of its Azure servers through "Corsica" – an ASIC designed by Microsoft.

- ***Tesla***

  Tesla, the American electric vehicle and clean energy company, has incorporated ASICs into its driverless cars. Most notably, Tesla created the full self-driving chip as its home-grown custom-designed autonomous driving chip in 2019.

- ***Huawei***

  Huawei, the Chinese multinational technology company, through its subsidiary, Hisilicon Technologies Co., Ltd, has been developing and incorporating ASICs into its products since 1993.

- ***Cisco Systems***

  Cisco, the American multinational technology conglomerate, incorporates ASICs into its networking hardware. For example, the Cisco RF ASIC is used in its Catalyst 9120 and 9130 Wi-Fi 6 access points.

- ***Square***

  Square, the American financial services and digital payments company, founded in 2009 by Jack Dorsey, has been developing contactless payments ASICs since the acquisition of Kili Technology in 2015. This has enabled Square to provide a secure card reader to deliver its payment services for a low entry point of £16.

The ASIC market size is projected to reach US$27.6 billion by 2026, at a CAGR of 8.2 per cent. between 2021 to 2026.

3. Principal ASIC Markets

Automotive

The majority of the innovations taking place within the automotive sector now arise from electronics rather than mechanical changes. For example, market research suggests that the cost contribution of automotive electronics increased from around 20 per cent. of a new vehicle's price in 2007 to 40 per cent. in 2017. McKinsey & Co estimates 7 per cent. CAGR in the automotive software and electrical & electrical components market between 2020 and 2030 against an overall automotive market expected to grow at 3 per cent. CAGR in the same period.

The increased usage of electronics has directly contributed to a heightened demand for semiconductors within the automotive industry. For example, the estimated IC content per car in monetary value is expected to increase from US$380 in 2017 to more than US$590 in 2025, leading to the automotive semiconductor segment TAM growing from US$37.9 billion in 2020 to an estimated US$113.9 billion in 2030. The application of semiconductors in the automotive industry includes electric vehicles, infotainment systems, advanced driver assist systems, autonomous driving systems, connectivity, safety and security systems.

It is estimated by PwC that the automotive sector will be the fastest growing semiconductor market at least through 2022. This expected increase in demand for semiconductors is due to the increased manufacturing of electric and hybrid cars, which require twice the semiconductor content in comparison to a conventional combustion engine car. Currently, conventional cars account for almost 95 per cent. of the total revenues from the automotive market. IC Insights estimates that the semiconductor content per vehicle is five times higher for full automation systems when compared to partially automated systems.

Satellite Communication

Satellite communications will continue to play a vital role in interconnecting our new smart world, especially where geography and distance results in traditional cellular, Wi-Fi or narrow-band networks being ineffective. Examples include situations involving rural users and remote infrastructure, as well as cars, vessels, and planes. In addition to general communication, satellite communication uses extend to security and defence, safety management and analytics.

Space semiconductors provide enhanced system performance and efficiency by providing various advantages of standard components. More generally, ASICs are well placed to meet the specific demands of various satellite communication systems. For example, optimising the cost and power requirements for the next generation of mass market user terminals.

In 2020 the entire satellite industry generated US$271 billion in revenue, with around 43.5 per cent. of this revenue coming from the satellite communications sector. The satellite communications sector is forecast to be worth US$137.3 billion by 2028 with a CAGR of 9.8 per cent. from 2021 to 2028. Alongside this, the space semiconductor market is projected to grow from US$2.1 billion in 2021 to US$3.3 billion in 2028.

Looking more closely within the satellite communications sector, the global satellite broadband market is forecast to grow from 3.5 million users in 2021 to 5.2 million users in 2026, representing a CAGR of 8 per cent.

Furthermore, the dramatic reduction in satellite costs has resulted in increased data capacity, lowering the cost of data services. LEO satellites have around 35 times lower latency, or lag, compared to GEO communication latency, enabling a range of new services which need robust connectivity and fast response times. For example, the benefits of vehicles being constantly connected can include the ability to share mapping data and information, route optimisation, accident reduction, theft control, software updates, and vehicle maintenance and driver heath reporting.

According to a recent report by Northern Sky Research, growth is expected across all satellite land mobile segments resulting in a four-fold increase in revenues over the coming decade. However, it is the connected car segment that is the standout performer which is expected to become a US$1 billion market by 2029. Due to the large number of elements in the phased array antenna of the user terminal, mmWave chips, in which EnSilica specialises, will play a key role in reducing the size, power requirements and cost of the connected car terminals.

Industrial Applications

The ongoing evolution and widespread industrial demand for semiconductors now includes pressure and flow sensors, gas sensors and chemical sensors through to precision timers, ultrasonic sensor drivers and movement sensors. PwC predicts that the industrial market will grow with an expected CAGR of 10.8 per cent. through 2022 with the largest share of growth coming from the need for automation, transportation and solid-state lighting. The industrial market also has the 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.

Health Wearables

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 ear buds. Deloitte Global reported that 275 million consumer health and wellness wearable devices were shipped worldwide in 2021. It is 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 which are often prescribed by health care professionals but are increasingly becoming available off the shelf. The wearable medical devices segment is predicted to grow at the fastest rate of 19 per cent. CAGR, while smart watches and fitness trackers will grow at 11 per cent. CAGR, both from 2022.

Due to the power and size constraints of such devices and the requirement to interface to new sensors or implement processing techniques such as photoplethysmography, raman spectroscopy and infrared spectrophotometers, many device manufacturers require custom ASICs to release the next generation of their products.

4. Background and history of the Company

EnSilica was established in 2001 to initially provide consultancy services to the global semiconductor industry and was primarily involved in helping their customers design ASICs. EnSilica opened its first office in Wokingham, Berkshire in 2002 and gained ISO9001 certification in the same year. EnSilica continued to grow with multiple repeat design services projects and gained preferred design services supplier status with many companies. Customers included Nokia, ARM, Panasonic, Sony, Wolfson, Dialog Semiconductor and Tier 2 automotive companies.

The Company developed a number of semiconductor intellectual property designs which have been licensed to a range of customers. EnSilica's IP technology focus was on radar signal processing and encryption accelerator hardware, which has been supplied to many major semiconductor suppliers.

Following the conclusion by EnSilica that India offers the ability to scale and balance the cost base effectively, in 2012 EnSilica opened an office in Bangalore. The Indian office supports the UK operations as well as direct customers in India and internationally.

The high level of industry expertise, knowledge and contacts built up over the years working with a prominent client list, combined with the more attractive economics, led to the 2016 decision to pivot from consultancy to an ASIC design and supply model. Within the ASIC design and supply model EnSilica runs the end-to-end process through to final chip delivery, which requires upfront investment, however, delivers longer term and higher margin income streams. To accelerate this move, in October 2016, EnSilica acquired a team of mixed signal IC engineers and further intellectual property. Thereon, the Company made further internal investment and won customers and mandates for applications for the automotive and industrial sectors, as well as licensing its radar technology to major Tier 1 automotive companies.

The majority of the Company's growth to date has been funded from retained earnings. More recently, growth has been funded via unsecured long-term growth company debt facilities and the proceeds from the issue of the Convertible Loan Notes, negating the need to seek finance from sources such as private equity.

The Company was awarded the Queen's Award for Export Growth in 2018. The Company also featured in The Sunday Times' SME Exporter 100 List in 2018, coming in fifth place.

5. Business model, services and operations

Business model

EnSilica operates under the Fabless Semiconductor Model and, as well as design and consultancy services for ICs, provides an end-to-end service for development, production and supply of ICs from initial scoping and design through to the delivery of product.

Under the Fabless Semiconductor 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 as well as a strong reputation in the market which provides 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 the 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 in the circa 35 to 60 per cent. range. The gross margin will depend on the market and the level of co-founding funding of the NRE required. Part of EnSilica's expertise therefore is in the assessment of whether to proceed and invest in a particular IC project resulting in long-term component supply or royalty revenue for the Company.

ASIC design and supply process

At the core of EnSilica's offering is the design and supply of custom ASICs. EnSilica provides an end-to-end service, managing the complete supply chain of the custom ASIC. In brief, this process starts at the initial design specification stage and continues through prototype evaluation to final mass production and yield management. The process from commencement of design to start of production can take two to five years depending on the industry sector.

EnSilica's design and supply process of ASICs, as outlined above, consists of the following steps:

1. Customer enquiry and RFQ

   Potential customers enquire and make a request for quote ("RFQ") with EnSilica's sales representatives as appropriate. EnSilica also receives enquiries via referrals from existing customers, partner networks including Arm, TSMC and Global Foundries and its extensive network of industry contacts.

2. Initial technical and commercial assessment

   As the development of ASICs has long lead times, EnSilica will assess the technical and commercial viability of the customer's proposed ASIC. The technical assessment includes considering whether there are existing ICs on the market that can address the customer's needs. Similarly, EnSilica will assess the commercial viability of the proposed ASIC, including whether the end-product is likely to be a commercial success. As part of the commercial assessment, a budgetary estimate for the development NRE and the IC unit price is provided to the customer.

3. Specification phase

   In most cases the customer does not provide a specification detailing the requirements and performance requirements. EnSilica will ordinarily undertake a funded specification phase, which would be quoted to the customer in advance. This would include the development of an ASIC specification document and any associated models, along with a detailed project plan to assess the development NRE and technical work needed to calculate the device selling price.

4. Design phase

   EnSilica will work with the customer to design the ASIC according to the agreed specification. There will be a number of review phases with the customer to ensure that the ASIC meets the customer's technical and commercial needs.

5. Initial fabrication

   EnSilica will approach foundries in the specification phase to discuss the proposed ASIC, to ensure their capacity and get their commitment to supply the wafers for the ASIC. Following delivery of the design file to the foundry, the foundry will conduct design rule checks and fabricate the prototypes used for evaluation by both EnSilica and the customer.

6. Packaging

   EnSilica will coordinate with its packaging assembly partners to design the ASIC's packaging, according to the agreed ASIC specification. The purpose of the packaging is primarily to allow easy handling and assembly onto printed circuit boards and to protect the ASIC from damage.

7. Device evaluation

   Testing will be conducted on the prototype ASIC. Prototype evaluation will be conducted initially by EnSilica. EnSilica will commission automatic testing on the ASIC using preferred production test partners. Evaluation results are sent to the customer in order to consider whether any changes in the underlying ASIC are required. The customer will integrate the prototype device into their system to confirm the functionality meets their requirements as agreed in the ASIC specification.

8. Design changes

   Throughout the timetable, ongoing test results will be fed into the revised design of the ASIC and any adjustment made before committing to the final production mask set.

9. Device qualification

   EnSilica will commission a third party to conduct rigorous qualification on the ASIC. Testing and device qualification will be dependent on the intended use of the ASIC. For example, ASICs created for automobile usage will have to undergo accelerated life testing to meet the industry requirements of the AEC-Q100 device qualification standard.

10. First production run and mass production

    Following completion of qualification and sign-off for production, fabrication, packaging and testing of production devices will commence. Typically, this has a lead time of 16 weeks from order, although this has increased recently, due to short term global supply issues.

IC services and consultancy

In addition to designing and supplying ASICs, EnSilica engages in consultancy with companies who have their own IC design teams. These include Fabless Companies, IP licensing companies and automotive suppliers, where in this mode of working EnSilica is a Tier 3 service provider. The IC business model is a knowledge-based business requiring both application specific know-how and highly qualified and experienced staff. Accordingly, through engagement in a range of IC services contracts, EnSilica has accumulated significant know-how and methodologies for developing complex mixed signal and digital ICs, that underpin demand for its consultancy services.

Research and development and intellectual property

EnSilica invests significant resources in the design and development of silicon IP and ICs. Its design and engineering teams are highly regarded providers of complex mixed signal and RF solutions. The Company seeks continually to improve its existing portfolio, whilst also introducing new solutions, driven by its assessment of future market opportunities. EnSilica's large investment in R&D is reflected through the significant corporate tax relief that the Company receives each year as a result of such expenditure.

During the design of an ASIC for a client, EnSilica will often licence the use of third party IP, but the creation of custom ASICs also gives rise to associated intellectual property rights. It is customary for the IP rights associated with services to be retained by the customer, given their NRE investment. However, in relation to custom ASIC development, it depends on the individual engagement and the level of NRE paid by the customer. Notwithstanding this, EnSilica has developed and retained a portfolio of in-house silicon IP rights offered to customers for licensing, which includes:

- EnSilica eSi-ADAS™

  eSi-ADAS™ is a suite of radar accelerator IP used in high resolution automotive radar systems. This IP has been licensed by EnSilica since 2012 to automotive Tier 1 and Tier 2 customers.

- EnSilica eSi-Crypto

  EnSilica provides a comprehensive range of highly optimised encryption and authentication functionality technology, including true random number generators, cryptographic processing and public key acceleration. This IP offers low resource usage and high throughput. It has been licensed for a range of products from hearing aids to contactless payment systems.

To date, the Company owns three patents. Since its migration from a consultancy business, EnSilica intends to continue to build its IP portfolio to strengthen its design and supply offering and to provide an additional licensing revenue stream. A broad IP portfolio helps reduce third party licensing costs and time to market. Further details are set out below in paragraph 6, "*Customers and markets*".

Partnerships

EnSilica's reputation within the semiconductor industry has been reinforced through its strong network of partners. EnSilica works with a range of partners to build and maintain an end-to-end best in class supply chain. Partners include, but are not limited to, foundries (TSMC and Global Foundries), assembly and testing organisations (AES Technology Holding), IP vendors (Alphawave, ARM and Rambus) and EDA vendors (Cadence).

EnSilica is an Arm® Approved Design Partner. The Arm Approved Design Partner programme is a global network of design service companies endorsed by Arm. To secure Arm endorsement, EnSilica demonstrated a track record of success using Arm IP and successfully completed an audit by Arm.

Operations

United Kingdom

The majority of EnSilica's operations are in the UK with EnSilica's registered office and headquarters in Abingdon, Oxfordshire, as well as additional design centres in Wokingham and Sheffield. As of March 2022, EnSilica has 76 employees based in the UK.

India

EnSilica Indian Pvt Limited is a wholly owned subsidiary of EnSilica. It was incorporated in 2012 in Bangalore. There are 26 permanent staff in India as of March 2022. This team initially focused on digital verification, which requires many skilled engineers, but has now expanded to support other areas in the IC design flow. EnSilica India work directly for customers in India and internationally and they also work with the other EnSilica design centres on joint customer projects.

Brazil

In July 2021, EnSilica commenced operations in Porto Alegre in southern Brazil following the hiring of an existing team of engineers based in Brazil with expertise in digital and mixed signal design for smart cards and RF tags. There are 20 permanent staff in Brazil as of March 2022.

Sales and marketing

Commensurate with EnSilica's ambitious growth plans, EnSilica has a dedicated sales and marketing department who are responsible for originating sales leads and managing existing client relationships. Furthermore, EnSilica has dedicated sales partners strategically located across key geographical locations, including partners in Israel and Germany. EnSilica also makes use of sector specific sales representatives and distributors.

Due to the nature of the industry in which EnSilica operates in and EnSilica's successful track record of completing consulting engagements with leading multinational organisations, as well as its expertise in complex mixed signal and RF ASICs, EnSilica has historically not needed to pursue an aggressive marketing campaign to raise awareness of its services and track record. This is because sales leads are often generated through referrals by existing and former customers and through supply chain partners.

As an Arm® Approved Design Partner and founder member of the Arm Functional Safety Partner programme, EnSilica has access to global marketing opportunities. EnSilica works with Arm on joint marketing activity to promote custom ASICs. For example, EnSilica is acknowledged for providing the case studies in the book Custom Chips for Dummies commissioned by Arm.

6. Customers and markets

EnSilica has a broad international customer base. EnSilica's customers range from global corporations and OEMs to technology start-ups, including automotive Tier 2s, industrial OEMs, as well as software companies and service providers developing proprietary hardware. EnSilica is an approved supplier to Visteon Inc (NASDAQ: VC), Continental AG (ETR: CON), Vitesco Technologies (ETR: VTSC), Infineon Technologies ETR:IFX), AST Mobile (NASDAQ: ASTS) and Square Inc (NYSE: SQ), amongst others.

Customers and markets can be categorised into the following groups:

Automotive

EnSilica has predominantly acted as a Tier 3 service provider for the automotive industry to Tier 2 companies in relation to automotive IC chip developments and IP licensing. In this regard, to date, EnSilica's technical contact has been directly with the automotive Tier 2 market. As part of its design and supply strategy, the Company is now targeting more automotive Tier 1 and OEM organisations.

EnSilica secured its first mixed signal automotive ASIC design win in May 2018, with NRE being partly funded by the customer. This project progressed to shipping the Company's first prototypes in May 2019 with trial production ASICs in the middle of 2020. The main production runs are being scheduled to start in May 2022. The production schedules for more than 2.1 million devices up to March 2023 have been received. The device has an estimated seven-year production life and depending on the model, there will be up to 24 ASICs per vehicle. The ASIC provides a key selling feature for a new release of vehicles being released by a prominent OEM.

Tier 2 supplier strategy

As part of the Company's strategy to enter a new product market serving automotive Tier 1 and OEM organisations as an automotive Tier 2 supplier, the Company has undertaken a number of initiatives. Firstly, EnSilica conducted preliminary prototype development for an automotive Tier 1 organisation in 2018, with the intention of seeking feedback rather than generating revenue at full commercial value at the outset. EnSilica has qualified the product to meet the AEC-Q100 automotive standard as well as preparing the product to meet safety critical ASIC standard ISO26262. Secondly, EnSilica has performed a funded specification phase (proof of concept) and quoted for a driver monitor system. In addition, RFQ/RFIs for an actuator controller for a major OEM and pressure sensor ASICs for an automotive Tier 1 supplier have also been completed. Notwithstanding this, EnSilica will require additional investment to enable it to transition to an automotive Tier 2 supplier, including related R&D, and to be in a position to design, manufacture and supply ASICs to automotive Tier 1 and OEM organisations. Accordingly, part of the funds raised from the Fundraising will be used to co-invest in new ASICs with Tier 1s or OEMs, as well as commensurately developing a marketing and sales team capable of servicing new customers in the automotive Tier 1 and OEM organisations.

Satellite Communications

LEO satellites are being launched by SpaceX, OneWeb, Amazon, Geely, Telesat and many others to deliver low latency ubiquitous connectivity through a constellation of thousands of LEO satellites. They require ASICs as the satellites need to minimise their power consumption and minimise the weight of complex electronics. EnSilica is currently developing an ASIC for use in an advanced LEO satellite constellation for AST Space Mobile (NASDAQ: ASTS).

Mass market adoption of these constellations requires low-cost user terminals. Terminals necessitate a new generation of mmWave ICs as the prime components in a flat panel antenna. The target applications include rural, marine, residential internet connectivity, fleet telematics and in the future, automotive connectivity (the "connected car").

EnSilica was awarded a €2 million project from the UK Space Agency, as part of a European Space Agency programme, to develop an mmWave Ka-band transceiver IC targeted for a mass market connected car application. The IC is designed to be a key component in the next-generation, low-cost hybrid automotive communication terminals, enabling vehicles to always be connected. It is estimated that over a quarter (27 per cent) of automotive use cases will require satellite connectivity by 2025, and ubiquitous, high-speed connectivity will not be possible through the 4G/5G cellular network alone. Operating at up to 30 GHz, EnSilica's custom Ka-band CMOS integrated circuit will form part of an affordable, consumer-scale communications module supporting a flat panel electronically steerable phased array antenna. The hybrid module will communicate with LEO satellites, 4G/5G infrastructure and Wi-Fi communications to deliver high-capacity connectivity to cars, small vessels and aircraft.

This project is 75 per cent. funded by the UK Space Agency. This IC is unique in using standard mass market CMOS technology which provides a new level of cost and lower power compared to existing solutions which use expensive technologies to obtain the equivalent performance. A number of established and emerging satellite terminal suppliers have expressed an interest in using the ASIC.

More than 64 chips will be needed for a compact Ka-band antenna to deliver around 100Mbps connectivity with a LEO satellite. If 5 per cent. of vehicles produced each year (there were 91 million in 2019) are fitted with compact satellite terminals, this would require more than 270 million mmWave chips per year.

Industrial, healthcare and other sectors

Beyond automotive and connectivity for LEO satellites, EnSilica has developed ASICs for Industrial, IoT, mobile, consumer and smart healthcare. In particular, an industrial project for a client in the mining industry started in 2016 where the customer funded an NRE of US$1,200,000. The production life for this is estimated to be more than nine years, and production started in 2021. In addition, EnSilica has also completed the supplier approval process for one of the world's largest industrial OEMs who are a large consumer of ASICs, and now the Company is responding to multiple RFQs that the customer is seeking to award in 2022.

In addition, EnSilica has developed a test chip (which taped-out on 11 October 2021) for vital health signs monitoring using a low cost, lower power 130nm technology. The features include electrocardiogram, temperature and blood oxygen sensors as well as specialist capacitive sensors used for a range of micro-electro-mechanical systems and other healthcare sensors. This IC provides a platform for customers to evaluate the Company's technology delivering low-power vital signs measurement technology. It is expected to be available for evaluation by healthcare and wearable companies in 2023 and it offers an accelerated time to market for an ASIC or as a catalogue product.

The following types of prospective customers are currently within the Company's sales pipeline:

Customer type	*ASIC Application*	*Revenue type*
Major Industrial OEM	Arm based controller	Supply
Industrial OEM	Industrial H-Bridge controller	Supply
Foundry	Automotive H-Bridge controller	Royalty
Automotive Tier 1	Pressure sensor	Supply
Major US software corporation	Sensor for metaverse/VR	Supply
Satellite Service Provider	Payload ASIC	Royalty
Satellite equipment provider	Digital Beamformer	Supply
Satellite equipment provider	Ka-band RFIC	Supply
Satellite equipment provider	Ka-band Tx & Rx RFIC ASICs	Supply
Aerospace equipment provider	Data acquisition ASIC	Supply

7. Strategy

Historically, the majority of EnSilica's revenue was generated from its consultancy engagements. However, following a shift away from consultancy engagements to the design and supply model using the Fabless Semiconductor Model, EnSilica's revenue stream has started to diversify. EnSilica also benefits from R&D tax credits.

EnSilica intends to leverage the success of the scalability of the design and supply model and generate the majority of its revenue from full-service design and supply arrangements rather than its traditional consultancy arrangements. Although EnSilica has been developing ASICs for many years, it was only recently in 2020 that first production ASICs, under the Fabless Semiconductor Model, were shipped. EnSilica intends for ASIC production volumes to increase significantly over the next three years under the Fabless Semiconductor Model.

EnSilica's long term vision is to be the leading European supplier of choice for mixed signal ASICs for automotive, industrial, healthcare and satellite connectivity applications. The Board expects that growth will be fuelled by the global drive for greener, safer, smarter, connected vehicles and industrial mixed signal devices. This is expected to be achieved initially through ASICs but eventually lead to market driven catalogue parts. Furthermore, the satellite connected car market is being targeted by EnSilica to drive further growth and value in the business through the supply of mmWave chips. Accordingly, while EnSilica has received various RFQs/RFIs for ASICs from major global organisations, EnSilica intends to capitalise on the growth in their key market segments by providing a full turnkey mixed signal ASIC design, manufacture and supply offering.

In line with the broader industry, where major semiconductor manufacturers have seen growth through consolidation and vertical integration, EnSilica will seek to expand its offering in a similar fashion where appropriate.

8. Competition

The market for ASICs design and supply is competitive although recent consolidation across the semiconductor industry has reduced the number of viable competitors and created design opportunities for EnSilica.

Certain competitors have more financial resources than EnSilica, whilst others have a diversified set of catalogue parts. However, the Directors believe that the Company is positioned to succeed given the Company's extensive design expertise, differentiated silicon IP portfolio and silicon foundry partnerships, as well as its expertise in complex mixed signal ASICs.

In addition, EnSilica's team has significant RF experience and the Company has expertise in developing digital ICs, giving it the relevant skills to integrate processors and complex functions in products. Furthermore, unlike many mixed signal ASIC companies, EnSilica can develop analogue and digital IC in advanced process nodes, including substantial digital content as well as RF and analogue interfaces.

EnSilica's competition can be broadly categorised into the following groups:

1. **Fabless Companies** – similar to EnSilica. Key competitors include Dialog Semiconductor (XFRA: DLG) (acquired by Renesas Electronics Co. (OTCMKTS: RNECF)); AnSem (acquired by Cyient (India) in 2018); Triad Semiconductor (USA); ICSense (now part of TDK); Swindon Silicon Systems (UK) (Part of Sensata Technologies (NYSE: ST)) and Presto Engineering (France/Denmark);
2. **Design services companies** – companies that provide services and/or IP to help design all or part of an IC. They would not normally manage the supply chain but transfer the design to the customer or manufacturing partner. Due to acquisitions, the number of sizeable companies offering, like EnSilica, mixed signal design services is very limited. Companies who offer this include Synapse Design (India), ASIC North (USA) and CoreHW (Finland); and
3. **Catalogue IC suppliers** – these provide standard components, although they do customise these for customers. Examples of catalogue part suppliers who the Directors believe still customise ASICs for major customers include: Infineon (OTCM: IFNNY); ST Microelectronics (XFRA: SGM); Onsemi (NASDAQ: ON); and Dialog Semiconductor (XFRA: DLG) (acquired by Renesas Electronics Co. (OTCMKTS:RNECF)).

EnSilica often competes with these large well-funded semiconductor companies, however, the Directors believe the catalogue IC suppliers have fixed road maps and are not agile enough to deploy design teams for a custom ASIC development in the timescales needed to secure a design win.

As well as a shortage of chips, there is a worldwide shortage of chip designers, and, therefore, the Directors believe companies with analogue and RF skills, like EnSilica, are highly valued. Analogue and RF have always been a key strength of the European semiconductor industry – there have been numerous mixed signal companies with multi-billion valuations, and these include Dialog Semiconductor, Cambridge Silicon Radio and Nordic Semiconductor.

9. Financial Information

Part III of this document contains consolidated audited historical financial information of the Group for the three years ended 31 May 2021 and consolidated unaudited historical financial information of the Group for the six months ended 30 November 2020 and 2021.

The following summary of the audited financial information relating to the Group's activities for each of the three years to 31 May 2021 and the six months to 30 November 2021 has been extracted without material adjustment from the financial information on the Group set out in Part III of this document. **In order to make a proper assessment of the financial performance of the Group's business, prospective investors should read this document as a whole and not rely solely on the key or summarised information in this section.**

	Year ended 31 May 2019 (audited) £'000	*Year ended 31 May 2020 (audited) £'000*	*Year ended 31 May 2021 (audited) £'000*	*Six months ended 30 November 2021 (unaudited) £'000*
Revenue	6,270	6,452	8,607	6,957
Gross profit	3,175	2,938	2,057	1,856
Gross margin (%)	50.6	45.5	23.9	26.7
Operating profit/(loss) excluding impairment of intangible assets	627	276	(169)	(165)
Impairment of intangible assets	–	(450)	(2,019)	–
Profit/(loss) before tax	590	(389)	(2,733)	(465)
Tax	544	550	658	300
Profit/(loss) for the year	1,134	161	(2,075)	(165)

An unaudited pro-forma statement of net assets is contained in Section E of Part III of this document to illustrate the effect of the CLN Conversion, Fundraising and Admission on the Group.

The Company's audited financial results and annual report for the year ending 31 May 2022 will be published by November 2022.

10. Current Trading and Prospects

The Group made a strong start to the financial year ending 31 May 2022, with revenue growth of 151 per cent. to £6.96 million in the first half of the financial year (June to November 2021), compared to £2.7 million in the first half of the prior financial year (June to November 2020). This was driven by two customers with combined revenues of £4.1 million, one being an NRE project and the other a major consultancy contract.

For the period from 30 November 2021, being the date to which the historical financial information in Part III of this document has been prepared, to the date of this document trading was in line with the Board's expectations and as at 30 April 2022, the Group had an unaudited cash balance of £1.16 million. The Convertible Loan Issue was completed in February 2022 and raised gross proceeds of £1.375 million.

The Group continues to focus on improving the revenue split between NRE and Consultancy. Since 31 May 2020, NRE has grown from 10.7 per cent. to 24.9 per cent. of total revenue in the year ended 31 May 2021 and to 35.2 per cent. in the six months to 30 November 2021. The Company maintains a level of consultancy works 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 three EnSilica ASICs are at the design stage. Furthermore, EnSilica is working on costings with clients for several additional projects and paragraph 6 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.

11. Directors and Senior Management

Directors

Mark Hodgkins *(aged 65), Executive Chairman*

Mark is a qualified Chartered Accountant and a former partner with Grant Thornton and Ernst & Young. Since leaving Ernst & Young in 2005, he has served as CEO of several engineering businesses and a private industrial holding company. Mark is currently CFO of AIM-listed Trackwise Design PLC an innovative PCB

manufacturing company. Mark previously announced that he will be stepping down from his role as CFO of Trackwise Design PLC in June 2022. Mark started working with EnSilica in May 2016.

Ian Lankshear *(aged 54), Chief Executive Officer*

Ian co-founded EnSilica in 2001. Under his stewardship, the Company has enjoyed sustained growth based on market leading opportunities, innovation and export success. Ian has a 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 *(aged 52), Chief Financial Officer*

Matthew is a qualified Chartered Accountant. He has held senior finance roles at Unipart Group, British American Tobacco PLC, Cosine UK Limited and PV Crystalox Solar PLC (PVCS). Between 2009 and 2020, Matthew was Chief Financial Officer and Group 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.

David Tilston *(aged 64), 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 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 Chairman 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.

Janet Collyer *(aged 64), Non-Executive Director*

Janet is an experienced senior international group director with a proven strategic and ecosystems management track record 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 and the Chair at Machine Discovery Ltd.

Wasim 'Woz' Ahmed *(aged 50), Non-Executive Director*

Woz is a seasoned senior executive with an established track record in the semiconductor industry, spanning strategy, M&A, marketing and business development. With a BEng (Hons) in Electronics from Kingston University and a Henley MBA, Woz spent 15 years at Imagination Technologies, latterly as Chief Strategy Officer and Chief of Staff. He previously held management roles at Arc and Hitachi. Woz is currently working as a C-level consultant.

Noel Hurley *(aged 54), 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 the COO of healthcare company Toumaz. Noel also sits on the board of Bodle Technologies as Chair. Noel holds a BSc in Electrical and Electronic Engineering.

Senior Management

Alan Wong, *Senior Vice President of Engineering*

Alan joined EnSilica in 2016. He has more than 20 years of experience in semiconductor development, initially in technical positions at Tokyo Electron and Sony Semiconductor, and then as an IC Design Director at Frontier Microsystems & Toumaz Ltd, where he led the design and delivery of SoC products for medical and consumer markets. Alan is a Chartered Engineer, MIET, Senior member IEEE, and served as TPC member for ISSCC and on IEEE802.15 standards committee. Alan holds a MEng degree in Engineering from the University of Oxford.

Patrick McNamee, *Vice President of Manufacturing Operations and Quality*

Patrick has been at EnSilica for over four years and has set up all of the Company's operations functions to manage a growing supply business. Prior to this Patrick has over 30 years of senior management experience, gained from a range of start-up and multinational technology companies including CSR, Dialog Semiconductor and National Semiconductor. Patrick has a broad range of technical skills relating to the manufacture and reliability of semiconductors. During his career, he has successfully worked on significant product and technical projects with customers that include household names in consumer and automotive electronics in locations throughout Europe, Asia and the US.

Bernard Wu, *Vice President of Sensing and Control Business Unit*

Bernard has over 20 years' experience in display technology, specialized in TFT display driver IC, touch controllers, Touch and Display Integration and high-speed interface controllers for a broad range of applications such as mobile phones, wearables and VR devices. Previously he held business operations director and senior management position in Solomon Systech in Hong Kong. He is experienced in product strategies, product planning and cross-functional team leadership in the Fabless Company environment. Bernard graduated from the University of Oxford with an MEng(hons) degree in Engineering Science.

Paul Morris, *Vice President of RF & Comms Business Unit*

Paul has over 30 years' experience in senior technical and commercial roles at Qualcomm, CSR, Cadence and Philips as well as a variety of Cambridge-based start-ups. He began his career working on various digital wireless technologies and also specialised in semiconductor systems since 2001. Paul holds a First-Class Honours degree in Electronic Engineering and is a Chartered Engineer at the IET, Project Management Professional in good standing and is the author of several patents covering wireless technologies.

Ramesh Doddamane, *Vice President of Design Services Business Unit*

Ramesh has over 30 years' experience in the semiconductor industry focusing on verification, validation, programme and people management. Ramesh worked with Cypress semiconductors, where he was one of the early employee's in India tasked with building the verification team. He has also worked with design service company KPIT, managing major customer accounts such as ST, LSI , Cypress and NXP. Ramesh has also spent four years in California working with semiconductor start-ups. Ramesh is responsible for the overall management of EnSilica's Bangalore office and EnSilica's design services business unit.

12. Admission, Settlement and CREST

Application will be made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will take place, and that dealings in the Ordinary Shares on AIM will commence, at 8.00 a.m. on 24 May 2022.

CREST is a paperless settlement system in the United Kingdom enabling securities to be evidenced otherwise than by a certificate and to be transferred otherwise than by a written instrument. The Articles permit the holding of Ordinary Shares under the CREST system and the Company has applied for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system, if any Shareholder so wishes.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

13. Reasons for Admission to AIM

The Directors believe that the Group has reached a stage in its development where it will benefit from a quotation on AIM and that, as well as providing the Company with the net proceeds of the Fundraising, this will:

- enhance both transparency and international profile of the Company with existing and potential customers;
- allow the Company to access equity capital creating flexibility to fund growth and support potential M&A opportunities;

- position the Company such that it can attract, recruit and retain key employees who may be further incentivised through share option schemes; and
- enable existing shareholders to participate in the future growth of the Company.

14. Details of the Fundraising

The Fundraising, which involves the EIS/VCT Placing, the General Placing and the Subscription, will raise gross proceeds for the Company of £6 million (before estimated expenses of £1.1 million).

Allenby Capital has, as agent for the Company pursuant to the Placing Agreement, conditionally agreed to use its reasonable endeavours to procure Placees for the Placing Shares at the Placing Price. The Placing Shares will be placed with a limited number of institutional and other investors introduced by Allenby Capital. The Placing has not been underwritten by Allenby Capital.

The Placing Shares (excluding the Sale Shares) represent approximately 16 per cent. of the Enlarged Issued Share Capital and will raise gross proceeds for the Company of £6 million (before estimated expenses of £1.1 million). On Admission the Company will have a market capitalisation of approximately £37.6 million at the Placing Price.

The Placing Shares will, where applicable, be issued credited as fully paid and will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions thereafter declared, made or paid on the Enlarged Share Capital.

The allotment of the New Ordinary Shares will be conducted in two separate tranches over two business days to assist investors in the EIS/VCT Placing to claim certain tax reliefs available to EIS and VCT investors. It is intended that the Company will issue the EIS/VCT Placing Shares to the persons nominated by the Company in accordance with the Placing Agreement with effect from no later than 5.00 p.m. on 23 May 2022, being one Business Day prior to Admission. The issue of the EIS/VCT Placing Shares will not be conditional on Admission.

It is intended that the Company will issue the General Placing Shares in accordance with the Placing Agreement with effect from no later than 8.00 a.m. on 24 May 2022. The issue of the General Placing Shares will be conditional on Admission.

Investors should be aware of the possibility that only the EIS/VCT Placing Shares might be issued and that none, or only some, of the General Placing Shares and Subscription Shares are issued. Investors should also be aware that Admission might not take place. Consequently, even if the EIS/VCT Placing Shares have been issued there is no guarantee that the placing of the General Placing Shares and the Subscription will become unconditional. The working capital statement set out in paragraph 17 of Part IV of this document assumes that all of the New Ordinary Shares are issued and that Admission takes place. If all of the New Ordinary Shares are not issued and Admission does not take place the Company may not be able to implement the strategy and growth plans as outlined in this document.

EIS and VCT investors should be aware that the Directors cannot guarantee that the EIS/VCT Placing Shares will be able to be treated as qualifying for EIS Relief or as qualifying holdings under the VCT scheme within the meaning of Part 6 of the Income Tax Act 2007.

The Placing is not underwritten and, other than in respect of the EIS/VCT Placing Shares, is conditional, *inter alia*, upon Admission becoming effective and the Placing Agreement becoming unconditional in all other respects and not being terminated by 8.00 a.m. on 24 May 2022 or such later date (being no later than 7 June 2022) as the Company and Allenby Capital may agree. The Placing Agreement contains provisions entitling Allenby Capital to terminate the Placing in certain customary circumstances prior to Admission becoming effective. If this right is exercised, the Placing will lapse and Admission will not occur.

The Company has received direct subscriptions for the Subscription Shares from the Subscribers at the Placing Price pursuant to the terms of the Subscription Letters. The Subscription Shares will be issued at Admission. The Subscription is not underwritten.

Further details of the Placing Agreement and Subscription Letters are set out in paragraphs 14.1 and 14.2 of Part IV of this document.

In addition, the Selling Shareholders, comprising some of the founder and early stage shareholders of the Company (but not including any of the Directors) will sell 300,000 Ordinary Shares pursuant to the Selling Shareholders Agreement raising proceeds of sale for the Selling Shareholders of £150,000, before expenses. Further details of the Selling Shareholder Agreement and a list of the Selling Shareholders are set out in paragraph 14.3 of Part IV of this document.

Use of Fundraising Proceeds

The net proceeds of the Fundraising will be used to primarily develop further the Company's depth and strength of offering to enable it to win and execute further design and supply contracts. This will be achieved through, *inter alia*, having a stronger balance sheet and selective hiring, providing the capability to develop new IP and catalogue parts and better positioning EnSilica in negotiating contract terms.

A stronger balance sheet will give EnSilica increased flexibility to fund a larger share of NRE costs in contracts, should EnSilica choose, which could help it win more business, gain more attractive longer-term economics and build its IP portfolio. Funding a larger part of the NRE typically enables ownership of the IP created in the ASIC design which brings long term benefits.

In addition, with a strengthened balance sheet EnSilica will be able to invest in further R&D to expand its portfolio of catalogue parts. Although the upfront cost is borne by EnSilica, if the IP is selected by a customer then EnSilica typically receives a high margin royalty stream.

The strengthened balance sheet, as well as a quotation on AIM, will also add financial credibility to EnSilica when dealing with larger customers.

EnSilica intends to expand its workforce in the areas of engineers, sales and application support, to facilitate new business and the Group's expansion:

- **Engineers:** Commensurate with the shortage of semiconductors is a shortage of semiconductor design engineers. The strengthened balance sheet is expected to help EnSilica to hire high quality engineers or teams of engineers should they become available. EnSilica previously hired a complete design team when it first moved into design and supply in 2016 and hired further teams when it set up the Sheffield and Brazil offices. The Company needs to have the financial ability to not only move quickly and hire engineers when they become available but also to fund the period to revenue generation which can last several months.
- **Sales:** Due to EnSilica's successful track record of completing consulting engagements with leading multinational organisations, much of EnSilica's work comes through referrals and through supply chain partners. Furthermore, EnSilica has dedicated sales partners strategically located across key geographical locations, including partners in Israel and Germany. Despite the success to date, EnSilica is looking to strengthen the team especially through hires that are capable of servicing the blue-chip customers it is targeting in automotive Tier 1 and OEM organisations.
- **Application Support:** EnSilica has launched chips for assessment that can be modified around a customer's own specific design needs, such as its healthcare IC and satellite terminal IC referred to above. The Company would like to build a dedicated Application Support team to promote its products and to enable its design engineers to focus on new development work.

The proceeds raised as a result of the EIS/VCT Placing will be used to position the Company into a new market, namely, to fully service automotive Tier 1 and OEM organisations with the full design, manufacture and supply of ASICs. This includes related R&D costs, and to establish a sales network for the new market, and related working capital requirements.

15. Lock-Ins and Orderly Market Arrangements

Pursuant to the Lock-in Agreements, the Locked-in Shareholders (comprising the Directors and certain employees and other shareholders), who together hold Ordinary Shares representing approximately 77 per cent. of the Enlarged Share Capital, have agreed that, subject to certain exceptions, they will not dispose of Ordinary Shares held by them during the period of two years from the date of Admission except with the

prior written consent of Allenby Capital. In addition, they have each have agreed with Allenby Capital only to dispose of Ordinary Shares held by them for a further period of twelve months from the expiry of the Lock-in Period in accordance with certain orderly market principles. In addition, certain other employees, who together hold Ordinary Shares representing approximately 3 per cent. of the Enlarged Share Capital, have agreed that, subject to certain exceptions, they will not dispose of those Ordinary Shares for 21 months from the date of Admission.

Details of these arrangements are set out in paragraph 14.4 of Part IV of this document.

16. Share Option Plans

The Directors recognise the importance of the Company's ability to recruit, incentivise and retain its key employees. Therefore, the Directors believe that certain employees should be given the opportunity to participate in share incentive arrangements to align them with the success of the Company going forward.

2017 EMI Plan

The Company currently operates the 2017 EMI Plan, under which certain of the Group's employees currently hold options over a total of 424,440 Ordinary Shares, representing approximately 0.56 per cent. of the Enlarged Share Capital, normally exercisable from 23 February 2024 at £0.001 per Ordinary Share. No further awards will be made under the 2017 EMI Plan following Admission.

2022 LTIP

The Group has adopted a new share incentive plan suitable for the Company post-Admission and intended to be operated in anticipation of and following Admission. As at the date of this document, options over a total of 6,461,500 new Ordinary Shares have been granted, conditional upon Admission, to certain Directors and employees pursuant to the 2022 LTIP, exercisable at the Placing Price. The interests of the Directors in options granted under the 2022 LTIP are set out in paragraph 7.3 of Part IV of this document. Further details of the 2022 LTIP are set out in paragraph 12.2 of Part IV of this document.

Other share options

The Non-Executive Directors have been granted non-performance related share options over a total of 200,000 Ordinary Shares, further details if which are set out in paragraphs 7.3 and 7.4 of Part IV of this document. Ian Lankshear has been granted the IL Option, further details of which are set out in paragraph 7.5 of Part IV of this document.

17. Loan Note Conversion Shares

On 23 December 2021, the Company constituted £1,375,000 of 10 per cent. convertible redeemable loan notes pursuant to the Convertible Loan Note Instrument. The proceeds generated from the Convertible Loan Notes are being used to provide working capital to address an increase in customer demand for ASICs in EnSilica's core markets prior to Admission. Pursuant to the Convertible Loan Note Instrument, the Convertible Loan Notes were issued to the Convertible Noteholders (which included Ian Lankshear, Mark Hodgkins and Matthew Wethey). The Convertible Loan Notes and accrued interest shall automatically convert on Admission to 3,231,805 Ordinary Shares in the Company at a 12 per cent. discount to the Placing Price.

18. Dividend Policy

The primary purpose of the Fundraising is to provide growth capital with which to fund and accelerate the continuing expansion and development of the Group's business. Accordingly, the Board does not intend that the Company will declare a dividend in the near term, however, available cash resources of the Group will be channelled into funding its expansion. Thereafter, the Board intends to commence the payment of dividends only when it becomes commercially prudent to do so, having regard to the availability of distributable profits and the funds required to finance continuing future growth.

19. Corporate Governance

The Board recognises the importance of sound corporate governance and intends to adopt on Admission. The QCA Corporate Governance Code as published by the Quoted Companies Alliance (the "QCA Code") as they consider appropriate for the Company's size, nature, stage of development and resources.

All AIM companies must provide details on their website of the recognised code that the company has decided to apply, how it complies with that code and where it departs from this, an explanation of the reasons for doing so.

From Admission, the Group's website at www.ensilica.com will set out how the Company complies with the QCA Code and is set out in paragraph 13 of Part IV of this document.

Following Admission, it is expected that the Board will meet at least every two months to review, develop and approve the Company's strategy, budgets and corporate actions and oversee the Company's progress towards its goals. It has established an audit committee and a remuneration committee with formally delegated duties and responsibilities and with written terms of reference. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises. Due to the size of the Company, the Board has decided that issues concerning the nomination of directors will be dealt with by the Board rather than by a specific nomination committee. In view of Mark Hodgkins role as executive chairman of the Company, Janet Collyer has been appointed as the senior independent director.

Audit committee

The audit committee is chaired by David Tilston and its other members are Janet Collyer, Woz Ahmed and Noel Hurley, all of whom are independent non-executive directors. The audit committee is expected to meet formally at least twice a year and otherwise as required. It will have the responsibility for ensuring that the financial performance of the Company is properly reported on and reviewed. Its role also 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 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 external auditors.

Remuneration committee

The remuneration committee is chaired by Janet Collyer and its other members are David Tilston, Woz Ahmed and Noel Hurley, all of whom are independent non-executive directors. The Remuneration Committee will review the performance of the executive Directors and make recommendations to the Board on matters relating to their remuneration and terms of employment. Under its terms of reference, the Remuneration Committee is required to meet at least twice a year and is responsible for ensuring that the Company can recruit and retain Executive Directors, officers and other key employees who are fairly rewarded (which extends to all aspects of remuneration) for their individual contribution to the overall performance of the Group. No director will be allowed to partake in any discussions as to their own remuneration.

Share dealing code

With effect from Admission, the Company will operate its share dealing code (the "**Share Dealing Code**"), which is compliant with Article 19 of UK MAR and Rule 21 of the AIM Rules for Companies. The Share Dealing Code will apply to any person discharging managerial responsibility, including the Directors, and the senior management and any closely associated persons and applicable employees.

The Share Dealing Code imposes restrictions beyond those that are imposed by law (including by the FSMA, UK MAR and other relevant legislation) and its purpose is to ensure that persons discharging managerial responsibility and persons connected with them do not abuse, and do not place themselves under suspicion of abusing, price-sensitive information that they may have or be thought to have, especially in periods leading up to an announcement of both financial results. The Share Dealing Code sets out a notification procedure which is required to be followed prior to any dealing in the Company's securities.

20. Environmental, Social and Governance (ESG)

The Company believes that corporate responsibility and transparency is of significant importance. The Group has set out and will continue to set out its Modern Slavery and Human Trafficking Statement. Additionally, the Company maintains a whistleblowing policy, a bribery and corruption policy, an employee code of conduct and a supplier code of conduct. The Company undertakes due diligence when considering new suppliers and regularly reviews existing suppliers to ensure compliance with the Company's internal ESG policies and values. Moreover, the Company will endeavour to implement additional ESG policies post Admission. Additionally, a Green Procurement Policy will be considered to ensure that all of the Company's suppliers also participate in sustainable practices. Over the medium term, the Company will strive to enhance its ESG reporting to provide investors and the wider public with further transparency on the Group's commitment to positive environmental and social impact.

21. Anti-bribery and corruption policy

The government of the United Kingdom has issued guidelines setting out appropriate procedures for all companies to follow to ensure that they are compliant with the Bribery Act 2010 ("Bribery Act") which has been in force since 1 July 2011. In the light of the Bribery Act the Company has in place an anti-bribery and corruption policy and has implemented procedures the Board consider appropriate. The Board will keep compliance under review.

22. Taxation

Information regarding taxation is set out in paragraph 20 of Part IV of this document. This information is intended only as a general guide to the current tax position in the UK. **Any investor who is in any doubt as to his or her tax position, or is subject to tax in a jurisdiction other than the UK, should consult his or her own independent professional adviser without delay.**

23. EIS and VCT Status

Provisional clearance has been obtained from HM Revenue & Customs that the Group's business qualifies for EIS Relief under EIS. In addition, the Company has been advised that a subscription for Ordinary Shares by a VCT is capable of being a 'qualifying holding' for VCT Relief up to a maximum of £3.53 million. Although qualifying investors should obtain tax relief on their investments under EIS Relief or VCT Relief, neither the Company nor the Directors can provide any warranty or guarantee in this regard. Investors must take their own advice and rely on it.

Neither the Company nor the Directors give any warranties or undertakings that EIS Relief or VCT Relief if granted will not be withdrawn or that the business will be managed in such a way as to preserve EIS or VCT relief. Investors must take their own advice and rely on it. If the Group carries on activities beyond those disclosed to HM Revenue & Customs, then shareholders may cease to qualify for the relevant tax benefits.

24. The City Code on Takeovers and Mergers and Concert Party

The Takeover Code applies to the Company. Under Rule 9 of the Takeover Code, any person who acquires an interest in shares which, taken together with shares in which that person or any person acting in concert with that person is interested, carry 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code is normally required to make an offer to all the remaining shareholders to acquire their shares.

Similarly, when any person, together with persons acting in concert with that person, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of such a company but does not hold shares carrying more than 50 per cent. of the voting rights of the company, an offer will normally be required if any further interests in shares carrying voting rights are acquired by such person or any person acting in concert with that person.

An offer under Rule 9 must be made in cash at the highest price paid by the person required to make the offer, or any person acting in concert with such person, for any interest in shares of the company during the 12 months prior to the announcement of the offer.

Concert Party

Persons acting in concert include persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate, to obtain or consolidate control of that company. The Company has agreed with the Takeover Panel that the following persons are acting in concert in relation to the Company: Ian Lankshear, Richard Marley, Richard Hamer, Marc Castells and their respective families, trusts and associates (the "**Concert Party**").

Ian Lankshear, Richard Marley and Richard Hamer are considered to be acting in concert by virtue of them co-founding the Company in 2001 and their continued involvement in the business. Marc Castells is considered to be acting in concert by virtue of his shareholding and length of service as an employee in the Company since 2005.

As at the date of this document and assuming the Capital Reorganisation has occurred, the Concert Party holds, in aggregate, 34,940,492 Ordinary Shares, representing approximately 58.23 per cent. of the issued share capital of the Company. On Admission and following participation by certain members of the Concert Party in the Fundraising and conversion of the Convertible Loan Notes held by them, the Concert Party will be interested in 34,758,456 Ordinary Shares, representing approximately 46.20 per cent. of the Enlarged Share Capital and voting rights of the Company.

In addition, on Admission Ian Lankshear will hold options over 3,000,000 Ordinary Shares pursuant to the 2022 LTIP (the "**Concert Party Options**"), which will represent approximately 3.99 per cent. of the Enlarged Issued Share Capital. Assuming that the Concert Party Options, which will not be fully vested at Admission, were exercised in full, the members of the Concert Party could hold, in aggregate (and assuming that no other person converts any convertible securities or exercises any options or any other right to subscribe for shares in the Company), a maximum of 37,758,456 Ordinary Shares, representing approximately 48.26 per cent. of the Company's issued share capital at that time.

Following Admission, the Concert Party will be interested in shares carrying more than 30 per cent. of the voting rights of the Company but will not hold shares carrying more than 50 per cent. of the voting rights of the Company. For so long as they continue to be acting in concert, any increase in their aggregate interest in shares will be subject to the provisions of Rule 9.

The exercise by Ian Lankshear of the Concert Party Options would normally trigger an obligation for an offer to be made under Rule 9. However, the Panel has agreed to waive this obligation such that there will be no requirement for an offer to be made in respect of the exercise of such Concert Party Options

Details of Ordinary Shares held by the Concert Party are set out in paragraph 10.2 of Part IV of this document.

25. Additional Information

Prospective investors should read the whole of this document, which provides additional information on the Company, the Fundraising and Admission and not rely on summaries or individual parts only. In particular, the attention of prospective investors is drawn to Part II of this document which contains a summary of the risk factors relating to an investment in the Company.

PART II

RISK FACTORS

AN INVESTMENT IN COMMON SHARES IS HIGHLY SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK. THE ATTENTION OF PROSPECTIVE INVESTORS IS DRAWN TO THE FACT THAT THE GROUP IS SUBJECT TO A VARIETY OF RISKS WHICH, IF ANY WERE TO OCCUR, COULD HAVE A MATERIALLY ADVERSE EFFECT ON THE GROUP'S BUSINESS AND/OR FINANCIAL CONDITION, RESULTS OR FUTURE OPERATIONS. IN SUCH CASE, THE MARKET PRICE OF THE COMMON SHARES COULD DECLINE AND INVESTORS MIGHT LOSE SOME OR ALL OF THEIR INVESTMENT.

In addition to the information set out in the rest of this document, the following risk factors in this Part II should be considered carefully in evaluating whether to make an investment in the Company. The following factors do not purport to be an exhaustive list or explanation of all the risk factors involved in investing in the Company and they are not set out in any order of priority. Additionally, there may be risks not mentioned in this document of which the Board is not aware or believes to be immaterial, but which may, in the future, adversely affect the Group's business and the market price of the Ordinary Shares. In particular, the Group's performance may be affected by changes in the market or economic conditions and by legal, regulatory and tax requirements.

Before making a final investment decision, prospective investors should consider carefully whether an investment in the Company is suitable for them and, if they are in any doubt, should consult with an independent financial adviser authorised under FSMA which specialises in advising on the acquisition of shares and other securities in the UK or another appropriate financial adviser in the jurisdiction in which such investor is located.

RISKS FACTORS RELATING TO THE BUSINESS AND THE OPERATIONS OF THE GROUP

The Group generates a significant amount of its revenue from a limited number of large customers

While the Group supplies products and services to several customers, it depends on a limited number of large customers for a significant proportion of its revenue. For the half year ended 30 November 2021, the Group's two largest customers accounted for approximately 59 per cent. of total revenue with the largest customer accounting for approximately 35 per cent. of total revenue.

If the Group's commercial relationship with any such key customer is terminated or significantly altered for any reason, the Group's business, its results of operations and/or its financial condition could be materially adversely affected.

Furthermore, EnSilica may make fewer sales to these customers for several reasons, including, but not limited to:

- reduced demand for customers' products and services, including as a result of cyclical downturns that disproportionately affect the sectors in which the Group operates;
- inability to secure orders, whether as a result of, *inter alia*, a failure to offer competitive terms or a customer's desire to diversify their supplier base;
- reduced or delayed customer requirements;
- curtailment or temporary suspension of production due to a shortage of components or sub-components; or
- bankruptcy or insolvency of a customer.

Any of these factors could have a material adverse effect on the Group's business, financial condition and results of operations.

Some of the Group's contracts with its customers include terms unfavourable to the Group

The Group contracts with a variety of OEMs, Tier 1 suppliers and other customers, many of whom are significantly larger than the Group. Whilst the Group seeks to negotiate contracts on terms that it considers are the most beneficial to it in the circumstances, the majority of the Group's client contracts, particularly automotive, are sourced through RFQ processes where the Group has limited scope for negotiation of standard contract terms. As such, these contracts contain provisions which might ordinarily be regarded as onerous, including without limitation and uncapped indemnities, but which are not unusual in a procurement context.

In the event of a successful claim against EnSilica under such contracts, the Group could be liable for substantial damages awards which could materially and adversely affect its financial performance and financial condition.

Some of the Group's contracts with its customers can be terminated at short notice

Certain of the Group's contracts, including those with its largest customers, contain standard terms and may be terminated by customers at short notice and without cause. The Directors believe these terms are in line with the majority of the industry and that contracts are unlikely to terminated during a production cycle, however, if these contracts were to be terminated, it could materially harm the financial condition and results of the Group.

The Group operates in a competitive environment and certain customers of the Group may also be considered rivals

The market for ASICs design and supply is competitive and the Group's performance could also be impeded if its competitors adopt aggressive pricing policies, offer more appealing products/services or adapt more quickly to changes in technology or customer preferences and trends. Certain of the Group's competitors may possess greater financial resources, newer or better technology and materials, greater economies of scale, stronger brand recognition and customer loyalty and/or better entrenched relationships with customers as compared to the Group, any of which may give them a competitive advantage over the Group and could result in a loss of market share for the Group. The Group may be compelled to respond to such competitive pressures by lowering prices and/or increasing expenditures, leading to a decrease in its profit margins or free cash flow. Actions taken by the Group's competitors and the Group's response thereto may have a material adverse effect on its business, results of operations and financial condition. Likewise, the Group's failure to adapt to these or other changes in the competitive landscape could result in decreased revenue, lower profit margins and loss of market share, which would have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group's business success depends on its ability to maintain high quality products and processes

As a designer and supplier of custom ASICs to the automotive, satellite communications, industrial, healthcare and other sectors, a determining factor for the Group's customers in purchasing EnSilica products and services are the quality of its custom ASICs and design processes. A decrease in the actual or perceived quality of its products or services and processes could damage the Group's image and reputation as well as those of the products. In addition, defective products could result in loss of sales, loss of customers and loss of market acceptance or could damage the Group's reputation and market perception, which in turn could have an adverse effect on its current and future sales and results of operations.

Change in the cost of labour

An increase in labour and employee benefit costs in certain low-cost countries in which the Group operates such as India and Brazil may adversely affect the Group's operating costs and compromise EnSilica's competitiveness. A shortage in the labour pool or other general inflationary pressures or changes will also increase the Group's labour costs. Any increases in labour costs could have a material adverse effect on the Group's prospects, operating results and financial condition.

Management of growth

The Group's growth plans may place a significant strain on its management and operational, financial and personnel resources. Further, the ability of the Group to implement its strategy requires effective planning

and management control systems. Therefore, the Group's future growth and prospects will depend on its ability to manage this growth. The value of an investment in the Company is dependent upon the Company achieving the aims set out in this document. There can be no guarantee that the Company will achieve or manage the level of success that the Directors expect.

Funding risks

While the Group is funded primarily with equity, it also has borrowings, amounting to approximately £5.2 million as at the date of this document. Should the Group fail to generate sufficient positive cash flow, it could find itself unable to pay amounts due under its borrowing arrangements or could otherwise find itself in breach of financial and/or other covenants. If that were to happen, the Group could be forced to repay loans and may not have sufficient funds to do so. In any such eventuality, the future of the Group would be in doubt.

The Company has a loan with SME Alternative Financing DAC (the "Lender") (the "SME Loan") of which the sum of £3,088,057 is currently outstanding. The terms of the SME Loan provide that, save as otherwise agreed with the Lender, an event of default of such loan will occur if any person becomes an ultimate beneficial owner of the Company (as defined in the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (as re-enacted, amended or updated from time to time) (the "**2017 Regulations**"), being an acquirer of a 25 per cent. interest in the Company (or 10 per cent., in the event that the Company becomes subject to enhanced due diligence under the Lender's "know your client" anti-money laundering procedures and/or financial crime measures) and such person has not satisfied of the requirements of the Lender pursuant to the 2017 Regulations within such reasonable period as is specified by the Lender.

Cyber-attacks and information technology risks

The Group utilises information technology systems to conduct its operations. Because of this, the Group and its software are at risk from cyber-attacks. Cyber-attacks can result from deliberate attacks or unintentional events and may include (but are not limited to) malicious third parties gaining unauthorised access to the Group's software for the purpose of misappropriating financial assets, intellectual property or sensitive information (such as customer data), corrupting data, or causing operational disruption.

Whilst the Group has procedures in place to protect customer data, there is further risk associated with collecting, using and transferring personal data of customers and business partners or using data relating to employees and others. If the data were wrongfully appropriated, lost or disclosed, damaged or processed in breach of privacy or data protection laws, this could have serious risks for the Group from both a reputational and regulatory perspective and could result in fines or regulatory action, together with associated negative publicity.

Whilst the Directors consider that the Group has taken appropriate steps to protect its systems, there can be no assurance that its efforts will prevent service interruptions or security breaches in its systems or the unauthorised or inadvertent wrongful access or disclosure of confidential information that could have an adverse impact on the Group's business, prospects, operating results and financial condition or result in the loss, dissemination or misuse of critical or sensitive information. If the Group suffers from a cyber-attack, whether by a third party or insider, it may incur significant costs (including liability for stolen assets or information) in repairing any damage caused to the Group's network infrastructure and systems. The Group may also suffer reputational damage and loss of investor confidence. If the Group suffers a cyber-attack, this could expose the Group to potential financial and reputational harm.

Failure to identify or anticipate future risks

Although the Directors believe that the Group's risk management procedures are adequate, the methods used to manage risk may not identify or anticipate current or future risks or the extent of future exposures, which could be significantly greater than historical measures indicate. Risk management methods depend on the evaluation of information regarding markets or other matters that is publicly available or otherwise accessible to the Group. Failure (or the perception that the Company has failed) to develop, implement and monitor the Company's risk management policies and procedures and, when necessary, pre-emptively upgrade them, could give rise to reputational and trading issues which could have an adverse impact on the Group's business, prospects, operating results and financial condition.

Ability to remain innovative in the semiconductor industry

Technological devices are increasingly becoming smaller and advancing at a staggering pace. In addition, consumer trends continue to be directed towards short term consumption, resulting in products having short term life cycles, forcing innovation at a rapid rate to capture consumer interest. As a result, semiconductor components are regularly phased out or replaced in products. Accordingly, to remain competitive, the Group's design and supply capabilities must be capable of easily adapting to the needs and innovation demanded by OEMs.

In-house equipment failure

There is a risk of equipment failure due to wear and tear, design or operator error, among other things which could adversely affect the Group's business, with a consequential effect on the financial position of the Group. In-house computer testing and prototype assembly equipment can fail to function properly, which will result in delays in the semiconductor design and supply life cycle. This will ultimately impact on the revenue and profitability of the Group. In addition, if the cost of maintaining such equipment, or any key equipment is materially higher than anticipated, this will have a negative impact on the Group's operations.

Ability to obtain, preserve and defend the Group's technologies and intellectual property rights

A direct result of creating custom ASICs is that IP rights are created. While it is customary for the IP rights associated with this service to be retained by the customer, the Group has developed and retained a portfolio of in-house silicon IP rights and intends to continue to build its IP portfolio. Accordingly, the Group's IP rights are exposed to the threat of competitors reverse engineering the designs, copying the designs and then selling it at a lower cost because they do not have the R&D costs that are typically associated with the creation of custom ASICs. Furthermore, protecting and enforcing the legal rights to use the IP can be difficult and expensive.

The expenditure required by the Company may be more than currently anticipated

There is a risk that the amount of funding that the Company anticipates that will be needed to implement its strategy and/or deliver its growth will be insufficient, and that the anticipated timing of such deployment of funds may prove incorrect. Costs may be greater than planned, or timings may vary from those targeted, which could have a material adverse effect on the implementation of the Company's strategy and its business, financial condition and results of operations.

Sustained global semiconductor shortage

The global semiconductor shortage that began in the early 2021 has caused billions of dollars in lost revenue, particularly for the automotive industry. Losses predominantly stem from manufacturing having to suspend assembly lines for extended periods due to unavailable components. Major carmakers have since announced significant rollbacks in their production going forward. Accordingly, there is a risk that the demand for semiconductors, particularly within the automotive industry, can decrease in the near-term if manufacturing is halted or constrained. Alternatively, manufacturers may place less reliance on components that require semiconductors in order to mitigate the impact of related component shortages going forward. The Group therefore may be exposed to reduced future revenue by virtue of generating the majority of its revenue from designing and supplying semiconductors.

The manufacturing of semiconductors is reliant on raw material of a finite nature

The manufacturing of semiconductors is reliant on the existence of raw material which includes but is not limited to, silicon, neon and germanium. Such raw materials are of a finite nature and therefore capable of affecting the ability to manufacture semiconductors. Excessive demand or production issues may effect or limit the supply and/or cost of raw materials.

Reliance on manufacturing capacity located in areas that have been impacted by natural disasters and other disruptions, which may affect the availability of supplies and services

As the Group focuses on the design and supply of ASICs, the Group is reliant on third party manufacturers to produce the physical ASICs. Traditionally, the majority of the ASICs are manufactured outside the UK in countries including Japan, Taiwan, South Korea and China – all countries that are located in a region with a disposition to natural disasters. Accordingly, the full production life cycle is outside of the Group's control and accordingly, the Group's revenue is exposed to supply chain disturbance.

Use of contractors and third parties

The Company selects carefully, and relies on, third-party suppliers and independent contractors and other service providers for various aspects of its business and its Fabless Semiconductor Model. Such contractors may include (but are not limited to) manufacturers who have provided warranties in relation to the supply of any equipment, technology and other services, testing, qualification, packaging providers, resellers and other third parties.

The Company's operations and performance could be adversely affected if contractors and third parties do not have sufficient capacity to work with the Company on its chosen projects or the quality of their work or service does not meet the requisite requirements, which could have an adverse effect on the Company's performance and reputation. Any replacement contractor or supplier may be at a higher cost. If it takes a long time to find a suitable contractor, it could potentially lead to delays, lower technical and operating performance or downtime for the relevant contracts. This could have a material adverse effect on the Company's financial position, results of operation and business prospects.

Where a contractor has not fulfilled or is not able to fulfil its contractual duties and/or the performance of the product falls below the guaranteed levels, the Company will pursue all reasonable means to recover any losses resulting therefrom and seek compensation for any costs sustained by the Company to correct any faults uncovered. However, any such legal action, breach of contract or delay in services by these third-party professionals and independent contractors could have a material adverse effect on the Company's business, financial condition and results of operations.

Suppliers

The Group's business relies on certain suppliers, without whom the Group's development strategy, revenue generation, efficiency of operations and cash flow may not be optimised. The Group cannot guarantee that service and products delivered from third parties will remain of a high quality in the future and be provided without interruption. In the event of a major disruption to the timely supply of third party products and services, alternative suppliers may only be available at higher prices or at the cost of some delay, which could negatively affect the Group's operations, financial results and performance.

Third party products

The Group's business is dependent on many products, technologies and services provided by third parties for its development strategy and operations. Any changes made by these third parties to functionality, features or settings of these products, technologies and services could adversely affect the Group's business and prospects.

Ability to attract and retain key management and employees

Central to the Group's development and innovation is the ability to attract and retain key management and employees. Loss of key management or other key personnel, particularly to competitors, could have adverse consequences. Whilst the Group has entered into service agreements or letters of appointment with each of its Directors and certain senior employees, the retention of their services cannot be guaranteed. Furthermore, the very nature of designing and supply ASICs requires individuals to possess the core technical skills and knowledge required by a Fabless Company in addition to the semiconductor business operation and product engineering process. The Group may not be successful in identifying and engaging suitably qualified people or inducting them into the Group, which may impact the performance of its business. In addition, the ability to attract and incentivise such individuals in the locations the Group operates in requires proportionate budgeting and therefore can affect the revenue of the Group.

Semiconductor equipment testing and certification

The incorporation of ICs into products from a range of sectors is subject to meeting the regulatory and certification standards demanded by each specific sector. For example, the Group has to ensure that any ASIC produced for the automotive industry complies with automotive standards. Accordingly, the Group is subject to the risk of its designs not being compliant with the specific regulatory standards demanded. Furthermore, where regulatory standards evolve, this may result in additional operational costs to ensure that the Group's ASICs are compliant with such standards.

Risk of customers consolidating their supply chain

While the Group's core customers rely on third parties such as the Group to design and supply custom ASICs, customers can integrate this stage of the manufacturing process internally through organic growth and vertical integration. Therefore, the Group is exposed to the risk of customers reducing reliance on third party ASIC design and suppliers, which can have a negative effect on the Group's future revenue.

Operation of international offices

In addition to operations in the United Kingdom, the Group also has operations in India and Brazil. Accordingly, the Group is exposed to the risk associated with conducting business in these jurisdictions. This includes the risk of non-compliance by international offices with local tax, planning, company and employment legislation. Furthermore, the Group is exposed to the political activities of the local regions it operates in. The Group is reliant on third-party overseas advisors for advice in relation to these jurisdictions but is not fully indemnified by such advisers should such advice transpire to be incorrect.

India foreign exchange regulations

In relation to the Group's Indian operations, any foreign investment resulting in the allotment of securities in an Indian company is subject to Indian foreign exchange and investment regulations ("FEMA Regulations"). This includes any equity subscription by the Company into the Company's Indian subsidiary, EnSilica India Private Limited ("Ensilica India"). In 2012 and 2014, the Company made investments in EnSilica India of 99,990 Indian Rupees and 2,249,972 Indian Rupees respectively. Whilst the Company understood that these payments were made substantially in accordance with the applicable FEMA Regulations, the Company has since been advised that certain procedural steps and acknowledgements from the Reserve Bank of India ("RBI") were not completed and/or obtained and, as a result, it is likely to be technically non-compliant with FEMA Regulations.

Ensilica India intends to resolve these matters with their authorised dealer bank in India and the RBI to regularise any such procedural contraventions. However, due to the reliance on third parties the Company cannot anticipate the timing of any resolution. In addition, in the event of non-compliance with the FEMA Regulations, the RBI has the power to impose a penalty of up to three times the initial investment, plus a further penalty of 5,000 Indian Rupees for every day after the first contravention. However, the RBI has published guidance which sets out an illustrative mechanism for the determination of any penalties for delayed filings pursuant to the FEMA Regulations. This comprises a fixed component of 10,000 Indian rupees for each contravention; plus a variable amount based on the consideration amount of investment – such rate will likely be between 1,000 and 200,000 Indian rupees per year of delay. Typically, the illustrative mechanism is applied, rather than the full statutory maximum fines.

GENERAL RISKS

General economic climate

Factors such as inflation, currency fluctuation, interest rates, supply and demand of capital and industrial disruption have an impact on business costs and commodity prices and stock market prices. The Group's operations, business and profitability can be affected by these factors, which are beyond the control of the Group.

Economic, political, judicial, administrative, taxation, environmental or other regulatory matters

In addition to the impact of a downturn of the world's economies, the Group may be adversely affected by other changes in economic, environmental, political, judicial, administrative, taxation or other regulatory or other unforeseen matters. The nature of the Group's operations expose it to the risk of liabilities or claims with respect to environmental, regulatory and worker health and safety matters. If the Group violates or fails to comply with (or its predecessors in title violated or failed to comply with) environmental laws, regulations and permits, it could be subject to penalties, fines, restrictions on operations or other sanctions, and the Group's operations or business could be interrupted or suspended.

Operations and financial results have been negatively impacted by the COVID-19 pandemic, and the continued COVID-19 pandemic, or the outbreak of other contagious diseases, may have a material adverse effect on the Group's business, financial performance and results

As a designer and supplier of custom ASICs to the automotive, satellite communications, industrial, healthcare and other sectors, the Group is exposed to substantial risks associated with the performance of the global economy as demand for products and services within those sectors is directly related to the strength of the global economy. Therefore, the Group's income and results of operations have been influenced, and will continue to be influenced by, the general state and performance of the global economy. The global economy has recently been particularly affected by the outbreak of COVID-19, which caused extreme market volatility in the automotive industry in particular since the beginning of 2020.

As a result, the Group's operations and financial results have been negatively impacted by these developments. In the first half of calendar year 2020, as the COVID-19 pandemic spread there was a lack of placement of new orders for the Group's products and services due to government ordered lockdowns impacting customers. The suspensions started in China early in 2020, followed by Europe in the spring of 2020. There can be no assurance that further lockdowns or other developments related to the COVID-19 pandemic will not lead to a suspension of production at one or more of the Group's facilities in the future.

Beyond this, the Group may also be adversely affected by the outbreak of any other contagious diseases, which may result in a widespread health crisis that could affect the economies and financial markets of many countries, resulting in an economic downturn and substantial declines in consumer purchasing power that could affect demand for the Group's products and services, limit its ability to collect against existing trade receivables and reduce its operating results.

Further adverse impacts that the Group has experienced or may experience due to the COVID-19 pandemic or the outbreak of a contagious disease in the future include:

- infections and quarantining of employees in areas in which the Group operates;
- lower productivity and increased costs related to the introduction of social distancing or other control measures at production sites;
- additional costs for personal protection equipment for staff;
- difficulties in the ability to satisfy the Group's contractual obligations to its customers in a timely manner;
- cancellations, delays or lower call-offs from customers due to lower demand, government imposed restrictions or other reasons;
- customers, service providers or suppliers experiencing financial distress, filing for bankruptcy protection or insolvency, going out of business or experiencing disruptions to their operations;
- higher freight and logistics costs and delays due to border controls; and
- the need to introduce measures to reduce costs and capital expenditure, including reductions in work force, short time labour and implementation of a hiring or salary freeze.

Any of these factors could have a material adverse effect on the Group's business, financial condition and results of operations.

Taxation risk

The Company is subject to taxation and the application of such taxes may change over time due to changes in laws, regulations or interpretations by the relevant tax authorities. Whilst no material changes are anticipated in such taxes, any such changes may have a material adverse effect on the Company's financial condition and results of operations.

The Company has applied for and received advance assurance from HMRC that the Ordinary Shares will satisfy the requirements for EIS Relief and are expected to constitute a qualifying holding for the purposes of VCT Relief. The continuing status of the Ordinary Shares as a qualifying holding for VCT purposes will be conditional (amongst other things) on the qualifying conditions being satisfied throughout the period of ownership. There can be no assurance that the Company will continue to conduct its activities in a way that will secure or retain qualifying status for VCT and/or EIS purposes.

RISKS RELATING TO THE COMPANY'S SECURITIES

General

An investment in Ordinary Shares is only suitable for investors capable of evaluating the risks (including the risk of capital loss) and merits of such investment and who have sufficient resources to sustain a total loss of their investment. An investment in Ordinary Shares should be seen as long-term in nature and complementary to investments in a range of other financial assets as part of a diversified investment portfolio. Accordingly, typical investors in the Company are expected to be institutional investors, private client fund managers and private client brokers, as well as private individuals who have received advice from their professional advisers regarding investment in Ordinary Shares and/or who have sufficient experience to enable them to evaluate the risks and merits of such investment themselves.

Conditionality of the Fundraising

The Fundraising is conditional upon, among other things, the admission to trading on AIM of the Ordinary Shares. In the event that any condition to which Admission is subject is not satisfied or, if capable of waiver, waived, then such Admission will not occur.

No prior market for the Ordinary Shares

Before Admission, there has been no prior market for the Ordinary Shares. Although application has been made for the Ordinary Shares to be admitted to trading on AIM, an active public market may not develop or be sustained following Admission.

AIM is a market for emerging or smaller growing companies and may not provide the liquidity normally associated with the Official List and other exchanges. The future success of AIM and liquidity in the market for the Ordinary Shares cannot be guaranteed.

Share price volatility and liquidity

Following Admission, the market price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, including stock market fluctuations and general economic conditions or changes in political sentiment that may substantially affect the market price of the Ordinary Shares irrespective of the Group's actual financial, trading or operational performance. These factors could include the performance of the Group, large purchases or sales of the Ordinary Shares (or the perception that the same may occur, as, for example in the period leading up to the expiration of the restrictions contained in the Lock-in Agreements), legislative changes and market, economic, political or regulatory conditions.

The share price for publicly traded companies, including those on AIM, can be highly volatile and shareholdings illiquid. Admission to AIM should not be taken as implying that a liquid market for the Ordinary Shares will either develop or be sustained following Admission. Active, liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors. The liquidity of a securities market is often a function of the volume of the underlying shares that are publicly held by unrelated parties. If a liquid trading market for the Ordinary Shares does not develop, the price of the Ordinary Share may become more volatile and it may be more difficult to complete a buy or sell order for such Ordinary Shares.

The price at which the Ordinary Shares will be quoted and the price which investors may realise for their shares will be influenced by a large number of factors, which could include, but not limited to, the performance of both the Company's and its competitors' businesses, variations in the operating results of the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, large purchases or sales of Ordinary Shares, legislative changes and general economic, political and regulatory conditions. Prospective investors should be aware that the value of an investment in the Company may go down as well as up. Investors may therefore realise less than, or lose all of, their investment.

The market price of the Ordinary Shares may not reflect the underlying value of the Company. Potential investors should be aware that the value of shares and the income from them (if any) can go down as well as up and that investment in a share which is traded on AIM might be less realisable and might carry a higher risk than a share quoted on the Official List.

Substantial sales of Ordinary Shares

The Locked-in Shareholders have agreed to certain restrictions on the sale of their shareholdings for periods of 24 months from the date of Admission and an orderly market arrangement for a period of 12 months from the expiry of the Lock-in Period. There can be no assurance that certain Directors or other Shareholders will not elect to sell their Ordinary Shares following the expiry of the Lock-in Agreements and similar arrangements, details of which are set out in paragraph 14.4 of Part IV of this document, or otherwise. In addition, the Company cannot be sure when sales by such holders will occur, how many shares will be sold or the effect that sales may have on the market price of the Ordinary Shares. The market price of Ordinary Shares could decline as a result of any such sales of Ordinary Shares or as a result of the perception that these sales may occur. In addition, if these or any other sales were to occur, the Company may in the future have difficulty in offering Ordinary Shares at a time or at a price it deems appropriate.

Investment in AIM traded securities

The Ordinary Shares will be traded on AIM rather than admitted to the Official List. The AIM market is designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. The rules of AIM are less demanding than those admitted to the Official List and an investment in shares traded on AIM may carry a higher risk than an investment in shares admitted to the Official List. In addition, the market in shares traded on AIM may have limited liquidity, making it more difficult for an investor to realise its investment on AIM than to realise an investment in a company whose shares are admitted to the Official List. Investors should, therefore, be aware that the market price of the Ordinary Shares may be more volatile than that of shares admitted to the Official List and may not reflect the underlying value of the net assets of the Company. Investors may, therefore, not be able to sell at a price which permits them to recover their original investment and could lose their entire investment.

There is no guarantee that the Company will maintain its admission to AIM

The Company cannot assure investors that the Company will always retain admission to AIM. If it fails to retain this, certain investors may decide to sell their shares, which could have an adverse impact on the price of the Ordinary Shares. Additionally, if in the future the Company decides to obtain a listing on another exchange in addition to AIM, the level of liquidity of the Ordinary Shares traded on AIM could decline.

Dilution of Shareholders' interest as a result of additional equity fundraisings

Although the Company's business plan does not involve the issuance of Ordinary Shares other than in connection with the Fundraising, it is possible that the Company may decide to issue, pursuant to a public offer or otherwise, additional Ordinary Shares in the future at a price or prices higher or lower than the Placing Price. An additional issue of Ordinary Shares by the Company, or the public perception that an issue may occur, could have an adverse effect on the market price of Ordinary Shares and could dilute the proportionate ownership interest and the proportionate voting interest of Shareholders if, and to the extent that, such an issue of Ordinary Shares is not effected on a pre-emptive basis or Shareholders do not take up their rights to subscribe for further Ordinary Shares under a pre-emptive offer. Shareholders may also experience subsequent dilution and/or such securities may have preferred rights, options and pre-emption rights senior to the Ordinary Shares.

Dividends

The Company's current policy is to retain future distributable profits and only recommend dividends when appropriate and practicable. There can be no assurance as to the level of future dividends (if any) that may be paid by the Company or, in light of the accrued losses of the Group, of the ability to pay dividends. Any determination to pay dividends in the future will be a decision for the Board (and will be subject to applicable laws and generally accepted accounting principles from time to time, and other factors the Board deems relevant).

It should be noted that the risk factors listed above are not intended to be exhaustive and do not necessarily comprise all of the risks to which the Company is, or may be, exposed to or all those associated with an investment in the Company. There may be additional risks and uncertainties that the Directors do not currently consider to be material or of which they are currently unaware, which may also have an adverse effect upon the Company.

PART III

FINANCIAL INFORMATION OF THE COMPANY

SECTION A: ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Date: 18 May 2022

The Directors
EnSilica plc
Building 3
115 Olympic Avenue
Milton Park
Abington
Oxfordshire
OX14 4SA

and

The Directors
Allenby Capital Limited
5th Floor
5 St Helen's Place
London
EC3A 6AB

Dear Sirs,

EnSilica plc (the "Company")

Introduction

We report on the audited historical financial information on EnSilica plc and its subsidiaries (the "Group") set out in section B (the "Company Financial Information"). This Company Financial Information has been prepared for inclusion in the admission document dated 18 May 2022 (the "AIM Admission Document") on the basis of the accounting policies set out in the Notes to the Company Financial Information. This report is required by paragraph (a) of Schedule Two to the AIM Rules for Companies (the "AIM Rules") and is given for the purposes of complying with the AIM Rules and for no other purpose.

Opinion on financial information

In our opinion, the Company Financial Information gives, for the purposes of the Admission Document, a true and fair view of the state of the affairs of the Company as at 31 May 2019, 2020 and 2021 and of its results, cash flows, statement of comprehensive income and changes in equity for the period then ended, in accordance with UK-adopted International financial reporting standards ("IFRS").

Responsibilities

The directors of the Company are responsible for preparing the Company Financial Information in accordance with IFRS.

It is our responsibility to form an opinion on the Company Financial Information as to whether the Company Financial Information gives a true and fair view, for the purposes of the Document and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. We are independent of the Compact in accordance with relevant ethical requirements. In the United Kingdom, this is the Financial Reporting Council's Ethical Standard as applied to Investment Circular Engagements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our work included an assessment of evidence relevant to the amounts and disclosures in the Company financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Conclusions relating to going concern

We have not identified a material uncertainty related to events or conditions that, individually or collectively, may cast doubt about the ability of the Company to continue as a going concern for a period of at least 12 months from the date of this report. We therefore conclude that the Directors' use of the going concern basis of accounting in the preparation of the Company Financial Information is appropriate.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and we declare, to the best of our knowledge, the information contained in this report is in accordance with the facts and that this report makes no omission likely to affect its import. This declaration is included in the Admission Document in accordance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

UHY Hacker Young LLP
Chartered Accountants

Consolidated historical financial information of Ensilica plc

Consolidated Statement of Comprehensive Income
for the three years ended 31 May 2021

	Note	*2019 £'000*	*2020 £'000*	*2021 £'000*
Revenue	1	6,270	6,452	8,607
Cost of sales		(3,095)	(3,514)	(6,550)
Gross profit		3,175	2,938	2,057
Other operating income		(33)	58	297
Administrative expenses excluding non-recurring items		(2,515)	(2,720)	(2,523)
Impairment of intangible assets	2	–	(450)	(2,019)
Total administrative expenses		(2,515)	(3,170)	(4,542)
Operating profit/(loss)	2	627	(174)	(2,188)
Interest income	4	6	19	7
Interest expense	5	(43)	(234)	(552)
Profit/(loss) before taxation		590	(389)	(2,733)
Taxation	6	544	550	658
Profit/(loss) for the year		1,134	161	(2,075)
Other comprehensive income for the year				
Currency translation differences		3	(8)	(39)
Total comprehensive income for the year attributable to the equity shareholders of Ensilica plc		1,137	153	(2,114)
Basic earnings per share (pence)	7	57.5	8.2	(105.2)
Diluted earnings per share (pence)	7	48.6	6.9	(105.2)

Consolidated Statement of Changes in Equity

	Share capital £'000	*Currency translation reserve £'000*	*Retained earnings £'000*	*Total Equity £'000*
At 1 June 2018	2	5	3,302	3,309
Comprehensive income for the year to 31 May 2019			1,134	1,134
Profit for the year	–			
Other comprehensive income	–	3	–	3
Total comprehensive income for the year	–	3	1,134	1,137
Share based payment	–	–	27	27
At 31 May 2019	2	8	4,463	4,473
Comprehensive income for the year to 31 May 2020				
Profit for the year	–	–	161	161
Other comprehensive income	–	(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

Consolidated Statement of Financial Position

as at 31 May 2019, 2020 and 2021

	Note	2019 £'000	2020 £'000	2021 £'000
Assets				
Non-current assets				
Property, plant and equipment	8	319	275	262
Intangible assets	9	4,086	6,844	6,506
Total non-current assets		4,405	7,119	6,768
Current assets				
Inventories	10	31	94	30
Trade and other receivables	11	1,473	1,448	2,950
Corporation tax recoverable		954	1,195	2,203
Cash and cash equivalents	12	419	2,181	1,404
Total current assets		2,877	4,918	6,587
Total assets		7,282	12,037	13,355
Current liabilities				
Borrowings	13	(460)	(848)	(753)
Lease liabilities	14	(106)	(90)	(103)
Trade and other payables	15	(1,405)	(1,953)	(3,099)
Total current liabilities		(1,971)	(2,891)	(3,955)
Non current liabilities				
Borrowings	13	–	(3,105)	(5,046)
Lease liabilities	14	(173)	(135)	(193)
Provisions	16	(75)	(70)	(149)
Deferred tax	17	(590)	(1,183)	(1,174)
Total non current liabilities		(838)	(4,493)	(6,562)
Total liabilities		(2,809)	(7,384)	(10,517)
Net assets		4,473	4,653	2,838
Equity				
Issued share capital	19	2	2	2
Currency differences reserve		8	–	(39)
Retained earnings		4,463	4,651	2,875
Total equity		4,473	4,653	2,838

Consolidated Statement of Cash Flows

for the three years ended 31 May 2021

	Note	*2019* *£'000*	*2020* *£'000*	*2021* *£'000*
Cash flows from operating activities				
Cash generated from operations	A	1,565	1,082	(342)
Tax received/(paid)		623	902	(92)
Net cash generated from/(used in) operating activities		2,188	1,984	(434)
Cash flows from investing activities				
Purchase of property, plant and equipment		(32)	(48)	(45)
Additions to intangible assets		(2,478)	(3,308)	(1,672)
Proceeds from sale of tangible fixed assets		2	3	–
Interest received		6	19	7
Net cash used in investing activities		(2,502)	(3,334)	(1,710)
Cash flows from financing activities				
Interest paid		(43)	(234)	(185)
Lease liability payments		(87)	(109)	(94)
Receipt of bank loans		210	3,644	2,450
Repayment of bank loans		–	(160)	(784)
Receipt of other loans		29	(29)	–
Net cash generated from financing activities		109	3,112	1,387
Net (decrease)/increase in cash and cash equivalents		(205)	1,762	(757)
Cash and cash equivalents at beginning of year		624	419	2,181
Foreign exchange losses		–	–	(20)
Cash and cash equivalents at end of year	B	419	2,181	1,404

Notes to the cash flow statements

for the three years ended 31 May 2021

A. Cash generated from operations

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

	2019 *£'000*	*2020* *£'000*	*2021* *£'000*
Profit/(loss) for the year	1,134	161	(2,075)
Adjustments for:			
Depreciation	91	144	114
Amortisation of intangible assets	77	100	114
Impairment of intangible assets	–	450	2,019
Other amortisation	–	9	–
Loss on disposal of fixed assets	3	–	–
Share based payments	27	27	32
Grant income not cash received	–	–	(187)
Net interest costs	37	215	545
Tax credit	(544)	(550)	(658)
	825	556	(96)
Working capital movements			
(Increase)/decrease in inventories	(1)	(63)	64
Decrease/(increase) in trade and other receivables	297	25	(1,502)
Increase in trade and other payables	499	569	1,113
(Decrease)/increase in provisions	(55)	(5)	79
Cash generated from/(used in) operations	1,565	1,082	(342)

Major non cash items

£123,000 of additions to intangible fixed assets and £44,000 to tangible fixed assets represent non cash movements in the year ended 31 May 2021 (2020: £63,000, 2019: £12,000). £160,000 of capitalised interest represents a non cash addition to loan liabilities (2020 and 2019: £nil).

B. Analysis of net debt

	At 1 June *2018* *£'000*	*Cash flow* *£'000*	*Non-cash* *changes* *£'000*	*At 31 May* *2019* *£'000*
Loans	(250)	(210)	–	(460)
Other loans	–	(29)	–	(29)
Lease liabilities	(352)	87	(14)	(279)
Liabilities arising from financing activities	(602)	(152)	(14)	(768)
Cash and cash equivalents	624	(205)	–	419
Net cash/(debt)	22	(357)	(14)	(349)

	At 1 June *2019* *£'000*	*Cash flow* *£'000*	*Non-cash* *changes* *£'000*	*At 31 May* *2020* *£'000*
Loans	(460)	(3,484)	(9)	(3,953)
Other loans	(29)	29	–	–
Lease liabilities	(279)	109	(55)	(225)
Liabilities arising from financing activities	(768)	(3,346)	(64)	(4,178)
Cash and cash equivalents	419	1,762	–	2,181
Net debt	(349)	(1,584)	(64)	(1,997)

	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)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General information

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

The company is a public company, limited by shares, incorporated and domiciled in England and Wales. The address of the registered office is Building 3, 115 Olympic Avenue, Milton Park, Abingdon, OX14 4SA.

Accounting policies

A. Basis of preparation

The financial information set out above does not constitute the company's statutory accounts for the three years ended 31 May 2021, but is derived from those accounts. Statutory accounts for 2019 and 2020 have been delivered to the Registrar of Companies. The 31 May 2019 accounts were unaudited. The auditors have reported on the 31 May 2020 and 2021 accounts and their reports were unqualified, with an emphasis of matter in respect of the going concern basis in the 2021 accounts. They did not contain statements under s498(2) or (3) of the Companies Act 2006.

The consolidated historical financial information (the 'historical financial information') presents the financial track record of the Ensilica Group for the three years ended 31 May 2021. The consolidated historical financial information has been prepared for the purpose of admission to the AIM operated by the London Stock Exchange. It has been derived from the financial statements of Ensilica plc and its subsidiaries prepared in accordance with UK GAAP, and subsequently adjusted to comply with UK adopted International Financial Reporting Standards and International Accounting Standards and Interpretations (collectively IFRSs) in conformity with the Companies Act 2006 except as noted below. IFRS has been applied with a transition date of 1 June 2018. The accounting policies have been applied consistently to all periods presented.

These are the first period of financial statements prepared under IFRS in accordance with IFRS 1 First-Time Adoption of International Financial Reporting Standards. None of the exemptions from the retrospective application of certain IFRSs have been taken and the impact of transition is set out in note 22.

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

The principal accounting policies adopted in preparation of the historical 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 historical financial information and estimates with significant risk of material adjustment in the next year are discussed in note C.

Going concern

As part of its normal business practice, the Group regularly prepares both annual and longer-term plans which are based on the directors' expectations. The assumptions around project sales, staffing and purchases are based on management's expectations and are consistent with the Group's experience since June 2021. The forecasts consider the Group's existing cash resources and includes assumptions around an Initial Public Offering ("IPO"), whereby significant additional funding will be generated for newly issued ordinary shares. The forecast also includes consideration of certain downside scenarios such as the impact of Covid-19, supply chain issues and inflationary pressures on the Group's operations. As at 30 November 2021 the Group financing arrangements consisted of a loan of £3.3 million from SME Alternate Financing and a Coronavirus Business Interruption Loan (CBIL) for £2.3 million used to mitigate delays caused by Covid-19. The Group held a cash balance of £1.4 million at that date.

Should the IPO not take place then the Directors would need to raise additional funding for working capital either through a private placement or through additional bank loans.

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 historical financial information.

B. Accounting policies

Consolidation

The historical 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.

The Group has taken advantage of the exemption not to disclose transactions between wholly owned entities in the group.

Revenue recognition

Revenue, in accordance with IFRS 15 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

Services

Design services are provided specifically for each customer. 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.

Licencing and similar income

Income in respect of a licencing 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.

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 the product;
- There are adequate technical, financial and other resources required to complete the development; and
- There are reliable measures that can identify the expenditure directly attributable to the project during its development.

The amount recognised is the expenditure incurred from the date when the project first meets the recognition criteria listed above. 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.

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

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 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 aging. 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 (ECLs) 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 historical 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.

Right-of-use assets and lease liabilities

Under IFRS 16, leases are recognised as right-of-use assets, presented as a separate category within property, plant and equipment included in the statement of financial position, and with a corresponding lease liability from the date at which the leased asset is available for use by the Group. This has been adopted and applied on a full retrospective basis.

Assets and liabilities arising from a lease are initially measured at the present value of the lease payments and payments to be made under the terms of the lease. Reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the incremental borrowing rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal, presented as a separate category within liabilities, and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received and any initial direct costs. Leasehold dilapidations are recognised in relation to the estimated cost of returning a leasehold property to its original state at the end of the lease in accordance with the lease terms.

Depreciation is charged on a straight line basis over the period of the lease and assets are subject to impairment reviews where circumstances indicate their value may not be recoverable of if they are not being utilised.

Payments associated with short-term leases of property, plant and equipment and leases of low-value assets continue to be recognised on a straight-line basis as an expense. Short-term leases are leases with a lease term of 12 months or less.

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

IFRS interpretations and amendments issued but not yet applicable by the Group in this historical financial information have been reviewed and assessed including those relating to base rate measurement changes, IAS 37 in respect of the costs of fulfilling a contract and IFRS 9 in respect of derecognition of liabilities. All IFRS effective at the reporting date of 31 May 2021 have been applied at the date of transition.

There are no other new standards, interpretations and amendments which are not yet effective in these financial statements, currently expected to have a material effect or to be relevant to the Group's future financial statements, other than the amendment to IAS 37 if such circumstances arise.

C. Critical accounting estimates and judgements

The preparation of the historical 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 historical 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. The carrying values are shown in note 9.

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. This 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.

Notes to the historical financial information

1. Analysis of revenue and non-Gaap adjusted results

The chief operating decision maker ("CODM") is identified as the Board. It 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, therefore 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.

	2019	*2020*	*2021*
	£'000	*£'000*	*£'000*
Recognised at a point in time			
Supply of products	114	252	677
Recognised over time			
NRE	1,808	692	2,146
Consultancy	3,769	4,615	4,856
Licensing related income	579	893	928
	6,156	6,200	7,930
	6,270	6,452	8,607
By destination:			
UK	2,616	2,160	3,175
Rest of Europe	2,254	2,250	2,968
Rest of the World	1,400	2,042	2,464
Total revenue	6,270	6,452	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 will be different customers from year to year. Revenue in respect of three customers amounted to £3.6m representing 19 per cent., 12 per cent. and 10 per cent. of the revenue for the year ended 31 May 2021 (2020: two different customers amounted to £2.0m at 20 per cent. and 11 per cent., 2019: two customers £3.2m at 30 per cent. and 21 per cent.).

Adjusted results

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.

	2019	*2020*	*2021*
	£'000	*£'000*	*£'000*
Operating profit/(loss) before interest	627	(174)	(2,188)
Impairment of intangible fixed assets	–	450	2,019
Depreciation	91	144	114
Amortisation of intangible assets	77	100	114
EBITDA	795	520	59

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

	31 May 2019		*31 May 2020*		*31 May 2021*	
	Non-current assets £'000	*Net assets £'000*	*Non-current assets £'000*	*Net assets £'000*	*Non-current assets £'000*	*Net assets £'000*
United Kingdom	4,283	4,256	7,014	4,350	6,639	2,340
India	122	217	105	303	129	498
	4,405	4,473	7,119	4,653	6,768	2,838

2. Operating profit/(loss)

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

	2019 £'000	*2020 £'000*	*2021 £'000*
Auditors remuneration:			
Audit of the Group and Company financial statements	–	24	51
Non-audit services			
Depreciation of property, plant and equipment	8	47	43
Loss on disposal of tangible fixed assets	3	–	–
Depreciation of right-of-use assets	83	97	71
Amortisation of intangible assets	77	100	110
Impairment of intangible assets	–	450	2,019
Cost of inventory sold	88	98	264
Research and development costs	1,816	1,502	2,109
Foreign exchange losses	43	13	20
Government job retention scheme income	–	(58)	(80)
Government innovation grants	–	–	(30)
Government business interruption payment income	–	–	(187)

Development expenditure was also capitalised in each year as shown in note 9.

3. Information regarding directors and employees

Employees

The aggregate remuneration of employees comprised:

	2019 £'000	*2020 £'000*	*2021 £'000*
Wages and salaries	3,965	4,239	4,715
Social security costs	395	423	461
Other pension costs	419	520	604
Total	4,779	5,182	5,780

Average number of employees

The monthly average number of employees in the year was:

	2019 *£'000*	*2020* *£'000*	*2021* *£'000*
Administration	8	8	9
Marketing	2	3	4
Research, development and technical	70	74	83
Total	80	85	96

Directors' remuneration

	2019 *£'000*	*2020* *£'000*	*2021* *£'000*
Directors' remuneration – aggregate emoluments	164	181	189
Group pension contributions in respect of 1 (2020 and 2019:1) director	18	25	20
	182	206	209
Remuneration of the highest paid director	100	117	113
Group pension contributions	18	25	20
	118	142	133

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.

4. Interest receivable

	2019 *£'000*	*2020* *£'000*	*2021* *£'000*
Bank interest receivable	6	9	7
Other interest receivable	–	10	–
	6	19	7

5. Interest payable

	2019 *£'000*	*2020* *£'000*	*2021* *£'000*
Interest on bank and other borrowings	18	213	518
Lease liability financing charges	21	18	14
Other interest	4	3	20
	43	234	552

6. Taxation on profit/(loss)

	2019	*2020*	*2021*
	£'000	*£'000*	*£'000*
Current taxation			
UK corporation tax credit	889	1,166	1,036
Foreign tax charge	(50)	(23)	(120)
	839	1,143	916
Deferred taxation			
Origination and reversal of timing differences	(295)	(468)	88
Charge due to change in tax rate	–	(125)	(346)
	(295)	(593)	(258)
Tax credit on profit/(loss)	544	550	658

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 per cent. (2020 and 2019: 19 per cent.). The differences are reconciled below:

	2019	*2020*	*2021*
	£'000	*£'000*	*£'000*
Profit/(loss) before taxation	590	(389)	(2,733)
Corporation tax at standard rate	112	(74)	(519)
Factors affecting charge for the year:			
Disallowable expenses	9	7	16
Research and development allowances	(927)	(910)	(832)
Reduced rate on surrender of R&D losses for tax credit	276	362	322
Other timing differences	2	–	(35)
Differing tax rates	(16)	(60)	44
Charge due to change in tax rate	–	125	346
Tax credit on profit/(loss)	(544)	(550)	(658)

The Finance Act 2016 included legislation to reduce the main rate of corporation tax from 19 per cent. to 17 per cent. from 1 April 2020. A change to the main rate of corporation tax announced in the 2020 Budget was substantively enacted on 17 March 2020. In March 2020, the Chancellor of the Exchequer announced that the tax rate reduction was no longer going to be implemented. The rate from 1 April 2020 remains at 19 per cent. rather than the previously enacted reduction to 17 per cent. The rate of 19 per cent. is accordingly applied to UK deferred taxation balances at 31 May 2020 (2019: 17 per cent.).

The UK government announced on 3 March 2021 that the government are intending to increase the corporation tax rate from 19 per cent. to 25 per cent. from April 2023 and this was substantively enacted in May 2021 and is applied to the deferred tax balances at 31 May 2021.

7. Earnings per share

	2019	*2020*	*2021*
Profit/(loss) used in calculating EPS (£'000)	1,134	161	(2,075)
Number of shares for basic EPS ('000s)	1,973	1,973	1,973
Basic earnings per share (pence)	57.5	8.2	(105.2)
Number of shares for diluted EPS ('000s)	2,323	2,323	1,963
Diluted earnings per share (pence)	48.6	6.9	(105.2)

There are 1,050,000 and 1,391,000 of exercisable share options over B ordinary and C and D ordinary shares respectively which are potentially dilutive to a profit. The B share options have impacted on 2019 increasing the number of shares for diluted EPS by 350,000.

8. Property, plant and equipment

	Right-of-use property £'000	*Office equipment £'000*	*Right-of-use equipment £'000*	*Computer equipment £'000*	*Total £'000*
Cost					
At 1 June 2018	351	42	126	213	732
Additions	–	11	12	21	44
Disposals	–	(4)	–	(5)	(9)
Exchange adjustments	3	–	–	–	3
At 31 May 2019	354	49	138	229	770
Depreciation					
At 1 June 2018	(149)	(35)	(17)	(162)	(363)
Charge for the year	(57)	(1)	(26)	(7)	(91)
Disposals	–	1	–	3	4
Exchange adjustments	(1)	–	–	–	(1)
At 31 May 2019	(207)	(35)	(43)	(166)	(451)
Net book value					
At 31 May 2019	147	14	95	63	319
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

9. Intangible assets

	Development costs £'000	*Right-of-use software £'000*	*Total £'000*
Cost			
At 1 June 2018	1,685	–	1,685
Additions	2,478	–	2,478
At 31 May 2019	4,163	–	4,163
Amortisation			
At 1 June 2018	–	–	–
Charge for the period	(77)	–	(77)
At 31 May 2019	(77)	–	(77)
Net book value			
At 31 May 2019	4,086	–	4,086
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

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

10. Inventories

	31 May 2019 £'000	*31 May 2020 £'000*	*31 May 2021 £'000*
Raw materials and consumables	31	94	30

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

11. Trade and other receivables

	31 May 2019 £'000	*31 May 2020 £'000*	*31 May 2021 £'000*
Current			
Trade receivables	716	867	2,446
Other receivables	179	97	111
Prepayments	267	140	131
Accrued income	311	344	262
Total	1,473	1,448	2,950

Analysis of expected credit losses is included in note 18.

12. Cash and cash equivalents

	31 May 2019 £'000	*31 May 2020 £'000*	*31 May 2021 £'000*
Cash at bank and in hand	419	2,181	1,404

13. Borrowings

	31 May 2019 £'000	*31 May 2020 £'000*	*31 May 2021 £'000*
Current			
Bank loans	460	848	753
Non-current			
Bank loans	–	3,105	5,046
Total	460	3,953	5,799

A bank loan of £2,425,000 (2020 and 2019: £nil) is secured by fixed and floating charges over the assets of the group and bears interest at rates of 8 per cent. over SONIA or 10 per cent. if higher. It is repayable in monthly instalments over the period to August 2026.

A loan of £3,506,000 (2020: £3,540,000, 2019: £nil) is unsecured and bears interest at a fixed rate of 9 per cent. It is being repaid by quarterly instalments over the period to October 2027.

A loan of £nil (2020: £515,000, 2019: £460,000 repayable on demand) was repaid in the year ended 31 May 2021.

The loan liabilities are stated net of unamortised loan issue costs as at 31 May 2021 of £132,000 (2020: £102,000) which are being amortised over the period to the loan repayment dates.

14. 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 8. Interest expenses relating to lease liabilities are included in note 5.

Other amounts relating to leases were as follows:

	31 May 2019 £'000	*31 May 2020 £'000*	*31 May 2021 £'000*
Short term lease expense	67	77	83
Cash outflow for capitalised leases	111	127	124
Total cash outflow from leases	178	204	207

The maturity of lease liabilities were as follows:

	31 May 2019 £'000	*31 May 2020 £'000*	*31 May 2021 £'000*
Within 1 year	106	90	103
1-2 years	78	63	67
2-5 years	95	72	126
Total	279	225	296

15. Trade and other payables

	31 May 2019 £'000	*31 May 2020 £'000*	*31 May 2021 £'000*
Current			
Trade payables	232	789	879
Taxation and social security	110	489	812
Other payables	33	2	5
Accruals	611	384	544
Contract liabilities	419	289	859
Total	1,405	1,953	3,099

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature. An amount owed to a director of £29,000 included in other creditors at 31 May 2019 was repaid in the next year.

In the year ended 31 May 2021 £289,000 of revenue was recognised in respect of contract liabilities at 31 May 2020 (year ended 31 May 2020: £419,000 in respect of liabilities at 31 May 2019, year ended 31 May 2020: £196,000 in respect of liabilities at 31 May 2018).

16. Provisions

	31 May 2019 £'000	*31 May 2020 £'000*	*31 May 2021 £'000*
Overseas employee provisions	75	70	149

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.

17. Deferred tax liabilities

	Intangible assets £'000	*Accelerated capital allowances £'000*	*Tax losses £'000*	*Other £'000*	*Total £'000*
At 1 June 2018	286	9	–	–	295
Charge/(credit) for the year	408	4	(117)	–	295
At 31 May 2019	694	13	(117)	–	590
Charge/(credit) for the year	606	1	(14)	–	593
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

Deferred tax has been recognised at an average rate of 25 per cent. (2020: 19 per cent., 2019: 17 per cent.).

18. 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:

	31 May 2019 £'000	*31 May 2020 £'000*	*31 May 2021 £'000*
Recognised at amortised cost			
Cash and bank balances	419	2,181	1,404
Trade receivables – net	716	867	2,446
Accrued income	311	344	262
Other receivables	179	97	97
Total financial assets	1,625	3,489	4,209
Trade payables	232	789	879
Other payables	644	386	549
Bank loans	460	3,953	5,799
Total financial liabilities	1,336	5,128	7,227

There were no assets or liabilities at 31 May 2021, 2020 or 2019 that were recognised and measured at fair value in the historical financial information.

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 39 per cent. of the balance at 31 May 2021 (2020: 19 per cent., 2019: 30 per cent.) 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 aging of trade receivables according to their original due date is detailed below:

	31 May 2019 £'000	*31 May 2020 £'000*	*31 May 2021 £'000*
Not yet due	529	692	859
1-30 days past due date	34	89	1,587
Over 30 days past due date	153	86	–
Total	716	867	2,446

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 13. 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:

	Less than one year £'000	*1-2 years £'000*	*2-5 years £'000*	*More than 5 years £'000*	*Total £'000*
At 31 May 2019					
Trade and other payables	876	–	–	–	876
Bank loans	460	–	–	–	460
Lease liabilities	122	85	104	–	311
Total	1,458	85	104	–	1,647

	Less than one year £'000	*1-2 years £'000*	*2-5 years £'000*	*More than 5 years £'000*	*Total £'000*
At 31 May 2020					
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

	Less than one year £'000	*1-2 years £'000*	*2-5 years £'000*	*More than 5 years £'000*	*Total £'000*
At 31 May 2021					
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

Interest rate risk

The bank loan of £2.4m is subject to interest at rates of 8 per cent. over SONIA if this exceeds 10 per cent. The other bank loan bears interest at a fixed rate of 9 per cent. A 1 per cent. 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 per cent. fluctuation in all foreign exchange rates moving in the same direction against GBP has been assessed to be an overall impact of approximately £100,000 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 2021).

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 period end were:

	USD £'000	*Euro £'000*	*INR £'000*	*Total £'000*
At 31 May 2019	162	139	207	508
At 31 May 2020	151	28	293	472
At 31 May 2021	1,053	641	605	2,299

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.

19. Share capital

	At *31 May 2019* £	At *31 May 2020* £	At *31 May 2021* £
Allotted, called up and fully paid			
1,700,000 A ordinary shares of £0.001 each (2020 and 2019: 1,700 £1 A shares)	1,700	1,700	1,700
273,000 B ordinary shares of £0.001 each (2020 and 2019: 273 £1 B shares)	273	273	273
	1,973	1,973	1,973

A and B ordinary shares rank *pari passu* except on a sale or listing when A shares have a right to the first £1.4m of capital and share equally with B shares in any excess capital.

C and D ordinary shares (unissued but subject to options) have no rights to dividends. C shares have a right to a share of capital in excess of £13m and D shares to a share of capital in excess of £23m.

£1 A and B ordinary shares were subdivided into 1,000 £0.001 shares per £1 share on 20 November 2020.

20. 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 (now held over 1,050,000 £0.001 B ordinary shares at £0.001 per share). The options are exercisable for up to 10 years subject to certain profit performance targets or otherwise to the capital value of the company on an exit exceeding £14m (10 per cent. exercisable up to 100 per cent. at £23m).

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

	B Options Number	*C Options Number*	*D Options Number*
Share grants and options outstanding at 31 May 2018, 2019 and 2020	1,050,000	–	–
Share options granted during the year	–	580,000	811,000
Share options outstanding at 31 May 2021	1,050,000	580,000	811,000

The weighted average exercise price for all options is £0.001 per share at 31 May 2019, 2020 and 2021 and the average remaining vesting period was estimated at 2 years at 31 May 2021 (2020: 2 years, 2019: 3 years).

The share based payment charges for the B options has been estimated using a Black Scholes share pricing model with a 40 per cent. volatility, 1 per cent. risk free rate and 5 year vesting period assumptions.

A charge of £31,902 (2020: £27,274, 2019: £27,274) was recognised in the financial statements.

21. Post balance sheet events

In December 2021, January and February 2022, the Group issued convertible loan notes with a one year term and 10 per cent. coupon amounting to £1,375,000 in order to provide further working capital for the business. These are convertible to equity shares at a 12 per cent. discount in the event of an admission to trading on AIM.

22. 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 2018 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 £311,000 and liability of £352,000 at transition. The carrying value of right-of-use assets at 31 May 2021 was £275,000 (2020: £200,000, 2019: £242,000). The carrying value of lease liabilities at 31 May 2021 was £296,000 (2020: £225,000, 2019: £279,000).

The operating lease rentals of £98,000, £112,000 and £82,000 expensed in FY19, FY20 and FY21 have been replaced by the inclusion of depreciation of £82,000, £94,000 and £67,000 together with financing charges of £21,000, £18,000 and £11,000 impacting profits by a £5,000 decrease, £nil and £4,000 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. A £46,000 credit has been included in the tax in the statement of comprehensive income and a £267,000 in equity for the year ended 31 May 2021 in accordance with IFRS, the latter being the extent to which the deduction exceeds share based payment charges.

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. An adjustment of £677,000 has been made at 31 May 2021 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 £9,000, £6,000 and £157,000 at 31 May 2019, 2020 and 2021 have been reclassified to right-of-use assets in accordance with IFRS 16.

The hire purchase and finance lease liabilities of £12,000, £7,000 and £163,000 at 31 May 2019, 2020 and 2021 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.

Reconciliation of Equity at 1 June 2018

	UK GAAP £'000	*IFRS 16 £'000*	*IFRS £'000*
Assets			
Non-current assets			
Property, plant and equipment	58	311	369
Intangible assets	1,685	–	1,685
Total non-current assets	1,743	311	2,054
Current assets			
Inventories	30	–	30
Trade and other receivables	1,787	(17)	1,770
Corporation tax recoverable	738	–	738
Cash and cash equivalents	624	–	624
Total current assets	3,179	(17)	3,162
Total assets	4,922	294	5,216
Current liabilities			
Borrowings	(250)	–	(250)
Lease liabilities	–	(85)	(85)
Trade and other payables	(904)	24	(880)
Total current liabilities	(1,154)	(61)	(1,215)
Non current liabilities			
Lease liabilities	–	(267)	(267)
Provisions	(130)	–	(130)
Deferred tax	(295)	–	(295)
Total non current liabilities	(425)	(267)	(692)
Total liabilities	(1,579)	(328)	(1,907)
Net assets	3,343	(34)	3,309
Equity			
Issued share capital	2	–	2
Currency translation reserve	5	–	5
Retained earnings	3,336	(34)	3,302
Total equity	3,343	(34)	3,309

Reconciliation of equity at 31 May 2019, 2020 and 2021

	UK GAAP as reported £'000	*IFRS 16 £'000*	*IFRS £'000*
At 31 May 2019			
Share capital	2	–	2
Currency translation reserve	8	–	8
Retained earnings	4,502	(39)	4,463
Total equity	4,512	(39)	4,473

	UK GAAP as reported £'000	*IFRS 16 £'000*	*IFRS £'000*
At 31 May 2020			
Share capital	2	–	2
Currency translation reserve	–	–	–
Retained earnings	4,690	(39)	4,651
Total equity	4,692	(39)	4,653

	UK GAAP as reported £'000	*IFRS 16 £'000*	*Deferred tax £'000*	*IFRS £'000*
At 31 May 2021				
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

Reconciliation of net income for the year ended 31 May 2019

	UK GAAP £'000	*IFRS 16 £'000*	*IFRS £'000*
Revenue	6,270	–	6,270
Cost of sales	(3,095)	–	(3,095)
Gross profit	3,175	–	3,175
Other operating expense	(33)	–	(33)
Administrative expenses	(2,531)	16	(2,515)
Operating profit	611	16	627
Interest income	6	–	6
Interest expense	(22)	(21)	(43)
Profit before tax	595	(5)	590
Taxation	544	–	544
Profit for the year	1,139	(5)	1,134
Other comprehensive income for the year			
Currency translation differences	3	–	3
Total comprehensive income for the year	1,142	(5)	1,137

Reconciliation of net income for the year ended 31 May 2020

	UK GAAP £'000	*IFRS 16 £'000*	*IFRS £'000*
Revenue	6,452	–	6,452
Cost of sales	(3,514)	–	(3,514)
Gross profit	2,938	–	2,938
Other operating income	58	–	58
Administrative expenses	(3,188)	18	(3,170)
Operating loss	(192)	18	(174)
Interest income	19	–	19
Interest expense	(216)	(18)	(234)
Loss before tax	(389)	–	(389)
Taxation	550	–	550
Profit for the year	161	–	161
Other comprehensive income for the year			
Currency translation differences	(8)	–	(8)
Total comprehensive income for the year	153	–	153

Reconciliation of net income for the year ended 31 May 2021

	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)

SECTION C: UNAUDITED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 NOVEMBER 2021

Consolidated interim historical financial information of Ensilica plc

Consolidated Statement of Comprehensive Income
for the six months ended 30 November 2020 and 30 November 2021

	Note	*Six months ended 30 November 2020 £'000*	*Six months ended 30 November 2021 £'000*
Revenue	1	2,772	6,957
Cost of sales		(1,968)	(5,101)
Gross profit		804	1,856
Other operating income		220	63
Administrative expenses		(1,453)	(2,084)
Operating loss		(429)	(165)
Interest income		3	2
Interest expense		(219)	(302)
Loss before taxation		(645)	(465)
Taxation	2	291	300
Loss for the period		(354)	(165)
Other comprehensive income for the period			
Currency translation differences		(28)	32
Total comprehensive income for the period attributable to the equity shareholders of Ensilica plc		(382)	(133)
Basic and diluted earnings per share (pence)	3	(17.9)	(8.4)

Consolidated Statement of Changes in Equity

	Share capital £'000	*Currency translation reserve £'000*	*Retained earnings £'000*	*Total Equity £'000*
At 31 May 2020	2	–	4,651	4,653
Comprehensive income for the six months to 30 November 2020				
Loss for the period	–	–	(354)	(354)
Other comprehensive expense	–	(28)	–	(28)
Total comprehensive expense for the period	–	(28)	(354)	(382)
Share based payment	–	–	16	16
At 30 November 2020	2	(28)	4,313	4,287
Comprehensive income for the six months to 31 May 2021				
Loss for the period	–	–	(1,721)	(1,721)
Other comprehensive expense	–	(11)	–	(11)
Total comprehensive expense for the period	–	(11)	(1,721)	(1,732)
Share based payment	–	–	16	16
Deferred tax in respect of share options	–	–	267	267
At 31 May 2021	2	(39)	2,875	2,838
Comprehensive income for the six months to 30 November 2021				
Loss for the period	–	–	(165)	(165)
Other comprehensive income	–	32	–	32
Total comprehensive expense for the period	–	32	(165)	(133)
Share based payment	–	–	23	23
At 30 November 2021	2	(7)	2,733	2,728

Consolidated Statement of Financial Position
as at 30 November 2020 and 2021

	Note	*30 November 2020 £'000*	*30 November 2021 £'000*
Assets			
Non-current assets			
Property, plant and equipment		227	393
Intangible assets	4	7,865	7,053
Total non-current assets		8,092	7,446
Current assets			
Inventories		50	366
Trade and other receivables		1,477	2,596
Corporation tax recoverable		1,712	1,500
Cash and cash equivalents		2,764	1,668
Total current assets		6,003	6,130
Total assets		14,095	13,576
Current liabilities			
Borrowings		(652)	(803)
Lease liabilities		(89)	(101)
Trade and other payables		(2,218)	(3,690)
Corporation tax payable		–	(95)
Total current liabilities		(2,959)	(4,689)
Non current liabilities			
Borrowings		(5,297)	(4,635)
Lease liabilities		(97)	(143)
Provisions		(68)	(91)
Deferred tax		(1,387)	(1,290)
Total non current liabilities		(6,849)	(6,159)
Total liabilities		(9,808)	(10,848)
Net assets		4,287	2,728
Equity			
Issued share capital		2	2
Currency differences reserve		(28)	(7)
Retained earnings		4,313	2,733
Total equity		4,287	2,728

Consolidated Statement of Cash Flows
for the six months ended 30 November 2020 and 2021

	Note	*Six months ended 30 November 2020 £'000*	*Six months ended 30 November 2021 £'000*
Cash flows from operating activities			
Cash (used in)/generated from operations	A	(201)	450
Tax (paid)/received		(22)	1,214
Net cash generated from/(used in) operating activities		(223)	1,664
Cash flows from investing activities			
Purchase of property, plant and equipment		(5)	(205)
Additions to intangible assets		(1,071)	(557)
Interest received		3	2
Net cash used in investing activities		(1,073)	(760)
Cash flows from financing activities			
Interest paid		(79)	(239)
Lease liability payments		(38)	(52)
Receipt of bank loans		2,500	–
Repayment of bank loans		(504)	(361)
Net cash generated from financing activities		1,879	(652)
Net increase in cash and cash equivalents		583	252
Cash and cash equivalents at beginning of period		2,181	1,404
Foreign exchange gains		–	12
Cash and cash equivalents at end of period	B	2,764	1,668

Notes to the cash flow statements
for the six months ended 30 November 2020 and 2021

A. Cash generated from operations

The reconciliation of the loss for the period to cash generated from operations is set out below:

	Six months ended 30 November 2020 £'000	*Six months ended 30 November 2021 £'000*
Loss for the period	(354)	(165)
Adjustments for:		
Depreciation	53	76
Amortisation of intangible assets	50	10
Share based payments	16	23
Grants not cash received	–	(63)
Net interest costs	216	300
Tax credit	(291)	(300)
	(310)	(119)
Working capital movements		
Decrease/(increase) in inventories	44	(336)
(Increase)/decrease in trade and other receivables	(61)	374
Increase in trade and other payables	128	589
Decrease in provisions	(2)	(58)
Cash (used in)/generated from operations	(201)	450

B. Analysis of net debt

	At 1 June 2021 £'000	*Cash flow £'000*	*Non-cash changes £'000*	*At 30 November 2021 £'000*
Loans	(5,799)	361	–	(5,438)
Lease liabilities	(296)	55	(3)	(244)
Liabilities arising from financing activities	(6,095)	416	(3)	(5,682)
Cash and cash equivalents	1,404	264	–	1,668
Net debt	(4,691)	680	(3)	(4,014)

	At 1 June 2020 £'000	*Cash flow £'000*	*Non-cash changes £'000*	*At 30 November 2020 £'000*
Loans	(3,953)	(1,996)	–	(5,949)
Lease liabilities	(225)	45	(6)	(186)
Liabilities arising from financing activities	(4,178)	(1,951)	(6)	(6,135)
Cash and cash equivalents	2,181	583	–	2,764
Net debt	(1,997)	(1,368)	(6)	(3,371)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General information

Ensilica plc is a trading and holding company and the group both supplies and provides fabless semiconductor design services for Application Specific Integrated Circuits. The company is a public company, limited by shares, incorporated and domiciled in England. The address of the registered office is Building 3, 115 Olympic Avenue, Milton Park, Abingdon, OX14 4SA.

Accounting policies

Basis of preparation

The consolidated historical interim financial information (the 'historical financial information') presents the financial track record of the Ensilica Group for the six month period ended 30 November 2020 and 2021. It has been derived from the management information of Ensilica Limited and its subsidiaries prepared in accordance with UK GAAP, and subsequently adjusted to comply with UK adopted International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) in conformity with the Companies Act 2006 except as noted below. IFRS has been applied with a transition date of 1 July 2018. The accounting policies have been applied consistently to all periods presented. The consolidated historical financial information has been prepared for the purpose of admission to AIM a market operated by the London Stock Exchange.

The historical financial information has been prepared under the historical cost convention and presented in thousands of pounds sterling ('£'000'), the functional and presentation currency of the Ensilica Group, except where otherwise indicated.

The principal accounting policies adopted in preparation of the interim information are as set out in the historical financial information of the Ensilica Group in section B of Part III. The policies have been consistently applied to all periods presented, unless otherwise stated.

Going concern

As part of its normal business practice, the Group regularly prepares both annual and longer-term plans which are based on the directors' expectations. The assumptions around project sales, staffing and purchases are based on management's expectations and are consistent with the Group's experience since June 2021. The forecasts consider the Group's existing cash resources and includes assumptions around an Initial Public Offering ("IPO"), whereby significant additional funding will be generated for newly issued ordinary shares. The forecast also includes consideration of certain downside scenarios such as the impact of Covid-19, supply chain issues and inflationary pressures on the Group's operations. As at 30 November 2021 the Group financing arrangements consisted of a loan of £3.3 million from SME Alternate Financing and a Coronavirus Business Interruption Loan (CBIL) for £2.3 million used to mitigate delays caused by Covid-19. The Group held a cash balance of £1.7 million at that date and has subsequently raised £1.375m from an issue of convertible loan notes.

Should the IPO not take place then the Directors would need to raise additional funding for working capital either through a private placement or through additional bank loans.

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.

Notes to the interim historical financial information

1. Analysis of revenue and non-Gaap adjusted results

The chief operating decision maker ("CODM") is identified as the Board. It 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, therefore 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.

	2020	*2021*
	£'000	*£'000*
By type		
Recognised at a point in time	172	563
Supply of products		
Recognised over time		
NRE	998	2,449
Consultancy	1,347	3,908
Licensing related income	255	37
	2,600	6,394
	2,772	6,957
By destination:		
UK	1,551	1,721
Rest of Europe	547	2,494
Rest of the World	674	2,742
Total revenue	2,772	6,957

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 will be different customers from year to year. Revenue in respect of two customers amounted to £4,097,000 representing 35 per cent. and 24 per cent. of the revenue for the six month period ended 30 November 2021 (2020: one different customer amounted to £862,000 at 31 per cent. of the revenue).

Adjusted results

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.

	2020	*2021*
	£'000	*£'000*
Operating loss before interest	(429)	(165)
Depreciation	53	76
Amortisation of intangible assets	50	10
EBITDA	(326)	(79)

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

	30 November 2020		*30 November 2021*	
	Non-current assets £'000	*Net assets £'000*	*Non-current assets £'000*	*Net assets £'000*
United Kingdom	7,982	3,869	7,320	1,989
India	110	418	78	671
Brasil	–	–	48	68
	8,092	4,287	7,446	2,728

2. Taxation on loss

	2020 £'000	*2021 £'000*
Current taxation		
UK corporation tax credit	518	451
Foreign tax charge	(23)	(35)
	495	416
Deferred taxation		
Origination and reversal of timing differences	(204)	(116)
Tax credit on loss	291	300

Factors affecting the tax credit for the period

The tax credit on the loss for the period differs from applying the standard rate of corporation tax in the UK of 19 per cent. (2020: 19 per cent.). The differences are reconciled below:

	2020 £'000	*2021 £'000*
Loss before taxation	(645)	(465)
Corporation tax credit at standard rate	123	88
Factors affecting charge for the period:		
Disallowable expenses	(9)	(19)
Research and development allowances	338	382
Reduced rate on surrender of R&D losses for tax credit	(161)	(140)
Other timing differences	–	24
Differing tax rates	–	(35)
Tax credit on loss	291	300

3. Earnings per share

	2020	*2021*
Loss used in calculating EPS (£'000)	(354)	(165)
Number of shares for basic EPS ('000s)	1,973	1,973
Basic earnings per share (pence)	(17.9)	(8.4)
Number of shares for diluted EPS ('000s)	1,973	1,973
Diluted earnings per share (pence)	(17.9)	(8.4)

There are options over 2,441,000 B,C and D ordinary shares (2020: 1,050,000 B ordinary shares) which are still exercisable and potentially dilutive shares. There is no dilution of a loss for the period.

4. Intangible assets

	Development costs £'000	*Software £'000*	*Total £'000*
Cost			
At 1 June 2020	7,471	–	7,471
Additions	1,071	–	1,071
At 30 November 2020	8,542	–	8,542
Amortisation			
At 1 June 2020	(627)	–	(627)
Charge for the period	(50)	–	(50)
At 30 November 2020	(677)	–	(677)
Net book value			
At 30 November 2020	7,865	–	7,865
Cost			
At 1 December 2020	8,542	–	8,542
Additions	601	123	724
At 31 May 2021	9,143	123	9,266
Amortisation and impairment			
At 1 December 2020	(677)	–	(677)
Charge for the period	(60)	(4)	(64)
Impairment in the period	(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	557	–	557
At 30 November 2021	9,700	123	9,823
Amortisation and impairment			
At 1 June 2021	(2,756)	(4)	(2,760)
Charge for the period	–	(10)	(10)
At 30 November 2021	(2,756)	(14)	(2,770)
Net book value			
At 30 November 2021	6,944	109	7,053

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

5. Post balance sheet events

In December 2021, January 2022 and February 2022, the Group issued convertible loan notes with a one year term and 10 per cent. coupon amounting to £1,375,000 in order to provide further working capital for the business. These are convertible to equity shares at a 12 per cent. discount in the event of an admission to trading on AIM.

SECTION D: ACCOUNTANT'S REPORT ON THE PRO FORMA NET ASSETS

Date: 18 May 2022

PRIVATE & CONFIDENTIAL

The Directors and the proposed Directors
EnSilica plc
Building 3
115 Olympic Avenue
Milton Park
Abington
Oxfordshire
OX14 4SA

and

The Directors
Allenby Capital Limited
5th Floor
5 St Helen's Place
London
EC3A 6AB

Dear Sirs

EnSilica plc (the "Company")

We report on the unaudited pro forma statement of net assets as at 31 May 2021 of EnSilica plc and its subsidiaries (the "Group") (the "Pro Forma Financial Information") as set out in Section E (Unaudited Pro Forma Financial Information of the Company" of Part III" Financial Information" of the Company's AIM admission document dated 18 May 2022 (the "Admission Document").

Opinion

In our opinion:

a) The Pro Forma Financial Information has been properly compiled on the basis stated; and

b) Such basis is consistent with the accounting policies of the Company.

Responsibilities

It is the responsibility of the Directors of the Company (the "Directors") to prepare the Pro Forma Financial Information.

It is our responsibility to form an opinion as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

In providing this opinion, we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of preparation

The Pro Forma Financial Information has been prepared on the basis described, for illustrative purposes only, to provide information about how:

- The issue of £1,375,000 convertible loan notes in December 2021, January and February 2022; and
- The receipt of the gross Placing proceeds

might have affected the financial information presented on the basis of accounting policies adopted by the Company in preparing the historical financial information for the year ended 31 May 2021.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting by the Financial Reporting Council in the United Kingdom. We are independent of the Company in accordance with the ethical requirements. In the United Kingdom this is the Financial Reporting Council's Ethical Standard as applied to Investment Circular Engagements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussion the Pro Forma Financial Information with the Directors.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with reasonable assurance that the Pro forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Item 1.2 of Annex 1 to the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and declare to the best of our knowledge, the information contained in this report is in accordance with the facts and that this report makes no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

UHY Hacker Young LLP

Chartered Accountants

SECTION E: UNAUDITED PRO FORMA STATEMENT OF CONSOLIDATED NET ASSETS

Set out below is an unaudited pro forma statement of net assets of the Group as at 31 May 2021 (the "Pro Forma Financial Information"). The Pro Forma Financial Information has been prepared on the basis of accounting policies adopted by the Group in preparing the Group Financial Information and on the basis set out in the notes below, to illustrate the effects of:

- The issue of £1,375,000 convertible loan notes in December 2021, January and February 2022; and
- The receipts of the gross Fundraising proceeds

on the net assets of the Group had EnSilica plc issued the convertible loan notes, the Fundraising and settlement of the Fundraising and Admission costs occurred on 31 May 2021. The Pro Forma Financial Information has been prepared for illustrative purposes only. Due to its nature, the Pro Forma Financial Information addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position at this date. It is based on the schedules used in preparing:

- The Group Historical Financial Information, which is included in section B Historical Financial Information of the Group of Part III 'Financial Information" of this document

Users should read the whole of this document and not rely solely on the Pro Forma Financial Information contained in this Section E "Unaudited Pro Forma Statement of Net Assets of the Group of Part III "Financial Information" of this document.

The accountant's report on the Pro Forma financial information in set out in Section D "Accountants' Report on the Unaudited Pro Forma Financial Information of the Group" of Part III "Financial Information" of this document.

Unaudited Pro Forma Statement of Net Assets

	The Group at 31 May 2021 (Note 1) £'000	*Adjustment Issue of Convertible loan note (Note 2) £'000*	*Adjustment Placing, Subscription and conversion of loan notes (Note 3) £'000*	*Unaudited Pro forma net assets £'000*
Assets				
Non-current assets				
Property, plant and equipment	262	–	–	262
Intangible assets	6,506	–	–	6,506
Total non-current assets	6,768	–	–	6,768
Current assets				
Inventories	30	–	–	30
Trade and other receivables	2,950	–	–	2,950
Corporation tax receivables	2,203	–	–	2,203
Cash and cash equivalents	1,404	1,375	4,900	7,679
Total current assets	6,587	1,375	4,900	12,862
Total assets	13,355	1,375	4,900	19,630
LIABILITIES				
Current liabilities				
Borrowings	(753)	(1,375)	1,375	(753)
Lease liabilities	(103)	–	–	(103)
Trade and other payables	(3,099)	–	–	(3,099)
Corporation tax payable			–	–
Total current liabilities	(3,955)	(1,375)	1,375	(3,955)
Non-current liabilities				
Borrowings	(5,046)	–	–	(5,046)
Lease liabilities	(193)	–	–	(193)
Provisions	(149)	–	–	(149)
Deferred tax	(1,174)	–	–	(1,174)
Total non-current liabilities	(10,517)	–	–	(10,517)
Net assets	2,838	–	6,275	9,113

Notes

1. The financial information of the Group as at 31 May 2021 has been extracted without adjustment from the Group financial information, as set out in Section B "Historical Financial Information of the Group" of Part III "Financial Information" of this document.
2. The adjustment of £1,375,000 represents the issue of convertible loan notes in December 2021, January and February 2022.
3. The adjustment of £4,900,000 to cash and cash equivalents represents the gross Fundraising proceeds of £6,000,000, less settlement of the associated costs of the Fundraising and Admission of £1,100,000 and the adjustment to borrowings represents the conversion of convertible loan notes into ordinary share capital at a price of 44 pence per share.

PART IV

ADDITIONAL INFORMATION

1. Responsibility Statement

The Directors, whose names and functions are set out on page 9 of this document, and the Company accept responsibility, both individually and collectively, for all the information contained in this document, and compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Directors and the Company (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

2.1 The Company is domiciled in the United Kingdom and was incorporated and registered as a private company limited by shares on 21 May 2001 in England and Wales under the Companies Act 1985 with the name EnSilica Limited and with registration number 04220106.

2.2 On 6 May 2022, the Company was re-registered as a public limited company under the Act and its name was changed to EnSilica plc.

2.3 The Company is a public limited company and accordingly the liability of its members is limited to the amount paid up or to be paid on their shares. The principal legislation under which the Company operates and which the New Ordinary Shares will be issued is the Act and regulations made thereunder.

2.4 The Company's principal activity is the fabless semiconductor design and supply of ASICs. It is the ultimate parent company of the Group comprising the Company and the subsidiary undertakings set out in paragraph 2.5 of this Part IV.

2.5 As at the date of this document, the Company has, and will on Admission have, the following subsidiary undertakings, all of which are directly wholly-owned:

Name of company	*Country of incorporation*	*Percentage held*
Ensilica Adas Limited	United Kingdom	100%
EnSilica Brasil LTDA	Brazil	100%
EnSilica India Private Limited	India	100%

2.6 The registered office and principal place of business of the Company is at Building 3, 115 Olympic Avenue, Milton Park, Abingdon, Oxfordshire, England and its telephone number is +44 (0) 118 321 7310.

2.7 The Company's website address is https://www.ensilica.com.

3. Share Capital of the Company

3.1 The issued fully paid up share capital of the Company (i) as at the date of this document (ii) as it is expected to be immediately following the Capital Reorganisation but prior to the Fundraising and CLN Conversion and (iii) as it is expected to be immediately following the Fundraising, CLN Conversion and Admission is as follows:

	As at the date of this document		*Immediately following the Capital Reorganisation but prior to the Fundraising and CLN Conversion*		*Immediately following the Fundraising, CLN Conversion and Admission*	
Class	*Number of shares*	*Aggregate nominal value (£)*	*Number of Shares*	*Aggregate nominal value (£)*	*Number of Shares*	*Aggregate nominal value (£)*
A Ordinary Shares	1,700,000	1,700	Nil	Nil	Nil	Nil
B Ordinary Shares	273,000	273	Nil	Nil	Nil	Nil
C Ordinary Shares	Nil	Nil	Nil	Nil	Nil	Nil
D Ordinary Shares	Nil	Nil	Nil	Nil	Nil	Nil
Ordinary Shares	Nil	Nil	60,000,004	60,000	75,231,809	75,231.81
Deferred Shares	59,190	59,190	59,190	59,190	59,190	59,190

3.2 On incorporation the share capital of the Company was £1 divided into 1 ordinary share of £1.00 each.

3.3 The following changes to the share capital of the Company have taken place since 1 April 2018 to the date of this document:

a) on 12 September 2001, the 1 issued share was re-designated as an A ordinary share of £1.00 each and 99 further A ordinary shares were issued, 100 B ordinary shares of £1.00 each were issued and 100 C ordinary shares of £1.00 each were issued;

b) on 16 October 2001, 50 D ordinary shares were issued;

c) on 25 July 2005, all of the existing A ordinary, B ordinary, C ordinary and D ordinary shares were re-designated as ordinary shares of £1.00 each:

d) on 25 July 2005, 1,350 ordinary shares were issued;

e) on 29 June 2017, the ordinary shares were re-designated as A ordinary shares of £1.00 each;

f) on 10 July 2017, 273 B ordinary shares were issued;

g) on 25 November 2020, each A ordinary share was sub-divided into 1,000 A ordinary shares of £0.001 each and each B ordinary share was sub-divided into 1,000 B ordinary shares of £0.001 each;

h) 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;

i) 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.

3.4 On 18 May 2022, the shareholders of the Company passed resolutions on the following terms:

a) the resolutions referred to in paragraph 4.1 of this Part IV;

b) authorising the directors to allot shares in accordance with section 551 of the Companies Act 2006 (the "**Act**") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares of the Company provided that this authority shall be limited to the allotment of relevant securities:

(i) up to an aggregate nominal amount of £55,679.004 in connection with the Capitalisation Reorganisation;

(ii) up to an aggregate nominal amount of £12,000 in connection with the proposed Fundraising;

(iii) up to an aggregate nominal amount of £450 in connection with the grant of a warrant proposed to be issued to Allenby Capital Limited on such terms as may be approved by the directors (the "**Allenby Warrant**");

(iv) up to an aggregate nominal amount of £200 in connection with the grant of the NED Options;

(v) up to an aggregate nominal amount of £25,077 (in addition to the authorities conferred in paragraphs (i) to (iv) above) representing approximately one-third of the Company's enlarged share capital following Admission,

c) empowering the directors under sections 570(1) and 571(1) of the Act, as applicable, to allot equity securities (as defined in section 560 of the Act) of the Company for cash under the authority of the directors under section 551 of the Act conferred by Resolution 4, and/or where such allotment constitutes an allotment of equity securities by virtue of section 560(2) of the Act, as if section 561(1) of the Act did not apply to such allotment provided that the power conferred by this resolution shall be limited to the allotment of equity securities:

(i) up to an aggregate nominal amount of £55,679.004 in connection with the Capitalisation Reorganisation;

(ii) up to an aggregate nominal amount of £12,000 in connection with the Fundraising;

(iii) up to an aggregate nominal amount of £450 in connection with the grant of the Allenby Warrant;

(iv) up to an aggregate nominal amount of £200 in connection with the grant of the NED Options;

(v) otherwise than pursuant to paragraphs (i) to (iv) above, up to an aggregate nominal amount of £7,523 (representing approximately 10 per cent. of the Company's enlarged share capital following Admission).

3.5 Save as disclosed in this Part IV, since 31 May 2021 (being the date of the most recent balance sheet included in Part III of this document) (other than pursuant to the Capital Reorganisation, the CLN Conversion and the Fundraising):

a) no share or loan capital of the Company is under option or is the subject of an agreement, conditional or unconditional, to be put under option;

b) no share or loan capital of the Company has been issued, or is now proposed to be issued, fully or partly paid, either for cash or other consideration to any person;

c) no person has any preferential subscription rights for any share capital of the Company;

d) no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital of the Company;

e) neither the Company nor any other member of the Group holds any of the Ordinary Shares;

f) the Company has no convertible debt securities, exchangeable debt securities or debt securities with warrants in issue; and

g) there are no acquisition rights or obligations over the authorised but unissued share capital of the Company and there is no undertaking to increase the share capital of the Company.

3.6 The Ordinary Shares have been created under the Companies Act 1985.

3.7 The Ordinary Shares are in registered form and may be held either in certificated form or in uncertificated form through CREST. The Articles permit the Group to issue shares in uncertificated form.

3.8 No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.

3.9 Save for the Convertible Loan Notes, options granted under the 2017 EMI Plan, the 2022 LTIP, and the NED Options, the Group does not have in issue any securities not representing share capital.

3.10 There are no issued but not fully paid Ordinary Shares.

3.11 The Ordinary Shares are not being marketed or being made available to the public in whole or in part in conjunction with the application for Admission.

3.12 The Ordinary Shares have not been admitted to dealing on any recognised investment exchange or other trading facility, nor has any application for such admission been made and it is not intended to make any arrangements for dealings in the Ordinary Shares on any such exchange other than the application to be made in connection with Admission.

3.13 The Company has the contractual capacity of a natural person and is empowered to borrow, guarantee and give security.

4. Capital Reorganisation

4.1 In connection with Admission, the following reorganisation steps have or are to be implemented (together, the "Capital Reorganisation"):

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 capitalized 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 will be 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 will be issued pursuant to the Fundraising conditional upon Admission.

4.2 The Capital Reorganisation will not affect the Company's operations.

5. Articles of Association

5.1 ***General***

a) The Articles, which were adopted by the Company conditional upon Admission on 18 May 2022, and which are available to download at the Company's website, https://ensilica.com/, contain provisions, among others, which are set out below. This is a description of significant rights and does not purport to be complete or exhaustive.

b) In this paragraph 5 of Part IV, "Statutes" means the Act and every other statute or statutory instrument, rule, order or regulation from time to time in force concerning companies so far as they apply to the Company.

c) The Company has unrestricted objects.

5.2 ***Meetings of members***

Subject to the requirement to convene and hold annual general meetings in accordance with the requirements of the Act, the Board may call general meetings whenever and at such times and places as it shall determine and, on the requisition of members pursuant to the provisions of the Act, shall forthwith proceed to convene a general meeting in accordance with the requirements of the Act.

An annual general meeting shall be called by at least 21 clear days' notice. All other general meetings shall be called by at least 14 clear days' notice. Subject to the provisions of the Articles and to any restrictions imposed on any shares, the notice shall be given to all the members, to each of the directors and the auditors for the time being of the Company. The notice shall specify the time and place of the meeting and, in the case of special business, the general nature of such business. The accidental omission to give notice of a meeting, or to send a form of proxy with a notice where required by the Articles, to any person entitled to receive the same, or the non-receipt of a notice of meeting or form of proxy by any person, shall not invalidate the proceedings of that meeting.

The directors may from time to time make such arrangements for the purpose of controlling the level of attendance as they shall in their absolute discretion consider appropriate.

The appointment of a proxy shall be executed by or on behalf of the appointer. Delivery of a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned. A member may appoint more than one proxy to attend on the same occasion.

A corporation which is a member of the Company may authorise such person as it thinks fit to act as its representative at any meeting of the Company or at any separate meeting of the holders of any class of shares.

5.3 ***Voting rights***

At a general meeting of the Company, subject to any special rights or restrictions attached to any class of shares:

a) on a show of hands every member present in person has one vote, every duly appointed proxy present has one vote (unless he has been appointed by more than one member and has been instructed by one or more members to vote for a resolution and by one or more other members to vote against it, in which case he has one vote for and one vote against the resolution) and any person duly appointed to act as the authorised representative of a corporate member (or each of them if more than one) has one vote; and

b) on a poll every member has one vote for every share held by him.

No shareholder will be entitled to vote at a general meeting or any separate meeting of the holders of any class of shares in the Company in respect of any share held by him unless all moneys presently owed to the Company have been paid.

5.4 ***Alteration of capital***

The Company may from time to time by ordinary resolution:

- consolidate and divide all or any of its shares into shares of larger amount; and
- sub-divide all or any of its shares into shares of smaller amount and attach varying rights to the shares resulting from such sub-division.

The Group may by special resolution reduce its share capital, any capital redemption reserve fund and any share premium account subject to the provisions of the Act.

5.5 ***Variation of rights***

All or any of the special rights for the time being attached to any class of shares for the time being issued may be varied or abrogated with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of such holders (but not otherwise). At every such separate general meeting the necessary quorum shall be not less than two persons holding or representing by proxy not less than one third in nominal amount of the issued shares of the class or, at any adjourned meeting of such holders, one holder who is present in person or by proxy, whatever the amount of his holding, shall be deemed to constitute a meeting.

5.6 ***Purchase of own shares***

Subject to the provisions of the Act, the Company may purchase any of its own shares of any class (including redeemable shares) at any price.

5.7 ***Transfer of shares***

Any member may transfer all or any of his shares. Save where any rules or regulations made under the Act permit otherwise, the instrument of transfer of a share shall be in any usual form or in any other form which the Board may approve and shall be executed by or on behalf of the transferor and (in the case of a share which is not fully paid) by the transferee. The Board may in its absolute discretion and without giving any reason decline to register any transfer of shares which are not fully paid or on which the Company has a lien.

5.8 ***Dividends and other distributions***

The Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board. The Board may pay interim dividends if it appears that they are justified by the financial position of the Company.

All dividends shall be apportioned and paid *pro rata* to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid.

Any dividend unclaimed after a period of twelve years from the date when it became due for payment shall, if the Board so resolves, be forfeited and cease to remain owing by the Company.

The Board may, if authorised by an ordinary resolution of the Company, offer members the right to elect to receive shares credited as fully paid in whole or in part, instead of cash, in respect of the dividend specified by the ordinary resolution.

The Company may cease to send any cheque or dividend warrant through the post if such instruments have been returned undelivered or remain uncashed by a member on at least two consecutive occasions.

In a winding up, the liquidator may, subject to the Insolvency Act 1986, divide among the members in specie the whole or any part of the assets of the Company and/or vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator determines.

5.9 Restrictions on shares

If the Board is satisfied that a member or any person appearing to be interested in shares in the Company has been duly served with a notice under Section 793 of the Act and is in default in supplying to the Company the information thereby required within a prescribed period after the service of such notice the Board (of the Company) may serve on such member or on any such person a notice ("a direction notice") in respect of the shares in relation to which the default occurred ("default shares") directing that a member shall not be entitled to vote at any general meeting or class meeting of the Company. Where default shares represent at least 0.25 per cent. of the class of shares concerned (less any shares of that class held in treasury) the direction notice may in addition direct that: (i) except in a liquidation of the Company, no payment shall be made by the Company on the default shares, whether in respect of capital or dividend or otherwise, (ii) no other distribution shall be made on the default shares; and (iii) no transfer of any of the shares held by the member shall be registered unless: (A) the member itself is not in default as regards supply the requested information and the member certifies that no person in default as regards supplying the requested information is

interested in any of the shares the subject of the transfer; (B) the transfer is an approved transfer; or (C) registration is required under regulation 27 of the CREST Regulations. The prescribed period referred to above means 14 days from the date of service of the notice under Section 793.

5.10 ***Directors***

a) At the first annual general meeting of the Company all of the directors for the time being shall retire from office and put themselves up for re-election. At every subsequent annual general meeting, any director appointed by a resolution of the Board shall retire and in addition to any director who was not appointed or re-appointed at one of the preceding two annual general meetings.

b) Save as provided in sub-paragraph 5.10 (c) below, a director shall not vote at a meeting of the Board or any committee of the Board on any resolution of the directors concerning a matter in which he has an interest which together with any interest of any person connected with him is to his knowledge a material interest. The Company may by ordinary resolution suspend or relax such provisions to any extent or ratify any transaction not duly authorised by reason of a contravention of such provisions.

c) The prohibition in sub-paragraph 5.10 (b) above shall not apply to a director in relation to any of the following matters, namely: (i) the giving of any guarantee, security or indemnity to him in respect of money lent or obligations incurred by him for the benefit of the Company or any of its Subsidiaries; (ii) the giving of any guarantee, security or indemnity to a third party in respect of an obligation of the Company or any of its Subsidiaries for which he has assumed responsibility in whole or part and whether alone or jointly with others under a guarantee or indemnity or by giving of security; (iii) the subscription for or underwriting or sub-underwriting of any shares, debentures or other securities of the Company or any of its Subsidiaries by him; (iv) any proposal concerning any other company in which he and any persons connected with him do not to his knowledge hold an interest in shares representing one per cent. or more of either any class of the equity share capital or the voting rights in such company); (v) any resolution relating to an arrangement for the benefit of employees of the Company or any of its Subsidiaries and which does not provide in respect of any director as such any privilege or benefit not accorded to the employees to whom the arrangement relates; and (vi) any proposal concerning the purchase and/or maintenance of any insurance policy against liability for negligence, default, breach of duty or breach of trust in relation to the Company under which he may benefit.

d) The ordinary remuneration of the directors who do not hold executive office for their services (excluding amounts payable under any other provision of the Articles) shall not exceed in aggregate £350,000 per annum or such higher amount as the Company may from time to time by ordinary resolution determine. Subject thereto, each such director shall be paid a fee (which shall be deemed to accrue from day to day) at such rate as may from time to time be determined by the Board. The directors shall be entitled to all such reasonable expenses as they may properly incur in attending meetings of the Board or in the discharge of their duties as directors. Any director who by request of the Board performs special services may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Board may determine. The directors may pay pensions and other benefits to, *inter alias*, present and past employees and directors and may set up and maintain schemes for the purpose.

e) Unless otherwise determined by ordinary resolution of the Company, the number of directors shall not be less than two. There is no maximum number of directors. A director shall not be required to hold any shares of the Company by way of qualification.

5.11 ***Borrowing powers***

The directors may exercise all the powers of the Company to borrow money, to guarantee, to indemnify and to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

6. The Takeover Code, Mandatory Bids, Squeeze-Out and Sell-Out Rules

6.1 *Mandatory bids*

When any person, together with persons acting in concert with him, is interested in shares carrying not less than 30 per cent. of the voting rights of such a company but does not hold shares carrying more than 50 per cent. of such voting rights, a general offer will normally be required if any further interests in shares are acquired by any such person. Such an offer would have to be made in cash and at the highest price paid for any interest in shares by that person or by any person acting in concert with it within the 12 months prior to the announcement of the offer.

6.2 *The Concert Party*

It has been agreed with the Takeover Panel that there is the Concert Party, which on Admission will hold, in aggregate, approximately 46.20 per cent. of the Enlarged Share Capital. Further details are set out in paragraph 24 of Part I of this document.

6.3 *Compulsory acquisition – squeeze out*

Under sections 974 to 991 of the Act, if within certain time limits, an offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90 per cent. of the shares (in value and by voting rights) to which such offer relates, it may then compulsorily acquire the outstanding shares not assented to the offer. The offeror would accept the compulsory acquisition by sending a notice to outstanding holders of shares telling them that it will compulsorily acquire their shares and then, six weeks from the date of the notice, it would execute a transfer of the outstanding shares in its favour and pay the consideration for the shares to the Company, which would hold the consideration on trust for the outstanding holders of shares. The consideration offered to the holders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.

6.4 *Compulsory acquisition – sell out*

In addition, pursuant to section 983 of the Act, if an offeror acquires or agrees to acquire not less than 90 per cent. of the shares (in value and by voting rights) to which the offer relates, any holder of shares to which the offer relates who has not accepted the offer may require the offeror to acquire his shares on the same terms as the takeover offer. Certain time limits apply to this entitlement. The offeror would be required to give any holder of shares notice of his right to be bought out within one month of that right arising. Sell-out rights cannot be exercised after the end of the period of three months from the last date on which the offer can be accepted or, if later, three months from the date on which the notice is served on the holder of shares notifying them of their sell-out rights. If a holder of shares exercises his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

7. Interests of the Directors

7.1 The following table sets out the interests of the Directors and their families (within the meaning set out in the AIM Rules for Companies) (including any interest known to that Director which could with reasonable diligence be ascertained by him or her) in the issued ordinary share capital of the Company as at the date of this document (assuming the Capital Reorganisation has occurred) and immediately following Admission:

	As at the date of this document (assuming the Capital Reorganisation)				*Immediately following Admission*	
Name	*No. of Ordinary Shares*	*% of Existing Share Capital*	*No. of Loan Note Conversion Shares*	*No. of Placing Shares and Subscription Shares*	*No. of Ordinary Shares*	*% of Enlarged Share Capital*
Mark Hodgkins	345,774	0.58%	35,128	150,000	530,902	0.71%
Ian Lankshear[1]	15,922,394	26.54%	117,964	–	16,040,358	21.32%
Matthew Wethey	Nil	Nil	35,062	–	35,062	0.05%
David Tilston	Nil	Nil	–	50,000	50,000	0.07%
Janet Collyer	Nil	Nil	–	30,000	30,000	0.04%
Wasim Ahmed	Nil	Nil	–	12,000	12,000	0.02%
Noel Hurley	Nil	Nil	–	20,000	20,000	0.03%
Total	16,268,168	27.11%	188,154	262,000	16,718,322	22.22%

1. It is the intention of Ian Lankshear to grant an option over up to 10 per cent. of his Ordinary Shares to provide shares to benefit employees of the Company through the grant of options exercisable at least two years after Admission at the Placing Price.

7.2 The following table sets out details of the Convertible Loan Notes held by each of the Directors as at the date of this document and the number of Ordinary Shares into which such notes and accrued interest will convert on Admission:

Name	*Amount of Convertible Loan Notes*	*No. of Ordinary Shares*
Mark Hodgkins	£15,000	35,128
Ian Lankshear	£50,000	117,964
Matthew Wethey	£15,000	35,062
David Tilston	£Nil	Nil
Janet Collyer	£Nil	Nil
Wasim Ahmed	£Nil	Nil
Noel Hurley	£Nil	Nil

7.3 The following table sets out details of the options held over new Ordinary Shares by the Directors as at the date of this document (assuming the Capital Reorganisation has occurred) conditional upon Admission:

Name	*No. of Ordinary Shares under option*	*Exercise price per Ordinary Share*	*Plan*
Mark Hodgkins	1,500,000[1]	£0.50	2022 LTIP
Ian Lankshear[2]	3,000,000[1]	£0.50	2022 LTIP
Matthew Wethey	250,000	£0.50	2022 LTIP
David Tilston	50,000	£0.50	
Janet Collyer	50,000	£0.50	
Wasim Ahmed	50,000	£0.50	
Noel Hurley	50,000	£0.50	

1 These 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).

2 Ian Lankshear has also been granted the IL Option described at paragraph 7.5 below.

7.4 Share options have been granted to certain Directors in anticipation of Admission under the 2022 LTIP (described at paragraphs 7.3 and 12.2 of this Part IV) and to the Non-Executive Directors under share option agreements as set out in paragraph 7.3 above. The options granted to Non-Executive Directors are not subject to performance criteria and are subject to a four year vesting period. The options will lapse and not be exercisable if the relevant Non-Executive Director ceases to be an officer of the Company.

7.5 The IL Option has been granted by the Company, on the basis that certain shareholders identified in paragraph 10.2 below will deliver Ordinary Shares on the exercise of the IL Option at the Placing Price. The IL Option will not become exercisable unless those shareholders agree to deliver those shares. The IL Option is normally exercisable following the second anniversary of Admission and will lapse if not exercised by 1 December 2024. 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.

7.6 There are no outstanding loans granted or guarantees provided by the Company to, or for the benefit of, any of the Directors.

7.7 Save as otherwise disclosed in this document, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company since its incorporation and which remains in any respect outstanding or under-performed.

7.8 Save as disclosed in this paragraph 7, none of the Directors or any `person connected with a Director (within the meaning of section 252 to 255 of the Act) has any interest, whether beneficial or non-beneficial, in the share capital of the Company or any of its subsidiaries or is interested in any related financial product referenced to the Ordinary Shares (being a financial product whose value is, in whole or in part, determined directly or indirectly by reference to the price of the Ordinary Shares, including a contract for difference or a fixed odds bet).

8. Directors' Service Agreements and Letters of Appointment

8.1 The Directors have been appointed to the offices and roles set out against their respective names below. The service agreements and letters of appointment summarised below are each between the respective Director and the Company.

8.2 ***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.

8.3 ***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.

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.

8.4 The aggregate remuneration and benefits in kind paid by the Company to the Directors in respect of the financial period ended 31 May 2021 was £209,574. It is estimated that under the arrangements currently in force as at the date of this document, the aggregate remuneration payable and benefits in kind to be granted to the Directors by the Company for the financial period ending 31 May 2022 will be no less than £422,525.

9. Additional Information on the Directors

9.1 Other than in respect of the Company, the names of all companies and partnerships of which the Directors have been a director or partner at any time in the five years preceding the date of this document (and indicating whether they are current or former) are set out below:

Name	*Current Directorships/Partnership*	*Former Directorships/Partnerships*
Mark Hodgkins	Stevenage Circuits Limited Tru-Lon Printed Circuits (Royston) Limited Trackwise Designs PLC EnSilica ADAS Limited Kenilworth Court Block C RTM Company Limited	Carbon One Limited Kenilworth Court Block E RTM Company Limited Kenilworth Court Block B RTM Company Limited Kenilworth Court Block D RTM Company Limited Kenilworth Court Block A RTM Company Limited Manumit Strategies Limited Mint Semiconductor Limited
Ian Lankshear	EnSilica ADAS Limited EnSilica India Private Limited EnSilica GmbH***	EnSilica Inc (USA)**
Matthew Wethey	–	–
David Tilston	SDI Group plc Hexameter Services Limited British Exploring Society	–
Janet Collyer	Machine Discovery Limited Aerospace Technology Institute AliMar Limited* JaKeith Ltd* Nakwaya Holdings Ltd* Kiwana Estates Ltd* AliNAss Limited*	–
Wasim Ahmed	Chilli Ventures Limited	Surecore Limited Life Opportunities Trust Nordic Semiconductor Sweden AB (formerly Imagination Technologies AB)

Name	*Current Directorships/Partnership*	*Former Directorships/Partnerships*
Noel Hurley	Bodle Technologies Limited	SeeChange Technologies Limited Blu Wireless Technology Limited

* Incorporated in Uganda
** Incorporated in the United States of America
*** Incorporated in Germany

9.2 Mark Hodgkins was a director of Carbon One Limited from 30 October 2014 to 31 October 2015 and was re-appointed to the board on 10 June 2016. Carbon One Limited was placed into administration on 20 July 2017. On 20 September 2019, the company moved from administration to a creditors voluntary liquidation and subsequently was dissolved on 12 November 2021. The shortfall to creditors was approximately £200,000.

9.3 Mark Hodgkins is currently a director of Tru-Lon Printed Circuits (Royston) Limited. On 14 December 2020 liquidators were appointed pursuant to a creditors voluntary winding up in relation to Tru-Lon Printed Circuits (Royston) Limited. There was no shortfall to creditors.

9.4 Mark Hodgkins was appointed a director of Powerlite Generators (Aust) Pty Ltd in 2014 and that company went into voluntary liquidation in 2016.

9.5 Save as disclosed in paragraphs 9.2 to 9.4 of this Part IV, none of the Directors has:

a) any unspent convictions in relation to indictable offences;

b) been or is the subject of any bankruptcy order made against him or her or been the subject of any form of individual voluntary arrangements;

c) been a director of a company which has been placed in receivership, compulsory liquidation, creditors voluntary liquidation, administration, been subject to a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors while he or she was a director of that company or within the 12 months after he or she ceased to be a director;

d) been a partner in any partnership which has been placed in compulsory liquidation or administration or been the subject of a partnership voluntary arrangement or where the assets of any such partnership have been subject of a receivership while he was a partner in that partnership or within the 12 months after he or she ceased to be a partner in that partnership;

e) been the owner of any asset or been a partner in any partnership which owned any asset which while he or she owned that asset, or while he or she was a partner or within the 12 months after he or she ceased to be a partner in the partnership which owned the asset, which has at any time been the subject of a receivership;

f) been the subject of any public criticism and/or investigation by any statutory or regulatory authority (including recognised professional body); or

g) ever been or is disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of any company.

9.6 Save as disclosed in this document, none of the Directors has or have had any personal interest in transactions which are or were unusual in their nature or conditions and which are or were significant to the business of the Company and which were effected by any member of the Company in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.

9.7 No loans made or guarantees granted or provided by any member of the Company to or for the benefit of any Director are outstanding and there are no loans or guarantees provided by any of the Directors for the Company or its wholly-owned subsidiaries.

9.8 Since September 2021, David Tilston and Janet Collyer have been engaged as consultants to the Company on a monthly fee of £2,000. This arrangement will terminate prior to Admission.

10. Significant Shareholders and the Concert Party

10.1 Save as disclosed in paragraph 7.1 of this Part IV, the Company is only aware of the following persons who, as at the date of this document and immediately following Admission, are or will be immediately following Admission interested (within the meaning used in Chapter 5 of the Disclosure Guidance and Transparency Rules) directly or indirectly, jointly or severally, in 3 per cent. or more of the Company's issued share capital or could exercise control over the Company:

	At the date of this document (assuming the Capital Reorganisation has occurred)		*Immediately following Admission*	
Name of shareholder	*No. of Ordinary Shares*	*Percentage of Existing Share Capital*	*No. of Ordinary Shares*	*Percentage of Enlarged Share Capital*
Richard Ashley Hamer[1, 2]	7,244,990	12.07%	7,144,990	9.50%
Richard Neil Marley[1, 2]	5,886,554	9.81%	5,786,554	7.69%
Marc Castells[1, 2]	5,886,554	9.81%	5,786,554	7.69%
Nicholas Henry Weiner[1]	3,457,737	5.76%	3,457,737	4.60%
Philip Andrew Faulkner[1]	3,457,737	5.76%	3,457,737	4.60%
David Andrew Wheeler[1]	3,457,737	5.76%	3,457,737	4.60%
Alan Chi Wai Wong[1]	3,457,737	5.76%	3,492,790	4.64%
Andrew Peter Maund[1]	3,457,737	5.76%	3,457,737	4.60%
David Philip Tester	1,846,093	3.08%	1,846,093	2.45%
Patrick Joseph McNamee	1,846,093	3.08%	1,915,312	2.55%
Amati AIM VCT plc	–	–	5,000,000	6.65%

1. It is the intention of these shareholders to grant an option over up to 10 per cent. of their respective Ordinary Shares to provide shares to benefit employees of the Company through the grant of options exercisable at least two years after Admission at the Placing Price.

2. Richard Hamer, Richard Marley and Marc Castells intend to agree to provide an option over up to 4,000,000 Ordinary Shares held by them on Admission to satisfy the IL Option. Further details are set out in paragraph 7.5 of Part IV of this document.

10.2 The Ordinary Shares held by the Concert Party will consist of the following:

	At the date of this document (assuming the Capital Reorganisation has occurred)		*Immediately following Admission**		*Concert Party Options*		*Following exercise of Concert Party** Options*	
Name of Concert Party shareholder	*No. of Ordinary Shares*	*Percentage of Existing Ordinary Shares in issue*	*No. of Ordinary Shares*	*Percentage of Enlarged Share Capital*	*No. of Concert Party Options*	*Percentage of Enlarged Share Capital*	*No. of Ordinary Shares*	*Percentage of Enlarged Share Capital*
Ian Lankshear[1,3]	15,922,394	26.54	16,040,358	21.32	3,000,000	3.99	19,040,358	24.34
Richard Hamer[1,2,]	7,224,990	12.07	7,144,990	9.50	Nil	Nil	7,144,090	9.13
Richard Marley[1,2,]	5,886,554	9.81	5,786,554	7.69	Nil	Nil	5,786,554	7.40
Marc Castells[1,2,]	5,886,554	9.81	5,786,554	7.69	Nil	Nil	5,786,554	7.40
Total	34,940,092	58.23	34,758,456	46.20	3,000,000	3.99	37,758,456	48.26

* and following the sale of the Sale Shares by certain members of the Concert Party as set out in paragraph 14.3 below and conversion of Convertible Loan Notes held by Ian Lankshear

** assuming that no other person converts any convertible securities or exercises any options or any other right to subscribe for shares in the Company

1. It is the intention of each of the above shareholders to grant an option over up to 10 per cent. of their respective Ordinary Shares to provide shares to benefit employees of the Company through the grant of options exercisable at least two years after Admission at the Placing Price.

2. Richard Hamer, Richard Marley and Marc Castells intend to agree to provide an option over up to 4,000,000 Ordinary Shares held by them on Admission to satisfy the IL Option. Further details are set out in paragraph 7.5 of Part IV of this document.

3. Ian Lankshear has been granted the IL Option. Further details are set out in paragraph 7.5 of Part IV of this document.

10.3 The Company is not aware of any person who directly or indirectly, jointly or severally, exercises or could exercise control over the Company and none of the Company or any of the Directors is aware of any arrangement the operation of which may at a subsequent date result in a change of control of the Company.

10.4 None of the Directors nor any persons named in paragraph 10.1 above has voting rights which are different to those of other Shareholders.

11. Employees

11.1 The average number of employees of the Group for the financial year ending 31 May 2021 was 96 employees. For the financial years ending 31 May 2020 and 31 May 2019, the average number of employees was 85 and 80 respectively.

12. Employee Share Plans

12.1 ***2017 EMI Plan***

(a) *Introduction*

The Company established the 2017 EMI Plan on 29 June 2017 and the 2017EMI Plan was amended on 15 February 2021.

The 2017 EMI Plan has been operated to grant options to subscribe for new issued B ordinary shares, C ordinary shares and D ordinary shares which are intended to qualify as enterprise management incentive options for the purposes of the Income Tax (Employment and Pensions) Act 2003 ("EMI Options") and non-tax advantaged options ("NTAs") (together, ("Options")). The Company does not intend to operate the 2017 EMI Plan to grant further Options following Admission.

(b) *Eligibility*

Options have been granted to employees (including executive directors) of the Group.

(c) *Life of the 2017 Scheme*

The Company does not intend to operate the 2017 EMI Plan following Admission.

(d) *Conditions of Exercise*

Where not already exercisable, Options granted under the 2017 EMI Plan will be vested on Admission. It is expected that Options over B and C Ordinary Shares and certain Options over D Ordinary Shares may be exercised on or prior to Admission. Any options which are not exercised will be adjusted as a consequence of the Capital Reorganisation to take effect over Ordinary Shares.

(e) *Timing of Exercise*

Options may not be exercised later than the tenth anniversary of the date of the grant (or such earlier date specified when granted).

(f) *Adjustment of Options*

In the event of any variation of share capital by way of capitalisation, rights issue, consolidation, sub-division or reduction of share capital or other variation, affecting the value of Options, the number or nominal value of shares comprised in subsisting Options and the exercise price may be adjusted by the Company in such manner that the Board deems appropriate.

(g) *Amendment of 2017 EMI Plan*

The 2017 EMI Plan may be amended by the Directors save that changes may not be made to the disadvantage of existing option holders without consent of the majority in number of such option holders.

(h) *Options*

As at the date of this document and assuming the Capital Reorganisation, Options under the 2017 EMI Plan are outstanding to employees over 424,440 Ordinary Shares, representing approximately 0.56 per cent. of the Enlarged Share Capital, normally exercisable from 23 February 2024 at £0.001 per Ordinary Share.

Further details of those Options in favour of Directors are set out in paragraph 7.3 of this Part IV.

12.2 ***2022 LTIP***

(a) *Introduction*

The Company will establish the 2022 LTIP on Admission. The 2022 LTIP may be operated to grant EMI Options and NTAs ("Awards"). The 2022 LTIP is intended to be operated to provide incentives to retain and motivate management following Admission.

(b) *Administration*

The 2022 LTIP is a discretionary share plan which is administered and operated by the Board or a duly authorised committee. Decisions in relation to the participation in the 2022 LTIP by the executive directors will be taken by the Remuneration Committee.

(c) *Eligibility*

All employees (including executive directors) of the Group are eligible for selection to participate in the 2022 LTIP, at the discretion of the Remuneration Committee or Board, as appropriate.

(d) *Grant of Awards*

Awards may normally be granted within the 42 day period beginning on: the announcement of the Company's results for any period and any day on which the Board determines that exceptional circumstances exist which justify the grant of an Award. If the Company is restricted from granting Awards during any normal grant period, Awards may be made in the period of 40 days following the lifting of restrictions.

(e) *Performance Conditions*

The Board may determine if an Award will be granted subject to the satisfaction of a performance condition which will determine the proportion (if any) of the Award which will vest. A performance period will usually be three or four years long (or such other duration as the Board determines) and performance will be tested, and vesting will occur if applicable, at the end of the performance period.

Any performance condition may be varied or substituted if the Board so determines provided that in the opinion of the Board any varied or substituted performance condition is a fairer measure of performance, no more difficult to satisfy than the original performance condition was at the grant date and is not materially easier to satisfy.

(f) *Leaver provisions*

Ordinarily, unvested Awards will lapse on cessation of employment. However, if a participant ceases to hold office or employment for specified reasons or for any other reason at the Remuneration Committee's discretion (a "Good Leaver"), any unvested Award they hold will usually continue and be exercisable if vested at the originally anticipated vesting date. The Board will retain the discretion to vest the Award as soon as reasonably practicable after the cessation of employment or at some other time.

If a participant ceases employment by reason of death the Award will vest as soon as reasonably practicable thereafter.

The extent to which an Award held by a Good Leaver is exercisable will be determined by reference to the proportion of the performance period that has elapsed at the date of cessation.

(g) *Corporate events*

In the event of a takeover, scheme of arrangement, change of control or voluntary winding up of the Company, Awards may be exercised to the extent the Board determines that performance conditions have been met, save that the Board may waive the performance conditions in these circumstances in full.

(h) *Limits on Ordinary Shares available*

The number of Ordinary Shares that may be issued or are issuable pursuant to the exercise of the Awards and any other options granted, or awards made, under all of the share option plans operated by the Company in the previous 10 years may not exceed 15 per cent. of the Company's issued share capital from time to time. Awards which were granted prior to Admission other than through the 2022 LTIP will not count towards this limit.

(i) *Exercise Price*

The price at which Ordinary Shares may be acquired on exercise of an Award will be set by the Board at the date of grant and Awards may comprise nil-cost options or market value options.

(j) *Status of Awards*

All Awards are non-transferable. Ordinary Shares issued following exercise of any Award will rank *pari passu* with Ordinary Shares then in issue, save as regards any rights attaching to ordinary shares by reference to a record date prior to the date of exercise of the Award.

(k) *Adjustment of Awards*

In the event of any variation of share capital by way of capitalisation, rights issue, consolidation, sub-division or reduction of share capital or other variation, affecting the value of Awards, the number or nominal value of Ordinary Shares comprised in subsisting Awards and the exercise price may be adjusted by the Company in such manner that the Board deems appropriate.

(l) *Amendment of 2022 LTIP*

The 2022 LTIP may be amended by the Board but save in limited circumstances changes may not be made to the disadvantage of existing option holders without consent of option holders.

(m) *Termination*

No Awards may be granted under the 2022 LTIP after the tenth anniversary of adoption.

(n) *Pension status*

None of the benefits which may be received under the 2022 LTIP will be taken into account when determining any pension or similar entitlements.

(o) *Initial Awards*

As at Admission, the Company has granted Awards over a total of 6,461,500 Ordinary Shares exercisable at the Placing Price to certain Directors and employees and the IL Option. Further details of those Awards in favour of Directors are set out in paragraph 7.3 of this Part IV.

13. Corporate Governance

As a company that will be admitted to trading on AIM, the Company is not required to adopt a specific corporate governance code. However, the Company is required to provide details of the corporate governance code it has decided to adopt, state how it complies with that code and provide an explanation where it departs from compliance with that code.

The Directors support a high standard of corporate governance and have decided to adopt the QCA Code. The Directors believe that the QCA Code provides the Company with the framework to help ensure that a strong level of governance is maintained, enabling the Company to embed the governance culture that exists within the organisation as part of building a successful and sustainable business for all of its stakeholders. The Company will comply with the ten principles of the QCA Code, with effect from Admission as detailed below.

Principle 1: Establish a business strategy and business model which promote long-term value for Shareholders

The Company's business model and strategy is set out in Part I of this document. The Directors believe that the Company's model and growth strategy will help to promote long-term value for Shareholders. An update on strategy will be given from time to time in the strategic report that is included in the annual report and accounts of the Company.

The principal risks facing the Company are set out in Part II of this document. The Directors will continue to take appropriate steps to identify risks and undertake a mitigation strategy to manage these risks following Admission, including implementing a risk management framework.

Principle 2: Seek to understand and meet Shareholder needs and expectations

Prior to Admission, the Directors undertook an investor roadshow which has informed the Company as to its Shareholders' expectations following Admission.

In due course following Admission, the Company's annual report and notice of annual general meeting ("AGM") will be sent to all Shareholders and will be available for download from the Company's website.

There will be an active dialogue maintained with Shareholders. Shareholders will be kept up to date via announcements made through a Regulatory Information Service on matters of a material substance and/or a regulatory nature. Updates will be provided to the market from time to time, including any financial information, and any expected material deviations to market expectations will be announced through a Regulatory Information Service. The Company's AGM will be an opportunity for Shareholders to meet with the Chairman and other members of the Board including the Senior Independent Director.

The meeting will be open to all Shareholders, giving them the opportunity to ask questions and raise issues during the formal business or, more informally, following the meeting. The results of the AGM will be announced through a Regulatory Information Service.

The Board is keen to ensure that the voting decisions of Shareholders are reviewed and monitored, and the Company intends to engage with Shareholders who do not vote in favour of resolutions at AGMs.

All contact details for investor relations are included on the Company's website.

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Company takes its corporate social responsibilities very seriously and is focused on maintaining effective working relationships across a wide range of stakeholders including shareholders, staff, and customers part of its business strategy. The Directors will maintain an ongoing and collaborative dialogue with such stakeholders and take all feedback into consideration as part of the decision-making process and day-to-day running of the business.

The Company's operations are located in the UK, Brazil and India and local directors and managers will provide a first point of contact for stakeholders to receive information on the Company's activities and provide feedback on any issues or concerns they may have. The Company's local employees and directors are able to communicate with stakeholder groups such as local and regional government officials, central government departments, community groups and local suppliers to keep them updated on project activities and plans.

Further details of the Company's ESG policy and plans are set out in paragraph 20 of Part I of this document.

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organization

The principal risks facing the Company are set out in Part II of this document. The Directors will take appropriate steps to identify risks and undertake a mitigation strategy to manage these risks following Admission. A review of these risks will be carried out at least on an annual basis, the results of which will be included in the annual report and accounts going forward.

The Board has overall responsibility for the determination of the Company's risk management objective and policies and has also established the Audit Committee.

Principle 5: Maintain the Board as a well-functioning, balanced team led by the Chairman

On Admission, the Board will comprise three Executive Directors, including the Executive Chairman, and four Non-Executive Directors. The biographies of the Directors are set out in paragraph 11 of Part I of this document. The Board considers that it combines a blend of sector and market expertise, with an effective executive management team and appropriate oversight by independent Non-Executive Directors.

The Company is satisfied that the current Board is sufficiently resourced to effectively discharge its governance obligations on behalf of all its shareholders and other stakeholders in the Company.

The Board will meet regularly, and processes are in place to ensure that each Director is, at all times, provided with such information as is necessary to enable each Director to discharge their respective duties. The Board is also supported by the Audit Committee and the Remuneration Committee. The Company has not established a separate nomination committee and the Board as a whole will initially have responsibility for reviewing the structure, size and composition of the Board, giving consideration to succession planning and reviewing the leadership needs of the organisation.

The QCA Code recommends that the Board should comprise of a balance of executive and non-executive directors, with at least two non-executive directors being independent. The QCA Code suggests that independence is a board judgement, but where there are grounds to question the independence of a director, through length of service or otherwise, this must be explained. Each of the Non-Executive Directors, are considered to be independent and were selected with the objective of bringing experience and independent judgement to the Board. Janet Collyer has also been appointed the Senior Independent Director. None of these Directors are employees, have significant business relationships with the Company, or are significant shareholders in the Company.

As recommended by the QCA Code guidance, the independent Non-Executive Directors will not participate in performance-related remuneration schemes.

Principle 6: Ensure that between them the Directors have the necessary up to date experience, skills and capabilities

The skills and experience of the Directors are summarised in their biographies set out in paragraph 11 of Part I of this document.

The Directors believe that the Board has a balance of sector, financial and public market skills and experience appropriate for the size and stage of current development of the Company and that the Board has the skills and requisite experience necessary to execute the Company's strategy and business plan whilst also enabling each director to discharge his or her fiduciary duties effectively. Experiences are varied and contribute to maintaining a balanced board that has the appropriate level and range of skill to develop the Company. The Board is not dominated by one individual and all Directors have the ability to challenge proposals put forward to the meeting, democratically.

While the Board has not yet adopted any formal policy on gender balance, ethnicity or age group, it is committed to fair and equal opportunity and fostering diversity subject to ensuring appointees are appropriately qualified and experienced for their roles.

The Company retains the services of independent advisors including financial, legal, and investor relations advisers that are available to the Board and who provide support and guidance to the Board and complement the Company's internal expertise. The Directors have also received a briefing from the Company's Nominated Adviser in respect of continued compliance with, *inter alia*, the AIM Rules and the Company's solicitors in respect of continued compliance with, *inter alia*, MAR.

Principle 7: Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

The Directors will consider the effectiveness of the Board, Audit Committee, Remuneration Committee, and individual performance of each Director. The outcomes of performance will be described in the annual report and accounts of the Company.

The Board considers that the corporate governance policies it has currently in place for Board performance reviews is commensurate with the size and development stage of the Company.

Principle 8: Promote a corporate culture that is based on ethical values and behaviours

The Board recognises that their decisions regarding strategy and risk will impact the corporate culture of the Company and that this will impact performance. The culture is set by the Board and is considered and discussed at Board meetings and the Board is aware that the tone and culture its sets impacts all aspects of the Company and the way that employees behave. The Board promotes a culture of integrity, honesty, trust and respect and all employees of the Company are expected to operate in an ethical manner in all of their internal and external dealings.

The staff handbook and policies promote this culture and include such matters as whistleblowing, social media, anti-bribery and corruption, communication and general conduct of employees. The Board takes responsibility for the promotion of ethical values and behaviours throughout the Company, and for ensuring that such values and behaviours guide the objectives and strategy of the Company. The Company also has an established code for directors' and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM, and is in accordance with Rule 21 of the AIM Rules and MAR.

The Directors believe that a long-term sustainable business model is essential for discharging the Board's responsibility to promote the success of the Company, its employees, shareholders and other stakeholders of the business. In considering the Company's strategic plans for the future, the Directors proactively consider the potential impact of its decisions on all stakeholders within its business, in additional to considering the broader environmental and social impact as well as the positive impact it can have within the local community in which the Company operates.

The Company intends to implement a formal corporate environmental, social, regulatory and governance Responsibility (ESG) strategy and committee in due course, which will monitor the implementation of ESG practises to ensure the Company conducts its business with a view of long-term sustainability for its customers, employees, communities, the environment as well as its shareholders.

The Company fully endorses the aims of the Modern Slavery Act 2015 and takes a zero-tolerance approach to slavery and human trafficking within the Company and supply chain.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Chairman leads the Board and is responsible for its governance structures, performance and effectiveness. The Board retains ultimate accountability for good governance and is responsible for monitoring the activities of the executive team.

The roles of Chairman and Chief Executive are split, and Ian Lankshear is Chief Executive who, supported by the other Executive Directors, is responsible for the operation of the business and delivering the strategic goals agreed by the Board. The Non-Executive Directors are responsible for bringing independent and objective judgement to Board decisions and are all considered to be independent and were selected with the objective of bringing experience and independent judgement to the Board. Janet Collyer has also been appointed the Senior Independent Director, which reflects that the Chairman is also an executive director of the Company.

The Board is supported by the Audit Committee and Remuneration Committee, further details of which are set out in paragraph 19 of Part I of this document. There are certain material matters which are reserved for consideration by the full Board. Each of the committees has access to information and external advisers, as necessary, to enable the committee to fulfil its duties.

The Board intends to review the Company's governance framework on an annual basis to ensure it remains effective and appropriate for the business going forward.

Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with Shareholders and other relevant stakeholders

Responses to the principles of the QCA Code and the information that will be contained in the Company's annual report and accounts provide details to all stakeholders on how the Company is governed. The Board is of the view that the annual report and accounts as well as its half year report are key communication channels through which progress in meetings the Company's objectives and updating its strategic targets can be given the Shareholders following Admission.

Additionally, the Board will use the Company's annual general meetings as a mechanism to engage directly with Shareholders, to give information and receive feedback about the Company and its progress.

The Company's website in compliance with the AIM Rules, www.ensilica.com, will be updated on a regular basis with information regarding the Company's activities and performance, including financial information.

All contact details for investor relations are included on the Company's website.

14. Material Contracts

Other than as set out below, and other than contracts in the ordinary course of business, neither the Company nor any member of the Group, has entered into any contract in the two years immediately prior to the date of this document which is or may be material, or which contains any provision under which the Company or any member of the Group has any obligation or entitlement which is material to the Company as at the date of this document.

14.1 ***Placing Agreement***

a) Under the Placing Agreement dated 18 May 2022 between the Company, each of the Directors and Allenby Capital:

b) Allenby Capital has agreed to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price;

c) the Company has agreed to pay the costs relating to Admission and the issue of the Placing Shares together with a corporate finance fee to Allenby Capital and a placing commission based on the aggregate value at the Placing Price of all Placing Shares subscribed;

d) the Company and the Directors have given certain warranties to Allenby Capital as to accuracy of the information in this document and certain other matters concerning the Company and the Group and the Company has given an indemnity to Allenby Capital and its affiliates in respect of certain liabilities and claims that may arise or be made against them in connection with the Fundraising or Admission;

e) the Company has agreed, subject to Allenby Capital's obligations under the Placing Agreement becoming unconditional, to allot and issue the Placing Shares to the persons procured by Allenby Capital to subscribe for them under the Placing;

f) Allenby Capital's obligations are conditional, *inter alia*, on: (i) Admission occurring by 8.00 am on 24 May 2022 or by such later date no later than 7 June 2022 as may be agreed between Allenby Capital and the Company; and (ii) the fulfilment, or waiver by Allenby Capital, of certain procedural and other customary conditions; and

g) Allenby Capital has the right to terminate its obligations under the Placing Agreement prior to Admission in the event of any breach by the Company or any Director of any of their respective obligations or warranties which Allenby Capital considers to be material and in the event of certain force majeure circumstances. If Allenby Capital's obligations under the Placing Agreement are terminated, the Placing will not proceed and no shares will be issued or sold under the Placing.

14.2 ***Subscription Letters***

Agreements in the form of a letter from the Company to each of Subscribers pursuant to which the Subscribers have agreed to subscribe in aggregate for all of the Subscription Shares were entered into on various dates between 12 and 16 May 2022. The Subscription Letters contain warranties from each of the Subscribers to the Company in relation to the basis on which they have subscribed for the Subscription Shares.

14.3 ***Selling Shareholder Agreement***

Agreements between each of the Selling Shareholders, the Company and Allenby Capital were entered into on 18 May 2022 (the "Selling Shareholder Agreements") pursuant to which Allenby Capital has agreed, subject to certain conditions, to act as agent for the Selling Shareholders and to use its reasonable endeavours to procure purchasers for the Sale Shares set out in the table below at the Placing Price. The Selling Shareholder Agreement is conditional on the Placing Agreement having become unconditional. Each Selling Shareholder has agreed to pay Allenby Capital certain commissions on the gross funds raised by the sale of the Sale Shares pursuant to the Placing. The Selling Shareholder Agreement contain warranties from each of the Selling Shareholders to Allenby Capital and the Company in relation to inter alia title to the Sale Shares.

The names of the Selling Shareholders, all of whose business address is Building 3, 115 Olympic Avenue, Milton Park, Abingdon, Oxfordshire, England, and the number of Sale Shares being sold by each pursuant to the Selling Shareholders Agreement are:

Marc Castells – 100,000 Ordinary Shares;

Richard Hamer – 100,000 Ordinary Shares; and

Richard Marley – 100,000 Ordinary Shares.

14.4 ***Lock-in Deeds***

Each of the Locked-in Shareholders has entered into a Lock-in Deed with the Company and Allenby Capital. Pursuant to the Lock-in Deeds, the Locked-in Shareholders have undertaken to the Company and Allenby Capital that, save in specified and customary circumstances summarised below, they will not dispose of Ordinary Shares held by them (or enter into a transaction with the same economic effect) prior to the date which is 24 months from the date of Admission (the "Restricted Period"). In addition, the Locked-in Shareholders have agreed, for a further period of 12 months following expiry of the Restricted Period not to dispose of any Ordinary Shares except through Allenby Capital with a view to maintaining an orderly market in the Ordinary Shares. There are certain exceptions to these restrictions on disposal set out in the Lock-in Deeds, including among others, disposals to (in certain circumstances) a person acting in the capacity of a trustee of a trust, disposals in acceptance of a general offer made to all Shareholders, disposals by court order, disposals by the personal representative after the death of a Locked-in Shareholder (if applicable) and with the agreement of the Company and Allenby Capital if in the best interests of the Company.

14.5 ***Nominated Adviser and Broker Agreement***

The Company, the Directors and Allenby Capital have entered into a nominated adviser and broker agreement dated 18 May 2022 (the "Nominated Adviser and Broker Agreement"), pursuant to which, and conditional upon Admission, the Company has appointed Allenby Capital to act as its nominated adviser and broker for the purposes of the AIM Rules for Companies. The Company has agreed to pay Allenby Capital a retainer fee for its services as nominated adviser and broker under such agreement, payable quarterly in advance from the date of Admission.

The Nominated Adviser and Broker Agreement contains certain undertakings from the Company and the Directors and certain indemnities given by the Company in respect of, among other things, compliance with all laws and applicable regulations. Allenby Capital has the right to terminate the Nominated Adviser and Broker Agreement in certain circumstances, including, among other things, any breach by the Company of the terms of the agreement. The Nominated Adviser and Broker Agreement is subject to termination by either the Company or Allenby Capital on not less than three months' prior written notice, such notice not to take effect prior to the second anniversary of Admission.

14.6 ***Allenby Capital Warrant Agreement***

Pursuant to a warrant instrument dated 18 May 2022, the Company has granted warrants to Allenby Capital to subscribe for 450,000 Ordinary Shares, representing approximately 0.6 per cent. of the Enlarged Share Capital, at the Placing Price. The warrants are exercisable in whole or part at any time from the date of Admission up to and including the third anniversary of Admission. These warrants are not transferable save in limited circumstances.

14.7 ***Convertible Loan Note Instrument***

By a loan note instrument dated 23 December 2021 (as amended by a deed of variation dated 31 December 2021), the Company created up to £1,500,000 convertible, redeemable loan notes for the purpose of raising working capital prior to the IPO. A total of £1,375,000 Convertible Loan Notes were issued to subscribers including to each of the executive Directors in the amounts set out in paragraph 7.2 of this Part IV. The Convertible Loan Notes have a maturity date of 9 January 2023. The Convertible Loan Notes entitle the holder to an interest rate of 10 per cent. per annum and convert automatically into new Ordinary Shares at a discount of 12 per cent. to the Placing Price.

14.8 ***Registrar Agreement***

On 4 May 2022, the Company entered into a registrar agreement with the Registrar, pursuant to which the Registrar has agreed to act as the registrar of the Company with effect from Admission for an initial period of 12 months and thereafter terminable by either party on 6 months' written notice.

15. Related Party Transactions

The subscription by Ian Lankshear, Matthew Wethey and Mark Hodgkins for, in aggregate, £80,000 Convertible Loan Notes as set out in paragraph 7.2 of this Part IV are the only related party transactions which, as a single transaction or in their entirety, are or may be material (within the meaning of the AIM Rules for Companies) to the Company and have been entered into by the Company during the periods for which historical financial information appears in this document.

16. Litigation

No member of the Group is or has been involved in any governmental, legal or arbitration proceedings which may have, or have had during the last 12 months preceding the date of this document, a significant effect on the Company's financial position or profitability and, so far as the Directors are aware, there are no such proceedings pending or threatened against the Company or its wholly-owned subsidiaries.

17. Working Capital

The Directors are of the opinion, having made due and careful enquiry, that, taking into account the net proceeds of the Fundraising receivable by the Company, the working capital available to the Group will be sufficient for its present requirements, that is for at least twelve months from the date of Admission.

18. Significant Change

Save as disclosed in this document, there has been no significant change in the financial position and financial performance of the Group since 30 November 2021, being the date to which the financial information in Part III of this document has been prepared.

19. General

19.1 The gross proceeds of the Fundraising are expected to be £6 million, with the total net proceeds of the Fundraising receivable by the Company after settling fees expected to be approximately £4.9 million excluding VAT. The total costs and expenses relating to Admission and the Fundraising (including those fees and commissions referred to in paragraph 14.1 of this Part IV) payable by the Company are estimated to be approximately £1.1 million (excluding VAT).

19.2 The Placing Shares are not being offered generally and no applications have or will be accepted other than under the terms of the Placing Agreement. All the Placing Shares have been placed firm with Placees. The Placing is not being guaranteed or underwritten by any person

19.3 Moneys received from Placees pursuant to the Placing will be held in accordance with the terms and conditions of the Placing until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 7 June 2022, application moneys will be returned to the Placees at their risk without interest.

19.4 The Placing Price represents a premium of £0.499 over the nominal value of £0.001 per Ordinary Share.

19.5 Allenby Capital, the nominated adviser and broker to the Company, is a member of the London Stock Exchange and is authorized and regulated in the United Kingdom by the Financial Conduct Authority. Allenby Capital has given and not withdrawn its written consent to the inclusion in this document of its name and reference to it in the form and context in which they appear.

19.6 UHY Hacker Young, the reporting accountant and auditor to the Company, is a member firm of chartered accountants regulated by the Institute of Chartered Accountants in England and Wales. UHY Hacker Young has given and not withdrawn its written consent to the inclusion in this document of its report in relation to the Financial Information included in Part III of this document.

19.7 The financial information set out in this document relating to the Group does not constitute statutory accounts within the meaning of section 434 of the Companies Act. UHY Hacker Young, chartered certified accountants of 2 Quadrant House, 4 Thomas More Square, London E1W 1YW have been the auditors of the Group for the two financial years ended 31 May 2021 and have given unqualified audit reports on the statutory accounts of the Group for those financial years within the meaning of section 495 of the Companies Act. None of those reports contained any statements under sub-section 498(2) or (3) of the Companies Act. Statutory accounts of each member of the Group for each of the two financial years ended 31 May 2021 have been delivered to the registrar of Companies in England and Wales pursuant to section 441 of the Companies Act.

19.8 Where information in this document has been sourced from a third party, this information has been accurately reproduced. So far as the Company and the Directors are aware and are able to ascertain from information provided by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

19.9 It is expected that definitive share certificates will be despatched by hand or first class post within 10 business days of Admission. In respect of uncertificated shares, it is expected that Shareholders' CREST stock accounts will be credited as soon as reasonably practical on 24 May 2022.

19.10 CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Articles permit the holding and transfer of shares under CREST. The Company has applied for the issued and to be issued Ordinary Shares to be admitted to CREST and it is expected that the issued and to be issued Ordinary Shares will be so admitted, and accordingly enabled for settlement in CREST.

19.11 Save as disclosed in paragraph 9.8, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has received, directly or indirectly, from the Company within the twelve months preceding its application for Admission to AIM or entered into contractual agreements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following: (i) fees totalling £10,000 or more; (ii) its securities where these have a value of £10,000 or more calculated by reference to the Placing Price; or (iii) any other benefit with a value of £10,000 or more at the date of Admission.

19.12 The ISIN for the Ordinary Shares is GB00BN7F1618.

19.13 Pursuant to Chapter 5 of the Disclosure Guidance and Transparency Rules a person must notify the Company of the percentage of its voting rights he holds as shareholder or through his direct or indirect holding of certain financial instruments (or a combination of such holdings) if the percentage of those

voting rights: (a) reaches, exceeds or falls below 3 per cent., 4 per cent., 5 per cent., 6 per cent., 7 per cent., 8 per cent., 9 per cent., 10 per cent. and each 1 per cent. threshold thereafter up to 100 per cent. as a result of an acquisition or disposal of shares or such financial instruments; or (b) reaches, exceeds or falls below an applicable threshold in (a) as a result of events changing the breakdown of voting rights and on the basis of information disclosed by the Company in accordance with the Disclosure Guidance and Transparency Rules. Certain voting rights held by investment managers, unit trusts, open-ended investment companies and market makers can be disregarded except at the thresholds of 5 per cent. and 10 per cent. and above.

19.14 The accounting reference date of the Company is 31 May.

19.15 Save as disclosed in this document, the Directors are unaware of any environmental issues that may affect the Company's utilisation of its fixed tangible assets.

19.16 There are no provisions in the Articles which would have the effect of delaying, deferring or preventing a change of control of the Company.

19.17 Save as disclosed in this document, so far as the Directors are aware, there have not, in relation to the Company, been:

a) any significant recent trends in production, sales, inventory, costs and selling prices between the end of the last financial year of the Company and the date of this document; or

b) any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material adverse effect on the Company's prospects for at least the current financial year.

19.18 Save as disclosed in this document, there are no investments in progress and there are no future investments on which the Directors have already made firm commitments which are significant to the Company.

20. UK Taxation

The following information is based on UK tax law and HM Revenue and Customs practice currently in force in the UK (2021/22 UK tax year). Such law and practice (including, without limitation, rates of tax) is in principle subject to change at any time. The information that follows is for guidance purposes only. Any person (individual or corporate) who is in any doubt about his or her position should contact their professional advisor immediately.

20.1 ***Tax treatment of UK investors***

The following information, which relates only to UK taxation, is applicable to persons who are tax resident in the UK under domestic law and who beneficially own Ordinary Shares as investments and not as securities to be realised in the course of a trade. It is based on the law and practice currently in force in the UK. The information is not exhaustive and does not apply to potential investors:

a) who intend to acquire, or may acquire (either on their own or together with persons with whom they are connected or associated for tax purposes), more than 5 per cent., of any of the classes of shares in the Company; or

b) who will be required to treat the Ordinary Shares as "employment related securities" for UK tax purposes; or

c) who intend to acquire Ordinary Shares as part of tax avoidance arrangements; or

d) who are in any doubt as to their UK taxation position.

Such Shareholders should consult their professional advisers without delay. Shareholders should note that tax law and interpretation can change and that, in particular, the levels, basis of and reliefs from taxation may change. Such changes may alter the benefits of investment in the Company.

Shareholders who are neither resident nor temporarily non-resident in the UK and who do not carry on a trade, profession or vocation through a branch, agency or permanent establishment in the UK with which the Ordinary Shares are connected, will not normally be liable to UK taxation on dividends

paid by the Company or on capital gains arising on the sale or other disposal of Ordinary Shares (in the case of a temporary non-resident where the Ordinary Shares were acquired in the temporary period of non-residence). Such Shareholders should consult their own tax advisers concerning their tax liabilities.

20.2 ***UK Dividends***

Where the Company pays dividends no UK withholding taxes are deducted at source. Shareholders who are resident in the UK for tax purposes may, depending on their circumstances, be liable to UK income tax or corporation tax on those dividends.

UK resident individual Shareholders who are domiciled in the UK, and who hold their Ordinary Shares as investments, will be subject to UK income tax on the amount of dividends received from the Company.

UK dividend income received by UK tax resident individuals will have a £2,000 per annum dividend tax allowance. UK dividend receipts in excess of £2,000 will be taxed at 7.5 per cent. for basic rate taxpayers, 32.5 per cent. for higher rate taxpayers, and 38.1 per cent. for additional rate taxpayers.

From 6 April 2022 dividend rates applicable to individuals will increase by 1.25 per cent., dividends falling within the basic rate band, higher rate band and additional rate band will be taxed at 8.75 per cent., 33.75 per cent. and 39.35 per cent. respectively. The dividend trust rates will also be increased to 39.35 per cent. from 6 April 2022 to remain in line with the additional rate.

Shareholders who are subject to UK corporation tax should generally, and subject to certain anti-avoidance provisions, be able to claim exemption from UK corporation tax in respect of any dividend received but will not be entitled to claim relief in respect of any underlying tax.

20.3 ***Disposals of Ordinary Shares***

Any capital gain arising on the sale, redemption, transfer, gift, or other disposal of these Ordinary Shares will be taxed at the time of such disposal under UK capital gains tax/corporation tax provisions.

The rate of capital gains tax on the disposal of Ordinary Shares by individuals will depend on their marginal rate of UK tax. Capital gains falling within the basic rate band will be subject to tax at a rate of 10 per cent. with capital gains accruing to higher or additional rate tax payers being subject to tax at a rate of 20 per cent. Following the disposal of Ordinary Shares by an individual, capital gains tax is only payable on the overall gain above the capital gains tax free annual allowance. The capital gains tax free annual allowance for individuals for 2021/2022 is £12,300. Please note that the UK Government commissioned a review of the capital gains tax regime in July 2020 and these rates could increase in future years.

For Shareholders within the charge to UK corporation tax who acquired Ordinary Shares before 1 January 2018, indexation allowance up until 31 December 2017 may reduce any chargeable gain arising on disposal of Ordinary Shares but will not create or increase an allowable loss.

Subject to certain exemptions, the corporation tax rate applicable to a company's taxable profits (including gains) is currently 19 per cent.

From 1 April 2023, the corporation tax main rate will be increased to 25 per cent. applying to profits over £250,000. A small profits rate will also be introduced for companies with profits of £50,000 or less so that they will continue to pay corporation tax at 19 per cent. Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective corporation tax rate.

20.4 ***Further information for Shareholders subject to UK income tax and capital gains tax***

Transactions in securities

The attention of Shareholders (whether corporates or individuals) within the scope of UK taxation is drawn to the provisions set out in, respectively, Part 15 of the Corporation Tax Act 2010 and Chapter 1 of Part 13 of the Income Tax Act 2007, which (in each case) give powers to HM Revenue and Customs to raise tax assessments so as to cancel "tax advantages" derived from certain prescribed

"transactions in securities". Should these specific provisions apply the result could be to re-characterise capital gains as income.

20.5 ***Stamp Duty and Stamp Duty Reserve Tax ("SDRT")***

The statements below are intended as a general guide to the current position. They do not apply to certain intermediaries who are not liable to stamp duty or SDRT or (except where stated otherwise) to persons connected with depositary arrangements or clearance services who may be liable at a higher rate.

No stamp duty or SDRT will generally be payable on the issue of Ordinary Shares.

Neither UK stamp duty nor SDRT should arise on transfers of Ordinary Shares on AIM (including instruments transferring Ordinary Shares and agreements to transfer Ordinary Shares) based on the following assumptions:

a) the Ordinary Shares are admitted to trading on AIM, but are not listed on any other market which is not a "recognised growth market" (with the terms "listed" and "recognised growth market" being construed in accordance with section 99A of the Finance Act 1986), and this has been certified to Euroclear; and

b) AIM continues to be accepted as a "recognised growth market" (as construed in accordance with section 99A of the Finance Act 1986).

In the event that either of the above assumptions does not apply, stamp duty or SDRT may apply to transfers of Ordinary Shares in certain circumstances.

Any transfer of Ordinary Shares for consideration prior to admission to trading on AIM is likely to be subject to stamp duty or SDRT.

The above comments are intended as a guide to the general stamp duty and SDRT position and may not relate to persons such as charities, market makers, brokers, dealers, intermediaries and persons connected with depositary arrangements or clearance services to whom special rules apply.

THIS SUMMARY OF UK TAXATION ISSUES CAN ONLY PROVIDE A GENERAL OVERVIEW OF THESE AREAS AND IT IS NOT A DESCRIPTION OF ALL THE TAX CONSIDERATIONS THAT MAY BE RELEVANT TO A DECISION TO INVEST IN THE COMPANY. THE SUMMARY OF CERTAIN UK TAX ISSUES IS BASED ON THE LAWS AND REGULATIONS IN FORCE AS OF THE DATE OF THIS DOCUMENT AND MAY BE SUBJECT TO ANY CHANGES IN UK LAWS OCCURRING AFTER SUCH DATE. LEGAL ADVICE SHOULD BE TAKEN WITH REGARD TO INDIVIDUAL CIRCUMSTANCES. ANY PERSON WHO IS IN ANY DOUBT AS TO HIS TAX POSITION OR WHERE HE IS RESIDENT, OR OTHERWISE SUBJECT TO TAXATION, IN A JURISDICTION OTHER THAN THE UK, SHOULD CONSULT HIS PROFESSIONAL ADVISER.

21. Availability of this document

Copies of this document are available for download at the Company's website at https://www.ensilica.com/

18 May 2022