Sondrel (Holdings) plc
Annual Report 2023
and Financial Statements
for the year ended 31 December 2023

Company number 07275279

Contents

Specialists in Complex Custom ASIC

Sondrel is a fabless semiconductor company specialising in high end, complex Application Specific Integrated Circuits (ASICs) and System on Chips (SoCs). We provide a full turnkey service in the design, prototyping, testing, packaging and production of ASICs but also design services on a consultancy basis.

Our designs have appeared in hundreds of leading edge products, including those of the market leaders in automotive systems, mobile phones, cameras, security systems, AR/VR systems and many more.

Chairman and Interim Chief Executive's Statement

2023 was the first full year of trading as an AIM quoted company for Sondrel (Holdings) PLC ('Sondrel' the 'Company' or, together with its subsidiaries, the 'Group') following the Group's IPO in October 2022 and, as communicated by the Company throughout the period this proved to be a difficult and challenging year. These challenges extended into the first half of 2024. Delays in both existing and expected new contracts meant that the second half of the year was extremely difficult with little revenue generated and trading losses recorded. The Group's cash position also diminished and became very weak in the second half of the year as a consequence, such that employee salaries were delayed for some employees in December 2023 and a fundraising process was commenced.

The fundraising exercise recently concluded in June 2024, with Rox Equity Partners ('Rox') investing a total of £8.5 million. It now owns 49% of Sondrel's voting rights. The investment started with the issuance of two convertible loan notes of £0.9 million and £2 million, both during March 2024, and the signing of an exclusivity agreement between Sondrel and Rox. The exclusivity agreement allowed for Rox to invest up to a further £7.1 million alongside existing shareholders in the planned fundraise on an exclusive basis. The Rox loan notes have since been converted into equity and a further £5.6 million was subscribed for by way of a direct subscription.

One of the conditions of the fundraise was the approval by the UK secretary of state under the National Security and Investment Act 2021. The approval, received on 7 June 2024, took longer than initially anticipated and the publication of these accounts was consequently delayed beyond 30 June 2024, resulting in the suspension of trading in Sondrel's ordinary shares on AIM. Publication of these accounts is expected to result in the restoration of trading in Sondrel's ordinary shares.

The exclusivity agreement also committed Sondrel to a transformation plan to re-establish its baseline costs, introducing revised robust management processes and refocusing the business to resolve matters that are central to the cash flow issues faced by the Group to date. The plan has also involved the commitment to several board changes that are detailed below and an agreement to seek a proposal to cancel the admission of ordinary shares currently trading on AIM, which Sondrel remains committed to.

Board changes

The following board and executive management changes have been made since the publication of the last annual report:

- In September 2023, Joe Lopez stood down as the Group's CFO from the board by mutual agreement and was replaced by Nick Stone as the Interim CFO, in a non-board capacity.

- In January 2024 Gordon Orr stood down as a non-executive director as part of steps taken to reduce his commitments.

- As part of the commitments made by the Company in the exclusivity agreement signed with Rox, in March 2024 Graham Curren the Founder and Chief Executive moved to become Chief Executive of Sondrel Ventures, in a role that will concentrate on the strategy and future growth of the Group. Graham remains a non-executive director on the Group's board in addition to performing this role.

- Following the completion of the fundraise in June 2024, Nigel Vaughan stepped down from the board as Chairman and, having been appointed as Interim Chief Executive Officer in a non-board capacity in March 2024, I joined the board and took the role of Chairman whilst continuing in the role as Interim Chief Executive Officer. Miles Woodhouse also joined the board as Rox's appointed non-executive director

- It was announced in May 2024 that John Chubb will join the Board on 18 July 2024 as Chief Executive Officer, at which point I will continue solely as the non-executive Chairman.

- Finally, it is also announced today that Siobhan Martin will join Sondrel as Chief Financial Officer on 30 September 2024 and that Interim Chief Financial Officer, Nick Stone, will leave the Company upon the publication of these accounts.

I'd like to thank Nigel and Graham for their years of service as Chairman and Chief Executive Officer of the Group respectively, both before and after the IPO, and I look forward to continuing to working with Graham and the other members of the board as we embark on the next phase of Sondrel's development. I would also like to thank Nick Stone for his significant contribution through what has been an uncertain period for the Company – in doing so working to secure the funding that was so critical for the Company's continued operation.

Transformation Plan

The transformation plan is ongoing and has involved the recruitment of a very experienced team of turnaround professionals who are putting a plan together to ensure that Sondrel's management, cost structure and business processes are suitable for the growth ambitions that the Group continues to have. There is a particular focus on the pricing and management of projects, improved forecasting of the levels of engineering resource required to support the Business Plan and the management and continued development of the Group's intellectual property.

Delisting

The Board and Rox reached the conclusion in early discussions that the costs and complexities of being quoted on AIM do not benefit any stakeholders at this stage of the Group's transition. It was therefore confirmed in the circular issued on 14 May 2024, that a proposal would be put to shareholders to cancel the trading of its shares on AIM. The proposal will incorporate a trading facility that Sondrel will make available to shareholders who wish to buy or sell shares on a matched bargain basis. More information on this will be provided in due course.

The proposal to move forward with the cancellation will be put to shareholders at a general meeting in August 2024 and, if approved, the cancellation will become effective thereafter. The agenda for this meeting will also include resolutions to approve these accounts and the re-appointment of the auditors.

Trading Review

Key Performance Indicators

	2023	2022
Revenue	£9.4m	£17.3m
Operating loss	£17.3m	£5.2m
Loss after tax	£21.5m	£3.2m
Adjusted EBITDA	£(4.5)m	£(1.1)m
(Net debt)/net cash	£(0.9)m	£3.7m
Employees at year end	159	185

The business experienced a very difficult and challenging year from a trading point of view that also came at the same time as a slow-down in the semi-conductor market in Europe in particular. Additionally, the strategic decision taken to focus on project-based ASIC work meant that some of the smaller scale time and materials-based services work was lost. Winning of new contracts in 2023 was particularly weak, with a total of new business won of only £4.0m (2022: £25.6m).

Steady project progress was made during the first half of the year before the lack of new business won during the year and delays on the largest ASIC project being undertaken meant that second half revenues fell significantly. This project had originally been forecast to be completed in September 2023 but only reached its successful conclusion in April 2024. This led to revenue of some £2.7m being deferred from 2023 into 2024. In parallel to this, the second phase of the project that had been expected to commence in July 2023 was also delayed and has not yet commenced.

As a result, a significant loss was made during the year of £17.3m at the operating level. The loss was compounded by an exceptionally high accelerated amortisation charge of £4.9m relating to an intangible software asset, akin to an impairment charge. This reflects the reduced utility that the Group expected to get from the asset over its remaining lifetime given the reduced level of design activity experienced by the Group.

On the positive note, two smaller ASIC projects achieved 'tape out' status during the year, one of which led to Sondrel's first production order in late 2023. The first production revenues are anticipated in the second half of 2024 as a result. In addition, a significant new ASIC project was won in early 2024 for a next generation video processing chip with a total estimated value of US$23 million across the design, qualification and projected production life of the product.

The ASIC Market

The market for ASIC design remains one with significant opportunity for Sondrel particularly in the growing AI market, and is extremely dynamic and evolving:

Market Size and Growth Trends

The ASIC chip market was valued at an estimated USD 20.29 billion in 2024 and is projected to reach USD 32.84 billion by 2031, growing at a CAGR of 7.10% during this period (Source: ASIC Chip

Market Size & Share Analysis - Industry Research Report - Growth Trends (coherentmarketinsights.com).

Factors driving growth include the adoption of advanced technologies such as AI, machine learning, and 5G, and these all increase demand for ASICs across industries.

Demand for Digitalization

The growing need for digitalization in various sectors fuels demand for specialized and efficient computing capabilities. ASIC chips can be customized for specific applications, delivering optimized performance.

Industry Segments

ASIC chips find applications in automotive systems, aerospace subsystems, telecommunications products, medical instrumentation, data processing systems, and consumer electronics. Extensive research and development activities in automation and transportation sectors contribute to revenue generation. In summary, the ASIC market is poised for growth, driven by technological advancements and increasing demand for specialized computing solutions.

Future Strategy

The future strategy for Sondrel will, in part, be determined by the current transformation plan but will continue to be at least partially based on growing the volume of ASIC project work, leading to follow-on prototyping and testing work and ultimately production revenues. However, the balance between growth of capability and investment in new revenue streams and the traditional design services work that will keep the engineering work force busy will be more keenly managed in order to ensure a break-even position from both an operating profit and cash flow perspective.

Summary and Outlook

The completion of the recent fundraise and the support of Rox will ensure that the business is stabilised and put on a growth footing in the future based on a more solid foundation. In the short term, the current trading losses are targeted by the transformation plan to be eliminated by the last quarter of the year and thereby avoiding the need for any further fundraising to support trading activities. To achieve this target, new business wins and further cost saving measures will be required, some of them related to the de-listing process.

Rox has committed to providing a further £1.5m funding to Sondrel in the future which will provide more liquidity should it be necessary. However, it is recognised that this may not be sufficient should the expected new business wins fall short of current forecasts over the next 12 months. This creates a material uncertainty over the cash flows of the business until such time as the revenues increase.

Despite this, the Board believes that the future prospects for the business will be more positive once the transformation plan has been delivered and Sondrel is able to compete more effectively for the many opportunities that are available in the market.

David Mitchard
Non-Executive Chairman and Interim Chief Executive Officer
17 July 2024

Chief Financial Officer's Review

Revenue

£'000	2023	2022
Consultancy	2,136	4,439
ASIC projects	7,290	12,839
Total	**9,426**	**17,278**

Consultancy revenues decreased to £2.1m (2022: £4.4m) as the Group focused on developing the ASIC projects business for the future. Despite the decision to focus on ASIC projects revenue it also declined from £12.8m to £7.3m due to project delays and lack of new business sales. The major revenue contributor in the year was the large automotive ASIC project that started in October 2022 and which taped out in April 2024. This was delayed having originally been expected to be completed by the end of 2023, and this meant that approximately £2.7m of revenue was deferred into 2024. There were no new ASIC projects won during 2023.

Margins

The majority of the Group's direct cost base relates to engineering headcount and software. During the first half of 2023, revenues and margins were broadly on plan, but the delays in the delivery of the large automotive ASIC project reduced revenues and depressed margins in the second half. Contract wins in the first half of 2024 have improved gross margins and are expected to return to normal trading levels during by the end of the year.

Administrative Expenses

Administrative expenses decreased by 17% to £6.5m (2022: £7.8m), driven predominantly by the inclusion of IPO related costs of £1.4m in the prior year. Underlying administrative expenses (excluding depreciation, amortisation and exceptional items) increased by 1% to £6.1m (2022: £6.0m).

Foreign Exchange

The Group had 71% (2022: 70%) of revenues invoiced in currencies other than GBP. The Group's cost base has been predominantly in GBP and USD, which has historically provided a natural hedge to currency exchange risk as revenues have also been predominantly denominated in USD and GBP. However, during 2022 a new Euro contract led to significant revenues being denominated in Euros. Exchange rate losses of £0.1m (2022: loss of £0.5m) reflected the reduction in volatility of the key currency pairs (GBP-USD and GBP-EUR) year on year.

Adjusted EBITDA and Statutory Loss Before Tax

Adjusted EBITDA (earnings before interest, tax, exceptional items, depreciation and amortisation) is considered by the Board to better represent the ongoing operating performance of the Group as it removes the impact of significant one-off items and smooths the impact of the cash outlay on the

Groups design software. Adjusted EBITDA worsened in the year to a loss of £4.7m (FY22: loss £1.1m). See note 7 to the financial statements for further information.

Statutory loss before tax of £18.0 million (2022: Loss £6.4 million) includes significant cash and non-cash expenditure items, and these are reconciled to adjusted EBITDA as follows:

£’000	**2023**	**2022**
Statutory loss before tax	(17,979)	(6,412)
IPO costs[1]	-	1,393
Adjusted loss before tax	**(17,979)**	**(5,019)**
Interest	656	1,175
Depreciation	457	394
Amortisation of intangible assets	12,150	2,384
Adjusted EBITDA	**(4,715)**	**(1,066)**

Research and development

Total expenditure on research and development in the year was £9.7m (2022: £8.1m) of which £0.6m (2022: £0.6m) was on internal research and development to increase the engineering differentiation and capability to efficiently deliver new technologies. Research & development costs of £0.5m (2022: £0.2m) were capitalised during the year relating to the commencement of an automotive development programme. Costs incurred relating to the development of internal process improvements are not able to be reliably measured and have therefore been expensed through the P&L.

Due to the nature of the work the Group is entitled to claim R&D tax credits. The amount recoverable this year is £1.2m (2022: £1.0m)

Depreciation and Amortisation

Depreciation and amortisation of £12.6m (2022: £2.8m) principally comprises the amortisation of the intangible software assets. The significant increase in amortisation of the intangible software was due to an accelerated charge to recognise the limited utility of the remaining asset following a reduction in design activity. The terms of the software asset have been renegotiated since year end, allowing the business to recover the lost utility by extending the period over which the asset can be used.

Interest

Finance costs in the year were £0.7m (2022: £1.2m). The interest charged under IFRS 16 in respect on the liability arising on the purchase of the software asset was £0.5m (2022: £0.9m).

[1] Costs relating to the IPO in the prior year which are not considered to be trading expenditure

Taxation

No provision for tax has been made in the period (2022: £Nil) due to the available tax losses carried forward of £6.9m.

No asset has been recognised in relation to the recovery of these tax losses. The forecast revenues and profits in the business have reduced materially in the last year and as a result it is not now expected that they will all be utilised in the foreseeable future. As a result, the asset of £3.2m held on the prior year balance sheet has now been written off to the income statement in the current period.

Earnings per share

Loss per share was 24.6 pence (2022: loss per share 5.6 pence).

Dividend

The retained earnings position of the Group is insufficient for the Board to consider a dividend for the year. In any event, the Group is primarily seeking to achieve capital growth for shareholders rather than an income. It is the board's intention during the current phase of the Group's development to retain any distributable profits that arise from the business to the extent they are generated.

Balance sheet

The Group's balance sheet position showed a net deficit at 31 December 2023 of £13.4m (2022: net assets of £8.5m).

Fixed assets

Intangible assets

The intangible asset of £2.9m (FY22: £14.5m) arises from the recognition of long term right-of-use software assets and the capitalisation of £0.5m of research and development. The amortisation associated with the software asset was £12.0m (FY22: £2.4m).

Management has accelerated the amortisation to reflect the reduced utility of the software asset following the reduced level of design anticipated over the remaining life of the asset. Since the end of 2023, the terms of the right-of-use software asset have been renegotiated allowing the business to recover the lost utility over an extended period of use.

Tangible assets

Tangible assets of £0.5m (FY22: £0.9m) comprise mainly of right-of-use assets relating to office leases and other office equipment.

Cash flow and net debt

At 31 December 2023 the cash balance was £0.0m (2022: £4.4m).

The Group repaid its shareholder loan of £0.7m during the year but drew down a short-term loan by way of advance against expected R&D tax credit receipts of £0.9m, leaving a net debt position of £1.0m (2022: Net cash £3.7m).

Risks and uncertainties

The Board continually assesses and monitors the key risks of the business. The key risks that could affect the Group's performance, and the factors that mitigate these risks, are set out on pages 10 to 12.

Nick Stone
Interim Chief Financial Officer
17 July 2024

Principal Risks and Uncertainties

The Group faces various risks and uncertainties that have the potential to impact the Group financially, operationally, strategically and reputationally. While it is not possible to identify or anticipate every risk, the principal risks and uncertainties faced by the Group and the steps in place to mitigate these risks are described below. The Board has overall responsibility for risk management and internal controls and is fully supported by the Audit and Risk Committee.

Cyber security

The Group maintains a significant level of confidential customer data and relies on information technology systems to conduct its operations. Cyber-attacks can result from deliberate attacks or unintentional events and may include (but are not limited to) third parties gaining unauthorised access to the Group's systems for the purpose of misappropriating intellectual property or confidential sensitive information, corrupting data, or causing operational disruption.

If the Group suffers a cyber-attack, whether by a third party or insider, resulting in a breach of confidentiality or a data security breach, it may incur significant costs, suffer reputational damage and loss of customer or investor confidence.

Mitigation

The Group employs strict security protocols and policies to mitigate against any potential security breaches, including regular auditing of the Group's security environment and controls under its accredited ISO 27001 and ISO 9001 standards.

Project delivery

Each customer project is unique, involving specific deliverables that the Company has not previously developed. Projects are typically quoted as a fixed price based on an assessment of the work and IP required to deliver it to the customer schedule. It is possible that management may misjudge their ability to deliver at the estimated cost. Failure to do so could damage the current financials and long-term reputation.

Mitigation

Project management is focussed on delivering to the customer schedule. By careful management of engineer utilisation the business ensures sufficient resources are available to deliver the project to schedule. A close collaboration with the customer and IP vendors permits a clear scope of work to be agreed which together with a robust change management process ensures project risks are managed appropriately.

Attraction and retention of talent

The Group's ability to attract and retain key management and employees, including suitably qualified and experienced engineers, is critical to the Group's continued development and innovation. Loss of key management or other key personnel, particularly to competitors, could have adverse consequences.

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 where the Group operates requires proportionate budgeting and therefore can affect the capabilities of the Group.

Mitigation

Sondrel creates a positive and exciting workplace environment, through challenging engineering projects, training, regular engagement and feedback, rewards and values.

The Remuneration and Nomination Committee seeks to ensure that rewards correspond with performance and retention and is in the process of setting up a new employee share-based incentive plan.

Liquidity risk

The Group's ability to manage its cash and to meet its financial obligations as they fall due is essential to retaining key suppliers and employees. As a significant proportion of the Group's cash receipts are dependent on achieving project milestones, cashflows may be disrupted if project delivery is delayed.

Mitigation

The Group monitors and manages its cash by preparing cashflow forecasts in its budgets and using sensitivity analyses. In the last year negotiations with many of the Group's suppliers and certain customers has allowed cash flows to be managed successfully during a period of significant cashflow pressure whilst additional funding was identified. During this time the short and long-term forecasting capability within the Group's finance team has been improved in order to avoid such situations in the future.

Contract management

Silicon chip projects are tailored to individual customer requirements and the specification of each chip design may change significantly during the design process. Poor contract management may lead to project overruns, additional costs which are not recovered and reputational damage.

Mitigation

Project management collaborate closely with customers to communicate the impact of changes in specifications and follow a robust change management process to ensure customer expectations are met and costs are managed appropriately.

Innovation

Silicon chip design is a rapidly developing field, in which we may struggle to compete if we fail to innovate. Sondrel has delivered designs at 5 nanometres and is working on 3 nanometre process nodes. This engineering capability enables Sondrel to benefit from megatrends driving the demand for system solutions with increasingly complex design geometries. Failure to stay at the cutting edge of the technology would neutralise its U.S.P.

Mitigation

The Group continually invests in its own IP development and has established and maintains relationships with key partners in the industry, which enable it to deliver compelling turnkey design and supply solutions.

Growth strategies and management

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 may depend in part on its ability to manage this growth. There can be no guarantee that the Group will achieve or effectively manage the level of success that the Board expect.

Mitigation

The Group's growth strategy is centred around growing in established markets and targeting sectors in which we have strong credibility.

There is clear communication of strategy and alignment throughout the organisation, with the Board responsible for delivering against defined strategic initiatives. The Group's growth and expansion strategy is carefully budgeted and resourced for, with clear metrics for success.

Customer success is an integral part of the Group’s focus, with regular reviews of performance with the customer to ensure alignment with customer’s strategic imperatives in order to secure account retention.

Section 172(1) of the Companies Act 2006

Section 172(1) of the Companies Act 2006 ("S172(1)") requires Sondrel's Directors to act in good faith and in the way that they consider to be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard to the interests of other stakeholders. The Directors should also consider the desirability of maintaining high standards of business conduct and the likely long-term consequences of their decisions.

The Group's stakeholders include, but are not limited to, its employees, suppliers, customers, and investors.

We identify our key stakeholder groups and how we engage with each of them. Each type of engagement is designed to foster effective and mutually beneficial relationships so that we continue to work effectively with our stakeholders.

The Board of Directors ("the Board") of Sondrel (Holdings) plc consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members, as a whole, in decisions taken during the year ended 31 December 2023.

In doing so, the Board of Directors have regard (amongst other matters) to:

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

The decision to seek additional funding has provided the Group with sufficient funds to support it through to a positive trading cash flow position in the near future, and to continue pursuing its growth strategy.

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

B. The interests of the Group's employees:

We value our employees and recognise that their contribution and active engagement is key to the Group achieving its near and long-term objectives. We want our diverse teams to feel safe, valued, recognised and that their opinions matter. We want to be a great place to work, which will enable us to attract, retain and develop great talent, investing both in their future growth and that of the Group.

On a day-to-day basis, The Executive Directors engage directly with employees promoting an open, non-hierarchical culture, in which employees have an active contribution to the Group's success. Monthly "All Hands" meetings, Group updates and staff feedback questionnaires are performed, and the Board actively reflect on these when making decisions. Regular management training, internship programmes, personal development and performance reviews all contribute to the development of staff.

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

We promote trust-based relationships with our customers. We work hard to ensure our customers return to us. We do this by demonstrating that we understand their problems and demonstrate solutions for them through our key account programme and focus closely on quality to ensure that the customer has a high regard for the Group. We value our suppliers and have strong relationships with them that enable us to maintain key component delivery and supply for our turnkey operations. We hold regular meetings with suppliers to build partnerships and trust. We manage our supplier base closely to promote levels of business that meet our quality standards and gives the supplier a chance to interact with the Group to be able to expand his business with us if it is mutually suitable.

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

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

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

E. The desirability of the Group to maintain a reputation for high standards of business conduct:

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

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

The Company is quoted on the AIM market of the London Stock Exchange. We want all our shareholders to feel excited by the future opportunities of the Company and we want to add long-term value to our shareholders through delivery of our strategic growth journey. Since year end the Company has completed a fund-raising process which resulted in a single entity taking a significant (49%) shareholding and signalled its intention to de-list from AIM. The Board is committed to maintaining its standards of fairness and to providing minority shareholders with a fair and orderly exit route if they require one.

This Strategic Report was approved by the Board of Directors on 17 July 2024 and signed on its behalf.

David Mitchard
Chairman and Interim Chief Executive Officer
17 July 2024

Corporate Governance

Board of Directors

David Mitchard

Chairman and Interim Chief Executive Officer

David has more than 20 years' experience in leading large corporate divisions in complex engineering environments and successfully implementing turnaround strategies. Most recently, David was Managing Director of Maritime Services at BAE Systems. Other previous roles include chief executive of defence infrastructure organisation at Capita, Managing Director at AirTanker Services, and managing director at Flagship Training Ltd. David brings with him a wealth of experience which the Company believes will benefit its ability to execute the transformation of its business.

Graham Curren

Non-Executive Director (and former Chief Executive Officer)

Graham founded Sondrel in 2002 after identifying a gap in the market for an international company specialising in complex digital IC design.

Prior to establishing Sondrel, Graham graduated in Electronic Engineering from Leeds University and worked in both ASIC design and manufacturing before joining electronic design automation (“EDA”) company, Avant! Corporation. There, he managed the technical and marketing teams across EMEA, supporting products across the whole range of IC design.

In 2010, Graham accompanied the UK Prime Minster at the time, David Cameron, in his business delegation to China. He also acted as a non-executive director for the China-Britain Business Council between 2011 and 2017.

Adrian Carey

Independent Non-Executive Director & Chair of Audit and Risk Committee

Adrian has more than 35 years of board experience across listed, AIM, private equity, venture backed and private businesses, primarily in the technology, legal and educational service sectors. Adrian acted as CEO for three companies over a 17 year period, prior to which he was a finance director, venture capitalist and Chartered Accountant. He most recently acted as Executive Chairman for AIM listed Melorio plc before being appointed as a non-executive director until it was bought by Pearson plc in June 2010.

Adrian has had significant additional non-executive experience, including acting as a non-executive director for Impellam Group and, more recently, Oxford Metrics plc, both quoted on AIM.

Sherry Madera

Independent Non-Executive Director & Chair of Remuneration and Nomination Committee

Sherry is currently CEO of CDP, the global climate data platform. Previously at Mastercard as Senior Vice President and LSEG as Chief Industry and Government Affairs Officer. A Canadian and British national, Sherry has also worked for the City of London Corporation where she was Economic Ambassador and Special Advisor to Asia, and also was a senior diplomat at British Embassy in Beijing, responsible for promoting trade and investment between the UK and China. Sherry sat on the governing Council of the University of Nottingham from 2018 through 2024.

Recognised as an expert on green and sustainable finance as well as on data policy, Sherry continues to hold the role of Founder of the Future of Sustainable Data Alliance, a global alliance dedicated to working with the financial industry to use data to build a sustainable future. Her first book, Navigating Sustainability Data, was published in January 2024.

Miles Woodhouse

Non-Executive Director

Rox Equity Partners Limited's appointed Non-Executive Director. Miles brings significant senior leadership experience in the technology sector to Sondrel. With a career spanning over 20 years, he was most recently Director of Strategy and M&A at ICAS World, a global EAP provider supporting over 6 million customers. Additionally, Miles was Chief Technology Officer at BAE Systems Maritime and Chief Executive Officer of LiveGuard Ltd, a software company focused on 'smart home hub' solutions. Over his career, Miles has successfully co-founded and helped to lead two technology startups, DNW Solutions and Ctrack, the latter of which established itself as the number one supplier of vehicle tracking and telemetry solutions to the UK corporate large fleet sector within its first four years. Miles is a currently a director at Rox Equity Partners.

Corporate Governance Statement

On behalf of the Board of Directors, I am pleased to introduce the Company's Corporate Governance Statement for the year ended 31 December 2023.

Introduction

This statement of the report sets out Sondrel's approach to corporate governance and intends to provide information on how the Board and its Committees operate. As a Board, we take corporate governance very seriously, and I will continue to ensure that we maintain high standards throughout my tenure.

As a company whose shares are traded on the AIM market of the London Stock Exchange, Sondrel has chosen to monitor and report its compliance with the Quoted Companies Alliance ('QCA') Corporate Governance Code ('the Code') and its Statement of Compliance with the same can be found with information on governance arrangements on the Company website (https://ir.sondrel.com/investors/corporate-governance).

Further information is provided in the table below.

This report seeks to inform shareholders about how it complies with the QCA Code, and where it departs from the QCA Code the Board will provide an explanation of the reason(s) for doing so.

The role of the Board

The Board is collectively responsible for Sondrel's performance and creating value for shareholders. The Board meets as often as required to effectively conduct its business. The Board is responsible for overseeing the management of the Group and approving the strategic direction.

Board changes

Jose Lopez resigned from the Board on 20 September 2023, Gordon Orr resigned from the Board on 5 January 2024.

Graham Curren stepped down as CEO on 1 April 2024 but remains as a Non-Executive Director. Nigel Vaughan stepped down from the Board as Chairman following the completion of the fund raise in June 2024.

David Mitchard replaced Graham as interim CEO and joined the Board on 17 June 2024 to replace Nigel Vaughan as chairman.

Miles Woodhouse joined the Board as Rox's appointed Non-Executive Director on 17 June 2024.

John Chubb will join the Board in due course becoming the permanent Chief Executive.

Composition of the Board and meetings

The Board comprises five Non-Executive Directors reflecting a blend of different experiences and backgrounds, and three of the Non-Executive Directors are considered to be independent. The Board believes that the current composition of the Board brings a desirable range of skills and experience, while simultaneously ensuring that no individual or group can dominate the Board's decision making.

The structure of the Board is designed to ensure that the Board focuses on the strategic direction of the Group, monitoring its performance, governance, risk and control issues.

The Board has an established schedule of meetings throughout the year, with additional meetings convened when required. The Board addresses several recurring items at each Board meeting, including operational and financial performance updates and acquisitions. The Directors maintain a dialogue between Board meetings on a variety of matters.

The table below sets out the Directors' attendance at scheduled Board meetings during the period ended 31 December 2023, against the number of meetings each Board member was eligible to attend:

Director	**Board Meetings**
Nigel Vaughan	6/6
Graham Curren	6/6
Joe Lopez	5/5
Adrian Carey	6/6
Sherry Madera	6/6
Gordon Orr	6/6

Board committees

The Board delegates certain responsibilities to its Committees, so that it can operate efficiently and give an appropriate level of attention and consideration to relevant matters. The Company has an Audit & Risk Committee and a Remuneration and Nomination Committee, both of which operate within a scope and remit defined by specific terms of reference determined by the Board.

During the year, the Remuneration Committee accepted the responsibility of decision-making on matters of nomination and succession becoming the Remuneration and Nomination Committee.

Details of the operation of the Board Committees are set out in their respective reports. All of the Board Committees are authorised to obtain, at the Company's expense, professional advice on any matter within their Terms of Reference and to have access to sufficient resources in order to carry out their duties.

The QCA Corporate Governance Code 2018 (“QCA Code”)

The Board is collectively responsible to shareholders of the Company for the effective oversight and long-term success of the Company.

The Board believes that sound governance is fundamental to this and has chosen to follow the QCA Corporate Governance Code. The Board considers that the policies, procedures and relevant systems which have been implemented to date have given us a firm foundation for our governance structure.

During the financial year ended 31 December 2023, the Company believes that it has complied with 8 of the 10 principles set out within the QCA Code, points 5 and 7 will be addressed during 2024, as follows:

Principles of the QCA Code	How the Company has complied
1. Establish a strategy and business model which promote long- term value for shareholders.	The Board has collective responsibility for setting the strategic aims and objectives of the Group. Our strategy is articulated within the CEO report.
2. Seek to understand and meet shareholder needs and expectations.	We encourage all our shareholders to attend our AGM, which provides a forum and time for shareholders' questions and open discussions. The Chief Executive Officer and Chief Financial Officer actively engage with shareholders.
3. Take into account wider stakeholder and social responsibilities, and their implications for long-term success.	The Company has adopted policies to encourage an open and transparent corporate culture, including policies addressing anti-bribery and whistleblowing. We continue to adopt new policies and monitor existing policies on an ongoing basis.
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.	Details of the principal risks and uncertainties which the Board considers to be associated with the Group's activities, together with the mitigating actions which are being pursued in relation to them, are set out on pages 10 to 12. The Board reviews the risks faced and ensures the mitigation strategies in place are the most effective and appropriate to the Group's operations.
5. Maintain the Board as a well-functioning, balanced team led by the Chairman.	The Board membership has changed significantly in the first half of 2024 including a change of Chairman and CEO. Planned handovers have enabled an orderly transfer of responsibilities. The appointment of John Chubb on 18 July 2024 is intended to complete the Board changes in 2024.
6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.	The Directors have the necessary up-to-date experience, skills and capabilities required for the Board and to oversee the management of the Company. The biographies of the Directors are set out on pages 15 to 16.
7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.	As the Board membership has changed significantly in the first half of 2024 the Board deferred an evaluation review, however, a formal evaluation will take place during the 2024 financial year.
8. Promote a corporate culture that is based on ethical values and behaviours.	All appointments to the Board will be on merit, but with due consideration to the need for diversity on the Board. Such appointments will be made to complement the existing balance of skills and experience on the Board.
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.	To enable the Board to discharge its duties, the Directors receive appropriate and timely information. A formal agenda and briefing papers are distributed to the Directors in advance of each Board meeting. The Directors have access to the advice and services of the Chief Financial Officer and Company Secretary, who is responsible for ensuring that the Board procedures are followed, and that applicable rules and regulations are complied with.
10. Communicate how the Company is governed and is performing.	The Board maintains a dialogue with shareholders and other relevant stakeholders and will continue to monitor its application of the QCA Code and revise its governance framework as appropriate as the Group evolves.

The Corporate Governance Statement was approved by the Board of Directors and signed on its behalf.

David Mitchard
Chairman and Interim Chief Executive Officer

17 July 2024

Audit and Risk Committee Report

As Chair and on behalf of the Audit and Risk Committee, I am pleased to present our report for the financial year ended 31 December 2023.

The Committee

The Committee was formed on the admission of Sondrel (Holdings) plc to AIM in October 2022 and comprised the Non-Executive Directors Adrian Carey and Gordon Or, until Gordon's resignation on 5 January 2024. Upon Gordon's departure, Sherry Madera joined the Audit and Risk Committee.

Main Responsibilities

The Committee's role is to provide support to the Board in meeting its responsibilities as set out in the QCA code. The full list of duties of the Audit and Risk Committee is set out in the terms of reference, and includes monitoring:

- the integrity of the financial statements and other financial information of the Company and its subsidiaries (Group) provided to the Company's shareholders;
- the Group's system of internal controls and risk management;
- the external audit process and auditors;
- the processes for compliance with laws, regulations and ethical codes of practice; and
- how risk is reported internally and externally.

Risk management and internal control

The Committee has primary responsibility for the oversight of the Group's internal controls, including the risk management framework. Management is responsible for establishing and maintaining adequate internal controls and the Committee has responsibility for monitoring the effectiveness of these controls. It achieves this through reports received from the Group, along with those from the external auditors. Risk registers are maintained and regularly reviewed by management and the Committee.

It is the Committee's assessment that the processes applied by management to ensure that the internal controls systems are functioning as intended are providing sufficient and objective assurance. As a result, the Committee's view is that there remains no current requirement for an internal audit function.

Financial reporting

The Committee has reviewed with both management and the external auditor the annual financial statements, focussing on: the overall truth and fairness of the results and financial position, including the clarity of disclosures shown in the statements and their compliance with best-practice requirements; the appropriateness of the accounting policies and practices used in arriving at those results; the resolution of significant accounting judgements or of matters raised by the external auditor during the course of the annual statutory audit; and the quality of the Annual Report and Accounts taken as a whole, including disclosures on governance, strategy, risks and remuneration, and whether it gives a fair, balanced and understandable picture of the Group.

Going concern

The Committee reviewed the Group's going concern position. The Committee assessed and challenged the Group's forecasts and cash flow projections, including consideration of various possible outcomes of future performance and the potential impact of uncertainties.

The Committee also considered the recent investment by Rox Equity Partners Limited ('Rox'), their confirmation that they will contribute a further £1.5m of funding, the Group's financing facilities and other possible future funding plans.

After considering the relative likelihood of the different scenarios, the Committee is satisfied that the financial statements should be prepared on a going concern basis. However, the committee acknowledge the possibility that the Group fails to earn adequate revenues such that it can continue to trade without further support than is currently available from Rox. It therefore concluded that there is a material uncertainty regarding the future cash flows of the Group without the certainty of an increased revenue stream or additional funding.

More detail can be found on page 43 in the financial statements.

Significant matters considered in relation to the financial statements

During the year ended 31 December 2023, the Committee's prime areas of focus were:

- The integrity, completeness and consistency of financial reporting, including the adequacy, clarity and appropriateness of disclosures. This included reviewing the Annual Report and concluding that it was fair, balanced and understandable;
- The scope and programme of external audit;
- The materiality level used by the external auditor for Sondrel as a public company;
- Confirmation that the going concern basis of accounting should continue to apply in the preparation of the annual financial statements;
- Reviewing the processes and systems to identify and mitigate the financial and non-financial risks and to consider the appropriateness of the controls to reduce the risk of fraud and exposure to bribery and corruption; and
- The areas where significant judgements and estimates including:

  Revenue Recognition

  The policies adopted for Revenue Recognition are set out in Note 2 of the Accounting Policies and are in line with the requirements of IFRS 15. For Services and Consultancy when the outcome of a contract can be measured reliably, the Group recognises both income and costs by reference to the percentage of completion of the contract as this is considered the most appropriate measurement of performance of the obligations. The Committee have identified revenue recognition as a significant issue. It was agreed that revenue recognition would be a key area of focus for the Auditors. The committee has acted to ensure the Company has adopted appropriate controls, policies and procedures to ensure inclusion of the revenues in compliance with IFRS 15.

Impairment of fixed assets and accelerated amortisation of intangible assets

The Committee reviewed the impairment review prepared by the Directors. This review concluded that no impairment charge was required in the period but resulted in an accelerated amortisation charge. This additional charge reflected the change in the expected pattern of consumption of the future economic benefits embodied in the intangible software asset.

The Committee considered the impairment assessment and agreed with the selection of the Sondrel business as the smallest relevant cash-generating unit ('CGU') to be assessed for impairment, given that the fixed assets could not be assessed for impairment as individual assets as they do not have separately identifiable cashflows.

It also considered the reasonableness of the Directors estimate of the value in use and fair value less cost of disposal which were used to calculate the recoverable amount attributable to the CGU. The committee agreed that the market capitalization of the business was a good proxy for fair value less cost of disposal and that the market capitalization determined the recoverable amount attributable to the CGU.

As the recoverable amount exceeded the carrying amount of the of the CGU, the Committee is satisfied that no impairment charge is required.

The committee also considered that the accelerated amortisation charge recognized was appropriate given management's estimate of future activity over the remaining lifetime of the intangible software and the contractual terms defining the use of the asset in place at the year end.

Capitalisation of intangible assets

The Committee acknowledged that the accounting treatment is an ongoing focus by the Auditors due to its materiality. The accounting policies were reviewed and the Committee was satisfied that the processes and procedures in regard to the capitalisation were appropriate.

Independent auditor

The Committee's primary responsibility is to make a recommendation on the appointment, reappointment and/or removal of the external auditor. The Committee considers a number of areas when reviewing the external auditor appointment, namely the auditor's performance in discharging the audit, the scope of the audit and terms of engagement, auditor independence and objectivity, criteria for auditor reappointment, and auditor remuneration. Every year the Committee assesses the effectiveness of the audit process and the external auditor.

In carrying out its assessment for the financial year 2023 it considered:

- The independence and objectivity of the external auditor;
- Feedback from the Chief Financial Officer and his team, who monitor the external auditor's performance, behaviour and effectiveness during the exercise of its duties;
- All key external auditor plans and reports, which were discussed and challenged;
- The regular engagement with the external auditor during Committee meetings and ad-hoc meetings, including meetings without any member of management being present; and
- How the auditors support the work of the Committee and how the audit contributes insights and adds value.

The Committee also reviewed the proposed audit fee and terms of engagement for the financial year 2023. Details of the fees paid to the external auditor during the financial year can be found in note 10 on page 64. The Committee recognises that the independence of the external auditor is an essential part of the audit framework and the assurance that it provides. The external auditor confirms its independence at least annually.

This year, having considered the effectiveness and performance of the independent auditor, the Committee has recommended to the Board the appointment of CLA Evelyn Partners Limited as independent auditor of the Company and Group for the next financial year.

Adrian Carey
Chair of the Audit and Risk Committee

17 July 2024

Remuneration and Nomination Committee Report

As Chair of the Remuneration and Nomination Committee, I am pleased to present the Directors' Remuneration Report for the financial year ended 31 December 2023.

The Committee

The Remuneration and Nomination Committee was formed on the admission of Sondrel to AIM in October 2022 and currently comprises Sherry Madera (Chair) and Adrian Carey, who are both independent Non-Executive Directors. David Mitchard will join this committee once he ceases to be the Interim Chief Executive Officer role.

Main responsibilities

The full list of duties of the Remuneration and Nomination Committee is set out in the terms of reference and includes the following areas:

- To review and update as necessary the Committee's Terms and References;
- Overseeing the policy and individual remuneration for the senior management of the Group, including approving the remuneration for the Executive Directors, and to support the Group's executives in their review of the Group's remuneration and employment policies for the senior management and employees;
- Ensuring that remuneration arrangements are monitored and aligned to support the Group strategy and exhibit effective risk management, as well as encourage and reward the right behaviours, values, and culture of the Group;
- Oversee the design of all share incentive plans and review their implementation Group-wide, alongside other tools used for incentivisation and retention of talent. Annually, the Remuneration Committee will approve share incentive awards and agree any performance targets to be set for the Executive Directors;
- Our aim as a Remuneration Committee, through delegated responsibility, is to determine the policy for the Executive Directors remuneration in accordance with the QCA Corporate Governance Code (QCA Code) and in the best interests of the business aligned with our strategic goals. The remuneration of Non-Executive Directors is a matter for the Chair and the executive members of the Board. No Director will be involved in any decision as to his or her own remuneration; and
- Further to this, the Committee will support, oversee and approve the recommendations of Group management regarding share based incentive schemes and strategy for talent acquisition, development and retention.

Executive directors’ and key employee remuneration policy

In determining an appropriate remuneration policy, the Committee will take into account the following principles:

The policy should be designed to attract, retain, and motivate high calibre individuals.

The remuneration policy shall bear in mind the Group's appetite for risk and be aligned to the Group's long-term strategic goals.

A significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance and be designed to promote the long-term success of the Group.

Take into account the pay and employment conditions across the Company and the wider group, especially when determining salary increases.

The Committee shall review the ongoing appropriateness and relevance of the remuneration policy.

Share ownership should be encouraged across the executive team to ensure a long-term focus and alignment of interest with shareholders.

The Committee shall obtain reliable, up-to-date information about remuneration in other companies of comparable scale.

Committee activities during 2023

During the financial year ended 31 December 2023 the Remuneration and Nomination Committee has met three times with full attendance. The committee focussed on:

- supporting the creation of a share-based scheme for Sondrel employees
- managing the change of CFO
- reviewing executive director performance
- recommending remuneration for Executive Directors

Directors’ bonus payments

There were no bonus payments recommended or approved for the financial year ended 31 December 2023.

Share-based schemes

The Remuneration and Nomination Committee has approved the creation of two share-based schemes that includes an UK-based EMI options scheme and a Phantom share scheme being offered to employees resident outside the UK both of which were put into effect in 2023.

Directors’ Service Agreements

Executive directors’ service agreements

The Remuneration and Nomination Committee is responsible for approving the terms of the service contracts for Executive Directors. Directors’ service contracts are available for inspection at the Company’s registered office.

The Executive Directors have entered into a service agreement with the Company. Each Director's appointment will be terminable on six months' notice given by either party and summarily by the Company in certain limited circumstances. Each Director has given certain non-compete and non- solicitation undertakings which will apply during his engagement and in respect of the period of 6 months post termination.

Non-executive director letters of appointment

All Non-executive Directors have letters of appointment, initially for a three year period from Admission to AIM in October 2022.

Each Director's appointment will be terminable on three months' notice given by either party and summarily by the Company in certain limited circumstances.

The Non-Executive Directors' letters of appointment do not provide specifically for any termination payments, although the Group might make payments in lieu of notice.

Non-Executive Director fees are determined by the Executive Directors, having regard to the requirement to attract high-calibre individuals with the right experience, the time requirements and the responsibilities incumbent on an individual acting as a Non- Executive Director. Post IPO the Non-Executive Directors are not eligible for annual discretionary bonuses and do not participate in the Group's long-term incentive plans.

In addition to responsibilities in their role as Non-Executive Director, Adrian Carey and Sherry Madera have been appointed as Chairs of the Audit & Risk Committee and the Remuneration and Nomination Committee respectively. Nigel Vaughan was appointed Chair of the Board until his resignation on 17 June 2024, following which David Mitchard was appointed.

Directors' remuneration

The remuneration of each of the Directors during the year ended 31 December 2023 has been audited as part of the financial statements and is set out in detail below :

Executive Directors

	Salary	Bonus	Pension	BIK	Total 2023	Total 2022
Graham Curren	280,000	-	-	1,574	281,574	356,574
Joe Lopez[2]	186,790	-	14,426	-	201,216	197,084

Non-Executive Directors

	Salary & Fees	Bonus	Pension	BIK	Total 2023	Total 2022
Nigel Vaughan	70,000	-	-	-	70,000	32,657
Adrian Carey	50,000	-	-	-	50,000	9,295
Sherry Madera	50,000	-	-	-	50,000	9,295
Gordon Orr	40,000	-	-	-	40,000	7,436

[2] Joe Lopez stood down as as a director of the Company on 13 September 2023, as part of his settlement a he received a further £70,000 in 2024, which was fully accrued for as at 31 December 2023 and is included in the salary quoted for the period.

Directors' share interest

	Holding at 31 December 2023	Percentage of share capital	Holding at 31 December 2022	Percentage of share capital
Executive				
Graham Curren	39,253,866	44.88%	39,253,866	44.88%
Non-Executive				
Nigel Vaughan	1,001,370	1.14%	1,001,370	1.14%
Adrian Carey	90,500	0.10%	90,500	0.10%
Sherry Madera	45,000	0.05%	45,000	0.05%
Gordon Orr	318,000	0.36%	318,000	0.36%

Directors' share options

No Directors held any share options at 31 December 2023.

Summary

The Remuneration and Nomination Committee believes that the current remuneration arrangements and plans are in the best interest of the Group and shareholders. The Committee will continue to monitor the appropriateness of the remuneration strategy and will make adjustments with a responsible and transparent approach.

Sherry Madera
Chair of the Remuneration and Nomination Committee

17 July 2024

Directors' Report

Principal Activities

Sondrel is a UK founded and headquartered fabless semiconductor business providing turnkey services in the design and delivery of complex, high end 'application specific integrated circuits' ("ASICs") and 'system on chips' ("SoCs") for leading global technology brands.

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

The following information is provided in the Strategic Report and is incorporated into the Directors' Report by way of reference:

- Likely future developments in the business – this is disclosed in the CEO's statement on page 2
- Research & development activities – this is disclosed in the CFO's report on page 6
- Going Concern – Audit and Risk Committee Report on page 21

Directors and their interests

The following individuals served as Directors within the 2023 financial year:

- Graham Curren – CEO
- Joe Lopez – CFO
- Nigel Vaughan – Non-Executive chair
- Adrian Carey - Non-Executive director
- Sherry Madera – Non-Executive director
- Gordon Orr – Non-Executive director

Directors' interests and shareholdings are contained within the Remuneration Report on pages 25 to 28.

Dividends

No dividends have been recommended by Directors or paid to shareholders in this or the previous financial year.

Auditors and their independence

In accordance with the Company's articles, a resolution proposing that CLA Evelyn Partners Limited be reappointed as auditor of the Company and the Group will be proposed at the general meeting convened to approve these accounts. The Company has a policy for approval by the Audit and Risk Committee of non-audit services by the auditor to preserve independence.

Disclosure to external auditor

So far as the Directors are aware there is no relevant audit information of which the Company's auditor is unaware. Additionally, the Directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' indemnities

The Group maintains appropriate Directors' and Officers' insurance and has done so from the date of admission. This remains in force as at the date of this report.

Donations

The Group did not make charitable or political donations during the year.

Employees

The Group operates an equal opportunities policy which includes those who are classed as disabled. Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. Individuals who identify as disabled are given equal opportunities with other employees in relation to training, development and promotion.

Health, safety, the environment and the community

The Group is committed to being of benefit to the communities it serves across the globe.

Share capital

Details of the authorised and issued share capital of the Company and options over shares of the Company are set out in notes 26 and 27 to the financial statements.

Annual General Meeting

The Company's Annual General Meeting was held at Sondrel House, Moulden Way, Sulhamstead, RG7 4GB on 27 June 2024 at 10.30am. A further General Meeting to approve these accounts and consider the proposal to cancel the admission of shares to trading on AIM, will be held in August 2024 at 10am at Sondrel House, Moulden Way, Sulhamstead, RG7 4GB

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare group and company financial statements for each financial year. Under that law the Directors have elected to prepare the Group and parent financial statements in accordance with UK-adopted International Accounting Standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and of the Company and of the profit and loss of the group for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether international accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

The Directors are also responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Matters covered elsewhere

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

This Directors' Report was approved by the Board of Directors on 17 July 2024 and is signed on its behalf.

David Mitchard
Chairman and Interim Chief Executive Officer
17 July 2024

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SONDREL (HOLDINGS) PLC

Opinion

We have audited the financial statements of Sondrel (Holdings) Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2023 which comprise the Consolidated Statement of Profit and Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity and the Consolidated Statement of Cash Flows and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2023 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our approach to the audit

Of the group's 7 reporting components, we subjected 2 to audits for group reporting purposes and 5 to specific audit procedures where the extent of our audit work was based on our assessment of the risk of material misstatement and of the materiality of that component. The latter were not individually significant enough to require an audit for group reporting purposes but were still material to the group.

The components within the scope of our work covered 100% of group revenue, 100% of group loss before tax, and 100% of group net liabilities.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	Description of risk	How the matter was addressed in the audit
Occurrence of revenue in relation to projects which are ongoing at the year end.	There is a significant risk around the occurrence of revenue for open contracts (i.e., contracts where only some of the performance obligations have been met at the year end). There is a significant amount of judgement around the level of completion of a contract.	We reviewed the revenue recognition policy as identified in note 2.4b and considered whether this was in line with IFRS 15. We selected a sample of ongoing projects at the year end, for each of these we: • Obtained the relevant contract, read this and compared the accounting treatment to IFRS 15 and accounting policy. • Agreed inputs back to the statement of works or other supporting documentation. • Agreed the sample back to the corresponding purchase order. • Compared foreign exchange rates used to published rates. • Agreed the amount paid to date. • Agreed the time spent on each project by the group's engineers back to the timesheet reports. • Obtained the forecasted time required for each sample. • Recalculated the amount of revenue to be recognised, on the input basis. • Enquired with those outside of the finance team, to consider that the time spent by engineers was allocated to that project and that the forecasts are appropriate. • Where the costs used as a basis for the input method were not time-costs, we agreed these to supporting documentation.

Our application of materiality

The materiality for the group financial statements as a whole ("group FS materiality") was set at £188,500. This has been determined with reference to the benchmark of the group's revenue, which we consider to be one of the principal considerations for members of the company in assessing the group's performance. Group FS materiality represents 2% of the group's revenue as presented on the face of the consolidated statement of comprehensive income.

The materiality for the parent company financial statements as a whole ("parent FS materiality") was set at £188,499. This has been determined with reference to the benchmark of the parent company's net assets as it exists only as a holding company for the group and carries on no external trade in its own right. Parent FS materiality represents 2% of the parent company's net assets as presented on the face of the parent company statement of financial position. This has been capped at the level of group materiality.

Performance materiality for the group financial statements was set at £150,800, being 80% of group FS materiality, for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures. We have set it at this amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds group FS materiality. We judged this level to be appropriate based on our understanding of the group and its financial statements, as updated by our risk assessment procedures and our expectation regarding current period misstatements including considering experience from previous audits.

Performance materiality for the parent company financial statements was set at £150,799, being 80% of parent FS materiality and capped at the level of group performance materiality.

Material uncertainty relating to going concern

We draw attention to note 2.3 in the Group and note 2.2 in the Company in the financial statements, which indicates that at 31 December 2023 the Company and Group were dependent on securing additional revenues to enable them to meet their liabilities as they fall due.

As stated in notes 2.3 in the Group and note 2.2 in the Company, these conditions represent a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Notwithstanding the above, in auditing the financial statements we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- Challenging the assumptions used in the detailed budgets and forecasts prepared by management.
- Comparing the forecast results to those actually achieved in the 2024 financial period so far;
- Reviewing bank statements to monitor the cash position of the group post year end, and obtaining an understanding of significant expected cash outflows in the forthcoming 12-month period;
- Considering the group's current sales pipeline and historic track record of securing new contracts;
- Considering the group's funding position and requirements;
- Considering the sensitivity of the assumptions and re-assessing headroom after sensitivity.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 31, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

We obtained an understanding of the Group and Parent Company's legal and regulatory framework through enquiry of management of their understanding of the relevant laws and regulations, the Group's and Parent Company's policies and procedures regarding compliance and how they identify, evaluate and rectify any instances of non-compliance. We also drew on our existing understanding of the Group's and Parent Company's industry.

We understand the Group and Parent Company comply with requirements of the framework through:

- The executive directors' close involvement in the day-to-day running of the business, meaning that any litigation or claims would come to their attention directly; and
- The outsourcing of tax compliance to external experts.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the Group's and Parent Company's abilities to conduct business and where failure to comply could result in material penalties. We have identified the following laws and regulations as being of significance in the context of the Group and Parent Company:

- Companies Act 2006 and UK-adopted international accounting standards in respect of the preparation and presentation of the financial statements.
- AIM Rules for companies.

We performed the following specific procedures to gain evidence about compliance with the significant laws and regulations above:

- Inquiries with management as to any evidence of non-compliance; and
- Performed a review of board minutes to identify any indicators of known or suspected non-compliance with significant laws and regulations.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the Group's and Parent Company's financial statements to material misstatement, including how fraud might occur. The key areas identified as part of the discussion were with regard to the manipulation of the financial statements through manual journals, revenue recognition and the valuation of assets. This was communicated to the other members of the engagement team who were not present at the discussion.

The procedures carried out to gain evidence in the above areas included:

- Testing of manual journal entries, selected based on specific risk assessments applied based on the client processes and controls surrounding manual journals; and
- Testing the occurrence of revenue transactions to underlying documentation.
- Testing the cut-off of revenue transactions to underlying documentation.
- Reviewed managements impairment assessments of relevant assets, reviewing key judgements made and any impairments proposed.

A further description of our responsibilities is available on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Mark Bishop (Senior Statutory Auditor)

Senior Statutory Auditor, for and on behalf of

CLA Evelyn Partners Limited

Statutory Auditor

Chartered Accountants

45 Gresham Street

London

EC2V 7BG

Date: 17 July 2024

Sondrel (Holdings) plc

Consolidated Statement of Profit and Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Note	**2023**	2022 as restated
		£	£
Revenue	6	**9,425,753**	17,277,631
Cost of sales		**(21,759,584)**	(15,664,557)
Gross (loss)/profit		**(12,333,831)**	1,613,074
Administrative expenses		**(6,525,540)**	(7,814,885)
Other operating income	10	**1,536,129**	965,655
Operating loss	10	**(17,323,242)**	(5,236,156)
Finance costs	11	**(655,797)**	(1,175,510)
Finance income	12	**305**	30
Loss before tax		**(17,978,734)**	(6,411,636)
Tax (charge)/credit	13	**(3,541,379)**	3,219,735
Loss for the year attributable to the owners of the parent		**(21,520,113)**	(3,191,901)
Other comprehensive income/(expense)			
Items that may be reclassified to profit and loss in subsequent periods (net of tax):			
Exchange differences on translation of foreign operations		**22,268**	(39,079)
Other comprehensive income/(expense) for the year (net of tax)		**22,268**	(39,079)
Total comprehensive expense for the year attributable to the owners of the parent		**(21,497,845)**	(3,230,980)
Losses per share attributable to the owners of the parent			
Basic	14	(0.25)	(0.06)
Diluted	14	(0.25)	(0.06)

All activity in both the current and the prior year relates to continuing operations.

The notes on pages 43 to 84 form part of these consolidated financial statements.

Sondrel (Holdings) plc

Consolidated Statement of Financial Position

As at 31 December 2023

	Note	**2023** £	2022 as restated £
Non-current assets			
Property, plant and equipment	15	**339,965**	293,914
Right-of-use assets	16	**502,567**	637,100
Intangible assets	17	**2,938,841**	14,547,870
Deferred tax assets	21	**-**	3,199,744
Total non-current assets		**3,781,373**	18,678,628
Current assets			
Inventories	18	**-**	1,044,069
Trade and other receivables	19	**2,181,558**	10,197,124
Cash and cash equivalents	20	**2,146**	4,449,812
Income tax receivable		**735,488**	149,853
Total current assets		**2,919,192**	15,840,858
Total assets		**6,700,565**	34,519,486
Current liabilities			
Trade and other payables	22	**5,701,773**	10,162,935
Short-term borrowings	23	**859,800**	-
Short-term lease liabilities	24	**8,086,429**	4,805,956
Total current liabilities		**14,648,002**	14,968,891
Non-current liabilities			
Borrowings	23	**-**	700,000
Lease liabilities	24	**5,378,108**	10,292,172
Deferred tax liabilities	21	**28,414**	74,933
Total non-current liabilities		**5,406,522**	11,067,105
Total liabilities		**20,054,524**	26,035,996
Net (liabilities)/assets		**(13,353,959)**	8,483,490
Equity			
Issued share capital	27	**87,462**	87,462
Share premium	28	**18,286,562**	18,286,562
Foreign currency translation reserve	28	**(33,329)**	(55,597)
Share-based payment reserve	28	**470,656**	812,676
Retained deficit	28	**(32,165,310)**	(10,647,613)
Total equity		**(13,353,959)**	8,483,490

The consolidated financial statements were approved and authorised for issue by the Board on 17 July 2024 and were signed on its behalf by:

David Mitchard
Non-Executive Chairman and Interim Chief Executive Officer

The notes on pages 43 to 84 form part of these consolidated financial statements.

Sondrel (Holdings) plc

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Note	Share capital £	Share premium £	Foreign currency translation reserve £	Share-based payment reserve £	Retained deficit £	Total £
Balance at 1 January 2022		8,345	122,431	(16,518)	1,236,397	(7,927,194)	(6,576,539)
Loss for the year		-	-	-	-	(3,191,901)	(3,191,901)
Other comprehensive expense		-	-	(39,079)	-	-	(39,079)
Total comprehensive expense for the year		-	-	(39,079)	-	(3,191,901)	(3,230,980)
Share issues	27	36,364	18,164,131	-	-	-	18,200,495
Exercise of share options	26	1,029	-	-	(513,206)	513,206	1,029
Bonus issues	27	41,724	-	-	-	(41,724)	-
Share-based payment charge	26	-	-	-	89,485	-	89,485
Total transactions with owners		79,117	18,164,131	-	(423,721)	471,482	18,291,009
At 31 December 2022		**87,462**	**18,286,562**	**(55,597)**	**812,676**	**(10,647,613)**	**8,483,490**
Loss for the year		-	-	-	-	(21,520,113)	(21,520,113)
Other comprehensive income		-	-	22,268	-	-	22,268
Total comprehensive income/(expense) for the year		-	-	22,268	-	(21,520,113)	(21,497,845)
Share-based payment (credit)/charge	26	-	-	-	(342,020)	2,416	(339,604)
Total transactions with owners		-	-	-	(342,020)	2,416	(339,604)
At 31 December 2023		**87,462**	**18,286,562**	**(33,329)**	**470,656**	**(32,165,310)**	**(13,353,959)**

The notes on pages 43 to 84 form part of these consolidated financial statements.

Sondrel (Holdings) plc

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Note	**2023** £	2022 as restated £
Cash used in operations	29	**(2,738,412)**	(4,952,766)
Tax received		**1,346,899**	202,222
Net cash outflow from operating activities		**(1,391,513)**	(4,750,544)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(148,338)**	(204,194)
Purchase of intangible assets		**(512,948)**	(239,373)
Interest received		**305**	30
Net cash outflow from investing activities		**(660,981)**	(443,537)
Cash flows from financing activities			
Proceeds from issue of share capital		**-**	18,200,495
Proceeds from exercise of share options		**-**	1,029
Proceeds from borrowings		**2,027,610**	-
Repayment of borrowings		**(1,912,810)**	(1,791,667)
Payment of principal portion of lease liabilities	24	**(1,918,114)**	(4,336,531)
Interest paid on lease liabilities	24	**(574,652)**	(954,611)
Other interest paid		**(36,200)**	(231,103)
Net cash (outflow)/inflow from financing activities		**(2,414,166)**	10,887,612
Net (decrease)/increase in cash and cash equivalents		**(4,466,660)**	5,693,531
Cash and cash equivalents at the beginning of the financial year	20	**4,449,812**	(1,243,719)
Foreign exchange differences on cash balances		**18,994**	-
Cash and cash equivalents at the end of the financial year	20	**2,146**	4,449,812

The notes on pages 43 to 84 form part of these consolidated financial statements.

1 General information

Sondrel (Holdings) plc (the "Company") is a public limited company, limited by shares, which is listed on AIM, part of the London Stock Exchange. The Company is incorporated, domiciled and registered in England and Wales, with registration number 07275279. The address of its registered office is Sondrel House, Theale Lakes Business Park, Moulden Way, Sulhamstead, Reading, RG7 4GB.

These financial statements incorporate the financial information of the Company and its subsidiaries (together referred to as the "Group").

The Group's principal activity is the execution of system-on-chip IC designs, and associated engineering services, with particular focus on AI, video, automotive and Internet of Things related applications.

2 Material accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with UK-adopted International Accounting Standards.

The consolidated financial statements have been prepared on a historical cost basis and are presented in pounds sterling which is also the Group's functional currency. All amounts are rounded to the nearest pound sterling unless stated otherwise.

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Where the Company has control over an investee, it is classified as a subsidiary.

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

2.3 Going concern

At 31 December 2023, the Group had cash reserves of £2,146 (2022: £4,449,812) and net current liabilities of £11,728,810 (2022: net current assets of £871,967). As a consequence of delays in meeting project milestones in a key ASIC project, the cash position of the Group at the year-end was insufficient to meet supplier payments and the monthly payroll as they fell due. Since the year-end, the Group has completed a fund-raising process which raised £8.5m, and successfully renegotiated with a key supplier to improve the repayment terms of a material liability. These two measures have restored the Group's cash position and outlook.

The Directors have prepared detailed future forecasts for the Group and Parent taking into account post year-end trading conditions which carefully considers the Group and Parent's ability to meet future forecasted cash requirements.

2 Material accounting policies *(continued)*

2.3 Going concern *(continued)*

The Directors have reviewed cash flow forecasts for the Group and Parent covering a period of at least 12 months from the date of approval of the financial statements, and together with the projected revenue and available cash reserves, which indicate that sufficient funding is available to support ongoing trading activity and investment plans for the Group and Parent. However, management have also considered scenarios with reduced revenue forecasts in which the Group would need additional support in order to continue trading. The Directors have considered the relative likelihood of the different scenarios occurring and believe that the Group is most likely to be able to continue trading within its existing funding constraints and has therefore prepared the financial statements on a going concern basis, but recognise that there is a material uncertainty that may cast significant doubt on the Group's and Parent company's ability to continue as a going concern without the certainty of an increased revenue stream.

The accounts do not contain adjustments that would be required were the entity not considered to be a going concern.

The Group's Directors continue to monitor and evaluate performance by:

- performing ongoing reviews and close management of the cost base in response to market activity; and
- maintaining strong relationships and open communication with all stakeholders to ensure their ongoing support.

As part of normal business practice, the Group prepares monthly detailed financial forecasts which incorporate year-to-date performance and scenario planning.

2.4 Summary of material accounting policies

The following are the material accounting policies applied by the Group in preparing its consolidated financial statements:

(a) Revenue from contracts with customers

The Group is in the business of providing ASIC and system-on-chip and associated engineering services.

Revenue from contracts with customers is recognised in accordance with the five-step model as outlined in IFRS 15.

2 Material accounting policies *(continued)*

2.4 Summary of material accounting policies *(continued)*

(a) Revenue from contracts with customers *(continued)*

Project revenue

The Group provides services to customers in project arrangements, covering the Design phase, New Product Integration (“NPI”) phase and Production phase.

There are situations where contracts with customers for these phases are entered into simultaneously. Where this is the case, and the contracts are negotiated as a package with a single commercial objective, they are accounted for as a single contract.

In order to identify the performance obligations in the contract, the Directors assess the services provided in the contracts and whether they are capable of being distinct and distinct in the context of the contract. The Group has identified that the Design service, NPI service and Production service are separate performance obligations. The Production services represent a service offering provided by the Group which has not generated revenue for the Group in the year ended 31 December 2023.

Where the contracts with customers contain more than one performance obligation, any discount provided to the customer in the contract is allocated on a proportionate basis over all performance obligations within the contract.

When project contracts contain only one performance obligation, and are not combined with other performance obligations, the consideration for the contract is fixed and contains no variable components.

The Group does not enter into any arrangements with customers which include a significant financing component.

The service provided to customers does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed at contracted rates which include cost plus a reasonable profit margin. Therefore, the Group recognises revenue from these performance obligations over time.

In order to determine a measure of progress of satisfaction of the Design and NPI performance obligations, the Group uses the input method based on time incurred, as this best reflects the progress of satisfaction of the performance obligations and the delivery of the output to the customer.

Contract variations are treated as modifications, as there is only one performance obligation to the design phase of a contract, any variations to scope cannot be distinct and are recognised on a cumulative catch-up basis.

2 Material accounting policies *(continued)*

2.4 Summary of material accounting policies *(continued)*

(a) Revenue from contracts with customers *(continued)*

Consultancy revenue

The Group provides consultants to provide services to customers. Each of these consultancy arrangements are separate performance obligations. The customer simultaneously receives and consumes the benefits provided by the Group's performance and so the Group recognises revenue for this performance obligation over time.

The majority of contracts with customers are for fixed price consideration with no variable components. Certain contracts contain fixed rebates payable to the customer for which no distinct service is provided by the Group. These rebates constitute a form of variable consideration and are recognised as a reduction to the revenue.

Contract balances

Contract assets / receivables

A contract asset is initially recognised for revenue earned from services in advance of an invoice being issued where the Group does not have an enforceable right for payment for work performed. Where the Group does have an enforceable right for payment for work performed, unbilled revenue is recognised as other contract receivables. Upon the issuance of an invoice, the amount recognised is reclassified to trade receivables.

Contract cost - costs to obtain a contract

Costs to obtain a contract relate to sales commission paid which would not be payable if the contract has not been obtained. This cost is recognised as an asset and amortised over the duration of the contract. Where the amortisation period of the asset would be one year or less, the cost is recognised as an expense when incurred.

Contract cost – costs to fulfil a contract

Costs to fulfil a contract mainly relate to direct labour costs and software tools which are expensed as incurred. The Group does not incur costs to fulfil their obligations under a contract once it is obtained, but before transferring goods or services to the customer and therefore no contract cost asset is recognised.

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related services. Contract liabilities are recognised as revenue when the Group performs under the contract.

2.4 Summary of material accounting policies *(continued)*

(b) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities representing obligations to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Where impairment indicators exist, the right-of-use asset will be assessed for impairment.

Right-of-use assets that relate to tangible assets have been presented separately on the Consolidated Statement of Financial Position as they are a material balance within the property, plant and equipment total.

Depreciation of right-of-use assets is included within administrative expenses and is calculated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

Property	-	2 – 5 years straight line
Motor vehicles	-	3 years straight line
IT equipment	-	3 years straight line

Included within intangible assets on the Consolidated Statement of Financial position is a right-of-asset relating to a single lease over software licences. Management have chosen not to present this within right-of-use assets as they consider the presentation within intangible assets to more accurately reflect the nature of the underlying asset. See note 2.4 (k) for more details.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and variable lease payments that depend on an index or a rate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. Interest on the lease liability is recognised using the effective interest rate method and is recorded within finance costs.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases or leases of low-value assets, being those leases with a term of 12 months or less, or a value of £1,000 for less respectively. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2 Material accounting policies *(continued)*

(c) Employee benefits

Short-term employee benefits including holiday pay and annual bonuses are accrued as services are rendered.

Contributions to defined contribution pension schemes are charged to profit and loss as they become payable in accordance with the rules of the scheme. Differences between contributions payable in the year and those actually paid are shown as either accruals or other receivables in the Consolidated Statement of Financial Position.

(d) Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in note 26.

That cost is recognised as an expense, together with a corresponding increase in equity, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the 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.

Where an award is cancelled by the entity or forfeited by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit and loss.

(e) Interest

Interest income and expense is recognised using the effective interest rate basis.

(f) Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit and loss, except if it arises from transactions or events that are recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity respectively.

Current tax

Current tax is based on the taxable profit for the year and is calculated using the tax rates in force or substantively enacted at the reporting date. Taxable profit differs from accounting profit either because some income and expenses are never taxable or deductible, or deductible in other years.

2 Material accounting policies *(continued)*

2.4 Summary of material accounting policies *(continued)*

(f) **Taxation** *(continued)*

Deferred tax

Deferred tax is recognised in respect of all temporary differences between the carrying value of assets and liabilities in the Consolidated Statement of Financial Position and the corresponding tax base, with the exception of temporary differences arising from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax assets and liabilities reflect the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its asset and liabilities.

Deferred tax assets are recognised only to the extent that the Group considers that it is probable (i.e. more likely than not) that there will be sufficient taxable profits available for the asset to be utilised within the same tax jurisdiction. Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities, they relate to the same tax authority and the Group's intention is to settle the amounts on a net basis.

Tax credits

The Group makes claims for research and development tax relief in the UK under both the Research and Development Expenditure Credit (RDEC) scheme and the small or medium-sized enterprise (SME) research and development tax relief scheme. Claims under the RDEC scheme are recognised in other operating income. Enhanced expenditure relief under the SME scheme is recognised within the taxation charge / credit.

Research and development tax credits are recognised in the period in which the costs are incurred, and the claim submitted on the basis of an established record of successful research and development tax credit claims for the work undertaken by the employees of the Group.

2 Material accounting policies *(continued)*

2.4 Summary of material accounting policies *(continued)*

(g) Foreign currencies

The presentational currency of the Group is pound sterling, which is also the Group's functional currency.

Transactions and balances

All translation differences are taken to profit and loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

Consolidation

On consolidation, the assets and liabilities of foreign operations are translated into sterling at the rate of exchange prevailing at the reporting date, with the exception of share capital and fixed assets which are translated at historic rates at the date of the original transaction. Their statements of profit and loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income and the foreign currency translation reserve.

(h) Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and any accumulated impairment losses. 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 included within administrative expenses and is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Office equipment	-	3 – 10 years straight line

Additions to property, plant and equipment are depreciated from the date the asset becomes available for intended use.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2 Material accounting policies *(continued)*

2.4 Summary of material accounting policies *(continued)*

(i) Intangible assets

Intangible assets are initially recognised at cost and subsequently carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Research and development

Research expenditure relates primarily to new internal process improvements that will bring tangible benefits to future product development. Expenditure on the research phase of projects is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably;
- the project is technically and commercially feasible;
- the Group intends to and has sufficient resources to complete the project;
- the Group has the ability to use or sell the developed software; and
- the developed software will generate probable future economic benefits

Development costs not meeting these criteria for capitalisation are expensed as incurred.

The key judgement areas are the ability to measure the future economic benefits reliably and determining the period over which these benefits are delivered. The Group measures each research and development project on its own merits.

The main costs attributed to development costs are that of payroll, third party contractors and third-party software.

Under IAS 38, at the point where activities no longer relate to development but to maintenance, capitalisation is discontinued.

2 Material accounting policies *(continued)*

2.4 Summary of material accounting policies *(continued)*

(i) Intangible assets *(continued)*

Amortisation is included within cost of sales and is recognised as follows:

Software licences	-	on a usage basis over the length of licence agreement. Licence agreements have lives of between 1 and 3 years.
Development costs	-	not amortised until brought into use. The useful life is considered to be 3 years.

In any situation where there is a change in the pattern in which economic benefits are derived by the Group from an intangible asset, management will review whether an accelerated amortisation is required.

(j) Impairment of non-financial assets

Non-financial assets are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, the assets of the whole business are grouped together since there are no smaller groups of assets with separately identifiable cash flows. Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits.

2 Material accounting policies *(continued)*

2.4 Summary of material accounting policies *(continued)*

(l) Financial instruments

Financial assets

Financial assets comprise trade and other receivables and cash and cash equivalents.

Impairment

For trade receivables, contract receivables and contract assets, the Group applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Group recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group considers a financial asset in default when contractual payments are 60 days past due.

Financial liabilities

Financial liabilities comprise trade and other payables and loans and borrowings and are recognised initially at fair value net of directly attributable transaction costs (if any), and subsequently at amortised cost.

Modification of financial liabilities

Where there is a modification to a financial liability, the discounted present value of the cash flows under the new terms, using the original effective interest rate, is compared to the discounted present value of the remaining cash flows of the original liability. If the difference is greater than 10%, this is considered to be a substantial modification, resulting in a derecognition of the original liability and the recognition of a new liability.

Equity

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

(m) Borrowings

Interest bearing borrowings are initially recorded at the value of the amount received, net of attributable transaction costs. Interest bearing borrowings are subsequently stated at amortised cost with any difference between cost and redemption value being recognised in the Consolidated Statement of Profit and Loss and Other Comprehensive Income over the period of the borrowing using the effective interest method.

2 Material accounting policies *(continued)*

2.4 Summary of material accounting policies *(continued)*

(n) Accounting standards issued

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2023:

- Amendments to IAS 1 – Presentation of Financial Statements and IFRS Practice Statement 2 – Making Materiality Judgements: Disclosure of material accounting policies
- Amendment to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors: Definition of accounting estimates
- Amendment to IAS 12 – Income Taxes: Deferred tax assets and liabilities arising from a single transaction
- Amendment to IAS 12 – Income Taxes: International tax reform and temporary exception for deferred tax assets and liabilities related to the OECD pillar two income taxes

These amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(o) Standards in issue but not yet effective

At the date of authorisation of these financial statements there were amendments to standards which were in issue, but which were not yet effective, and which have not been applied.

Effective for periods beginning on or after 1 January 2024:

- Amendment to IAS 1 – Presentation of Financial Statements: Non-current liabilities with covenants
- Amendments to IAS 7 – Statement of Cash Flows and IFRS 7 – Financial Instruments: Supplier finance

Effective for periods on or after 1 January 2025:

- Amendments to IAS 21 – The Effects of Changes in Foreign Exchange Rates: Lack of exchangeability

Effective for periods on or after 1 January 2027:

- IFRS 18 – Presentation and Disclosure in Financial Statements
- IFRS 19 – Subsidiaries without Public Accountability

These amendments listed above are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions, except for IFRS 18 which will impact presentation of the financial statements.

3 Key sources of estimation uncertainty and significant accounting judgements

In the application of the Group's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

3.1 Significant accounting judgements

Operating segments
The Directors have assessed that there is only one reportable segment. This is based on the fact that all strategic decisions are managed centrally and not by location, the Group provides similar products and services to all its customers and all results are reported on a group basis.

Impairment review
IAS 36 requires an impairment review to be carried out at each reporting date. Management consider the lower than expected performance in 2023 is an indicator that some assets may be impaired.

In making this impairment review, management must assess whether the carrying value of an asset or group of assets is higher than the recoverable amount (i.e. the higher of the value in use and fair value less cost to sell), and in making this assessment significant judgements are required to determine whether the recoverable amount of an asset can be determined in isolation or in a group, and in estimating the value in use and fair value fair value less cost to sell of an asset or group of assets.

While Sondrel identifies revenue streams as separate components, none of its assets contribute separately to a particular or single revenue stream and therefore the assets contribute collectively to each revenue stream. As the assets cannot be allocated to separate independent revenue streams within the business, the business itself is judged to be one CGU as this is the smallest group generating cash flows the assets can be attributed to.

Management have judged that the market capitalisation of the Group is the best proxy for fair value less cost to sell of the CGU, and as this exceeds the carrying value of the CGU, no impairment is required at CGU level.

Intangible assets – capitalisation of development costs
The capitalisation of development costs is subject to a review as to whether it meets the criteria for capitalisation. In making this judgement, the Group evaluates, amongst other factors, whether there are any future economic benefits beyond the current period, such as the ability to use the assets on future projects and therefore enhance future revenues, or the ability to use such assets internally, for example to reduce delivery costs and enhance profits. The Group also evaluates management's ability to measure reliably the expenditure attributable to the project. Judgement is therefore required in determining the practice for capitalising development costs.

3 Key sources of estimation uncertainty and significant accounting judgements *(continued)*

3.1 Significant accounting judgements *(continued)*

Deferred tax assets on losses

Deferred tax assets on losses are recognised for the Group to the extent that it is regarded as more likely than not that they will be recovered. Recoverability is based on the forecast of future profitability commencing in 2024. Such forecasts are subject to an element of judgement regarding future revenues and expenditure. Although the Directors expect to return to a profit in the short term, they are not satisfied that the deferred tax asset can be fully recovered in the short to medium term and have therefore decided to derecognise the deferred tax asset arising from brought forward losses, resulting in a charge of £2.9 million.

Revenue

In accordance with the policy on revenue recognition, management are required to judge the level of completion of the contract in order to recognise both income and cost. The overall recognition of revenue will depend on the nature of the project and whether it is billed on a time and materials basis or, otherwise, on completion of pre-agreed project objectives.

The Group maintains complete and accurate records of employees' time and expenditure for each project. This information is regularly assessed to determine the level of project completion, and thereby whether it is appropriate to recognise any profits.

3.2 Key sources of estimation uncertainty

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Amortisation rate for licences

During 2023 the Group acquired licences with a value of £18,374 (2022: £7,346,912). These licences are amortised based on expected usage of the licences over the period of the contract. The amortisation rate is continually reassessed in accordance with changes to expected future project activity.

In the normal course of business, the Group had amortised the asset at a rate consistent with the rate of consumption of the asset. At the year-end, management's estimate of future activity over the remaining lifetime of the asset was such that management no longer expected to be able to fully utilise the remainder of the asset. Management have estimated the future economic benefits from software licenses given expected future ASIC project activity as anticipated at year end, and recognised an accelerated amortisation charge that results in a net book value that is equivalent to the expected future economic benefits from software licenses. The resulting accelerated amortisation charge of £4,938,521 is similar in nature to an impairment charge.
The carrying amount of licences as at 31 December 2023 was £2,303,559 (2022: £14,308,497).

4 Prior year restatement

Revenue and costs from agency relationships with suppliers

During the year, it came to the attention of the Directors that the Group has, from time-to-time, acted in an agency capacity for a certain supplier. In the prior year accounts, the costs of this supplier's services were included in cost of sales and the gross revenue arising from these services were recognised in revenue. The revenue should have been disclosed on a net basis which has resulted in the following adjustment:

Consolidated Statement of Profit and Loss and Other Comprehensive Income (extract):

	As previously reported	**Adjustment**	**As restated**
Year ended 31 December 2022	**£**	**£**	**£**
Revenue	17,510,825	(233,194)	17,277,631
Cost of Sales	(15,897,751)	233,194	(15,664,557)

This adjustment has no impact on the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows nor the Consolidated Statement of Changes in Equity.

4 Prior year restatement *(continued)*

Re-presentation of a lease liability

In the prior year, the lease liability related to the software licence intangible right-of-use asset was presented within other payables. To present this lease liability consistently with other financial liabilities measured at amortised cost, the Directors have chosen to present this within lease liabilities for the current and comparative periods. The adjustment affects both the Consolidated Statement of Financial Position presentation and the Consolidated Statement of Cash Flows presentation as shown in the tables below. There is no impact to the Consolidated Statement Profit and Loss and Other Comprehensive Income.

Consolidated Statement Financial Position (extract):

As at 31 December 2022	As previously reported £	Adjustment £	As restated £
Current liabilities			
Trade and other payables	14,677,767	(4,514,832)	10,162,935
Short-term lease liabilities	291,124	4,514,832	4,805,956
Non-current liabilities			
Other payables	9,984,228	(9,984,228)	-
Lease liabilities	307,944	9,984,228	10,292,172

Consolidated Statement of Cash Flows (extract):

Year ended 31 December 2022	As previously reported £	Adjustment £	As restated £
Cash flows from investing activities			
Purchase of intangible assets	(4,306,066)	4,066,693	(293,373)
Net cash outflow from investing activities	**(4,510,230)**	**4,066,693**	**(443,537)**
Cash flows from financing activities			
Payment of principal portion of lease liabilities	(269,838)	(4,066,693)	(4,336,531)
Interest paid	(1,160,881)	929,778	(231,103)
Interest paid on lease liabilities	(24,833)	(929,778)	(954,611)
Net cash inflow from financing activities	**14,954,305**	**(4,066,693)**	**10,887,612**

5 Segment information

The Group considers there to be only one business segment which is monitored and reported to the Chief Operating Decision Maker ('CODM'), being the Board of Directors. This judgement is based on the fact that the Group provides similar products and services to all its customers, and the key performance indicators monitored by the CODM are total revenue and profit/(loss) for the year.

Revenue from transactions with major customers comprises the following, each percentage reflects a different customer:

2023 Major customer percentage revenue	**2023 Revenue**	2022 Major customer percentage revenue as restated	2022 Revenue as restated
%	**£**	%	£
43	**4,080,763**	41	7,150,114
19	**1,801,002**	16	2,732,508
14	**1,274,537**	13	2,272,916

Revenue is split geographically as follows (for more information on revenue see note 6):

	2023	2022 as restated
	£	£
UK	**2,511,520**	5,042,111
USA	**2,434,412**	3,742,760
China	**399,058**	825,267
Germany	**4,080,763**	7,150,116
Rest of World	**-**	517,377
Total revenue	**9,425,753**	17,277,631

Non-current assets excluding deferred tax are split as follows:

	2023	2022
	£	£
UK	**3,699,097**	15,422,036
Morocco	**53,087**	38,538
Rest of World	**29,189**	18,310
Total non-current assets	**3,781,373**	15,478,884

Further detail on the movement in non-current assets is provided in Notes 15, 16 and 17

6 Revenue from contracts with customers

In the following table, revenue is disaggregated by major products/service lines and primary geographical market. All revenue is recognised over time.

	2023	2022 as restated
	£	£
Major service lines		
ASIC projects	**7,289,616**	12,605,506
Consultancy	**2,136,137**	4,672,125
Total	**9,425,753**	17,277,631

The Group has recognised the following assets and liabilities related to contracts with customers:

	2023	2022
	£	£
Trade receivables	**1,618,522**	3,138,895
Contract receivables	**312,588**	5,972,166
Contract liabilities	**(435,386)**	(5,753,646)

Customers are typically invoiced on the basis of milestones set out in the contracts. These milestones do not correspond with the timing of satisfaction of performance obligations. The differences in the timing between the agreed invoicing schedule and the satisfaction of performance obligations result in the recognition of a contract receivable for services performed but not yet invoiced. A contract liability is recognised for consideration received but services not yet performed. Invoices are raised at agreed dates throughout the duration of the Projects and monthly in arrears for Consultancy arrangements. Payment is typically due within 30 days of issue of the invoice.

The movement on these balances during 2023 was the result of the reduced level of activity at year end relative to the prior year end. Existing contracts were fulfilled, and new contracts were entered into during these periods.

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	2023	2022
	£	£
Revenue recognised in the year that was included in the contract liability balance at the beginning of the year	**5,567,618**	114,613

There was no revenue recognised in the year arising from performance obligations satisfied in previous periods (2022: £nil).

6 Revenue from contracts with customers *(continued)*

The following table shows unsatisfied performance obligations resulting from project works continuing into 2024. The largest three balances from individual projects amount to £2.0m, £0.5m, £0.1m (2022: £6.9m, £1.9m and £1.4m):

	2023	2022
	£	£
Transaction price relating to performance obligations that are unsatisfied (or partially unsatisfied) at the year end	**5,150,674**	11,623,495

The entire amount of 5,150,674 held at 31 December 2023 is expected to be recognised in 2024.

The Group is applying the practical expedient to not disclose the transaction price relating to the Consultancy performance obligation because the performance obligation is part of a contract that has an original expected duration of one year or less.

7 Alternative performance measures

The Group's primary results measure, which is considered by the Directors of Sondrel (Holdings) plc to better represent the ongoing operating performance of the Group, is adjusted EBITDA which is 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.

These items are included in normal operating costs, however as they are considered significant cash and non-cash expenditure items, they are separately disclosed because of their nature. It is the Group's view that excluding them from the operating loss gives a better representation of the ongoing trading performance of the business in the year.

7 Alternative performance measures *(continued)*

In the prior year, the Directors also used an adjusted loss figure to understand how much of the prior year loss was generated by the one-off exceptional IPO costs, which are not considered trading expenditure. There were no IPO costs in the current year.

	2023	2022
	£	£
Statutory loss before tax	**(17,978,734)**	(6,411,636)
IPO costs	**-**	1,393,265
Depreciation	**456,895**	394,022
Amortisation	**12,150,250**	2,384,795
Finance costs	**655,797**	1,175,510
Adjusted EBITDA	**(4,715,792)**	(1,064,044)

	2023	2022
Statutory loss before tax	**(17,978,734)**	(6,411,636)
IPO costs	**-**	1,393,265
Adjusted loss	**(17,978,734)**	(5,018,371)

8 Employees

The average number of employees, including Directors, during the year was:	**2023 Number**	2022 Number
Sales, administration and management	**47**	43
Engineering	**119**	138
Total number of employees	**166**	181

Staff costs, including Directors, consist of:	**£**	£
Wages and salaries	**7,646,669**	8,705,322
Social security costs	**830,013**	934,739
Defined contribution pension costs	**251,060**	393,765
Share-based payments	**(339,604)**	89,485
Total staff costs	**8,388,138**	10,123,311

8 Employees *(continued)*

The Group makes contributions to defined contribution personal pension schemes for employees and Directors. The assets of the schemes are separate from those of the Group. Pension contributions totalling £71,249 (2022: £55,842) were payable to the schemes at the year-end and are included in trade and other payables.

See note 26 for explanation of share-based payment charge.

9 Directors' remuneration

The remuneration of the Directors and other key management personnel was as follows:

	2023	2022
	£	£
Group		
Directors		
Salaries	**633,917**	598,057
Social security costs	**85,866**	90,353
Pension contributions	**14,426**	14,284
Settlements	**112,873**	-
Share-based payments	**(265,493)**	69,259
Total	**581,589**	771,953
Other key management personnel		
Salaries	**790,317**	600,594
Social security costs	**105,919**	75,605
Pension contributions	**25,405**	29,858
Share-based payments	**(6,972)**	65,967
Total	**914,669**	772,024

Other key management personnel are members of the Senior Leadership Team, not including senior engineering management.

See note 26 for explanation of share-based payment charge.

Included in the above is the remuneration of the highest paid Director as follows:

	2023	2022
	£	£
Salary	**280,000**	440,000
Social security costs	**37,385**	61,266
Total	**317,385**	501,266

During the year pension contributions of £14,426 (2022: £14,284) were made in respect of 1 Director (2022: 1).

10 Operating loss

	2023	2022
	£	£
This has been arrived at after charging/(crediting):		
Research and development expenditure comprising:		
- Salaries included in cost of sales	**241,980**	3,829,011
- Salaries included in administrative expenses	**37,254**	1,002,240
- Contractor costs	**-**	269,559
- Other costs included in cost of sales	**164,340**	2,865,355
- Other costs included in administrative expenses	**13,733**	104,055
Depreciation of property, plant and equipment	**119,272**	83,845
Depreciation of right-of-use assets	**337,623**	310,177
Regular amortisation of intangible assets	**7,211,729**	2,384,795
Accelerated amortisation charge (see Note 3.2 for more detail)	**4,938,521**	-
Foreign exchange (gain)/loss	**117,668**	534,514
Expected credit losses of trade receivables and contract assets	**(71,569)**	91,306
(Profit)/loss on disposal of property plant and equipment	**(1,848)**	397
(Profit)/Loss on disposal of right-of-use assets	**(4,704)**	6,600
Expense relating to short-term leases and leases of low-value assets	**158,472**	95,379
IPO and related other costs	**-**	1,427,028
Inventory recognised as an expense	**1,044,069**	-
Recruitment costs	**259,686**	132,556
Redundancy costs	**667,312**	20,702
Other operating income:		
- Tax credit in relation to research and development expenditure	**(1,536,129)**	(965,655)
Fees payable to the Company's auditor for the audit of the parent and consolidated financial statements	**25,250**	20,000
Fees payable to the Company's auditor for other services:		
- Audit of the Company's subsidiaries pursuant to legislation	**123,313**	97,625
- Audit-related assurance services	**-**	10,000
- Fees payable for prior year tax compliance services	**-**	17,250

Total research and development expenditure for the year was £457,307 (2022: £8,070,220).

11 Finance costs

	2023	2022
	£	£
Interest payable on bank loan	**3,858**	193,902
Loan interest payable	**77,287**	37,201
Interest expense on lease liabilities	**574,652**	944,407
Total	**655,797**	1,175,510

12 Finance income

	2023	2022
	£	£
Interest receivable	**305**	30
Total	**305**	30

13 Taxation

	2023	2022
	£	£
Current tax		
UK current tax on loss for the year	**(112,708)**	(149,853)
Adjustments in respect of previous years	**375,118**	-
Foreign tax on income for the year	**125,744**	54,929
Total current tax charge/(credit)	**388,154**	(94,924)
Deferred tax (note 23)		
Origination and reversal of timing differences	**3,218,036**	(3,124,811)
Adjustments in respect of previous years	**(64,811)**	-
Total deferred tax charge/(credit)	**3,153,225**	(3,124,811)
Total tax charge/(credit)	**3,541,379**	(3,219,735)

13 Taxation *(continued)*

The standard rate of corporation tax in the UK for the year was 23.52% (2022: 19%). The differences between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax are as follows:

	2023	2022
	£	£
Loss before tax	**(17,978,734)**	(6,411,636)
Loss at the standard rate of corporation tax in the UK of 23.52% (2022: 19%)	**(4,228,697)**	(1,218,211)
Effect of:		
Expenses not deductible for tax purposes	**24,510**	307,182
Non-taxable income	**(79,877)**	(5,383)
Adjustments in respect of prior periods	**310,307**	-
Share option exercise relief	**-**	(113,250)
Additional deduction for R&D expenditure	**(115,511)**	(110,986)
Surrender of tax losses for R&D tax credit refund	**(112,708)**	258,368
Previously unrecognised deferred taxes on losses	**-**	(1,730,511)
Derecognition of previously recognised deferred taxes on losses	**2,947,216**	-
Previously unrecognised deferred taxes on share-based payments		(317,340)
Derecognition of previously recognised deferred taxes on share-based payments	**317,340**	
Deferred tax movement not recognised	**4,501,827**	-
Difference in overseas tax rates	**3,062**	10,894
Change in tax rates on deferred tax	**(2,754)**	(320,479)
Other	**(23,336)**	19,981
Total tax charge/(credit) for the year	**3,541,379**	(3,219,735)

Factors that may affect future tax charge

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. For the financial year ended 31 December 2023, the current weighted averaged tax rate was 23.52%. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

14 Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

	2023	2022
Loss for the year (£)	**(21,520,113)**	(3,191,901)
Weighted average number of shares	**87,461,772**	57,444,856
Basic loss per share (£)	**(0.25)**	(0.06)

Diluted loss per share is determined by adjusting the loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding, taking into account the effects of all potential dilutive ordinary shares, including options.

	2023	2022
Loss for the year (£)	**(21,520,113)**	(3,191,901)
Weighted average number of shares	**87,461,772**	57,444,856
Weighted average number of diluted shares	**87,461,772**	57,444,856
Diluted loss per share (£)	**(0.25)**	(0.06)

In both 2022 and 2023, the Group made a loss and so the share options are anti-dilutive. As such they are not taken into account in determining the weighted average number of shares for calculating the diluted loss per share. As a result, the diluted loss per share is equal to the basic loss per share.

15 Property, plant and equipment

	Office equipment £
Cost	
At 1 January 2022	831,028
Additions	204,194
Disposals	(1,134)
Foreign exchange differences	(56,516)
At 31 December 2022	977,572
Additions	155,098
Disposals	(21,530)
Foreign exchange differences	24,850
At 31 December 2023	**1,135,990**
Depreciation	
At 1 January 2022	655,847
Depreciation charge for the year	83,845
Disposals	(737)
Foreign exchange differences	(55,297)
At 31 December 2022	683,658
Depreciation charge for the year	119,272
Disposals	(19,682)
Foreign exchange differences	12,777
At 31 December 2023	**796,025**
Net book value	
At 31 December 2023	**339,965**
At 31 December 2022	293,914

Depreciation charges for the year have been charged through administrative expenses in the Consolidated Statement of Profit and Loss and Other Comprehensive Income.

16 Right-of-use assets

	Property	Motor vehicles	IT equipment	Total
	£	£	£	£
Cost				
At 1 January 2022	1,392,380	31,093	212,656	1,636,129
Additions	393,983	-	1,255	395,238
Disposals	(797,991)	-	-	(797,991)
Foreign exchange differences	33,253	-	-	33,253
At 31 December 2022	1,021,625	31,093	213,911	1,266,629
Additions	252,787	-	-	252,787
Disposals	(388,049)	-	(50,274)	(438,323)
Foreign exchange differences	(54,956)	-	-	(54,956)
At 31 December 2023	**831,407**	**31,093**	**163,637**	**1,026,137**
Depreciation				
At 1 January 2022	1,016,739	15,291	78,934	1,110,964
Depreciation charge for the year	245,495	10,374	54,308	310,177
Disposals	(791,391)	-	-	(791,391)
Foreign exchange differences	(221)	-	-	(221)
At 31 December 2022	470,622	25,665	133,242	629,529
Depreciation charge for the year	284,722	5,428	47,473	337,623
Disposals	(388,049)	-	(51,197)	(439,246)
Foreign exchange differences	(4,336)	-	-	(4,336)
At 31 December 2023	**362,959**	**31,093**	**129,518**	**523,570**
Net book value				
At 31 December 2023	**468,448**	**-**	**34,119**	**502,567**
At 31 December 2022	551,003	5,428	80,669	637,100

Depreciation charges for the year have been charged through administrative expenses in the Consolidated Statement of Profit and Loss and Other Comprehensive Income.

17 Intangible assets

	Software licences	Development costs	Total
	£	£	£
Cost			
At 1 January 2022	12,511,589	-	12,511,589
Additions	7,346,912	239,373	7,586,285
Disposals	(1,186,586)	-	(1,186,586)
At 31 December 2022	18,671,915	239,373	18,911,288
Additions	18,374	522,847	541,221
At 31 December 2023	**18,690,289**	**762,220**	**19,452,509**
Amortisation			
At 1 January 2022	3,165,209	-	3,165,209
Amortisation charge for the year	2,384,795	-	2,384,795
Disposals	(1,186,586)	-	(1,186,586)
At 31 December 2022	4,363,418	-	4,363,418
Amortisation charge for the year	7,084,791	126,938	7,211,729
Accelerated amortisation charge for the year (see Note 3.2 for more detail)	4,938,521		4,938,521
At 31 December 2023	**16,386,730**	**126,938**	**16,513,668**
Net book value			
At 31 December 2023	**2,303,559**	**635,282**	**2,938,841**
At 31 December 2022	14,308,497	239,373	14,547,870

Amortisation charges for software licences represent cost relating directly to the Group's revenue and, therefore, they have been charged through cost of sales in the Consolidated Statement of Profit and Loss and Other Comprehensive Income.

At the year-end, after performing an impairment review, management concluded that no impairment was required in accordance with IFRS however, management considered that there had been a change in the expected pattern of consumption of the future economic benefits from software licenses and recognised an accelerated amortisation charge of £4,938,521 (2022: £nil) in addition to the regular amortisation charged in the year. The accelerated amortisation charge which reflected the reduced utility that the Group expected to get from the asset over its remaining lifetime given the reduced level of design activity experienced by the Group is similar in nature to an impairment charge (see Note 3.2 for more detail).

18 Inventories

	2023	2022
	£	£
Work in progress	-	1,044,069
Total	-	1,044,069

Work in progress represents goods purchased but not yet invoiceable. The balance of £1,044,069 for the year ended 31 December 2022 relates to a single customer contract which was completed during the current year.

19 Trade and other receivables

	2023	2022
Current trade and other receivables	£	£
Trade receivables	**1,638,259**	3,138,895
Contract receivables	**312,588**	5,972,166
	1,950,847	9,111,061
Allowance for expected credit losses	**(19,737)**	(91,306)
	1,931,110	9,019,755
Other receivables	**9,816**	827,928
Prepayments and accrued income	**240,632**	349,441
Total	**2,181,558**	10,197,124

The Group measures the loss allowance for accounts receivable at an amount equal to lifetime expected credit losses. The expected credit losses on accounts receivable are estimated using a provision matrix prepared by reference to the past account aging records of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor and an assessment of the gross domestic product growth rate, unemployment rate and industrial indicators at the reporting date.

The Group estimates expected credit losses based on the number of days that receivables are past due. As the Group's historical credit losses experience does not show significantly different loss patterns for different customer segments, the provision for losses based on past due status of receivables is not further distinguished between the Group's different customer base; poor credit rating customers that have accounts receivable balances past due over 90 days are provided with full amount of loss allowance.

See note 25 for the provision matrix on expected credit losses.

20 Cash and cash equivalents

Cash and cash equivalents for the purpose of the statement of cash flows, comprises:

	2023	2022
	£	£
Cash at bank and in hand	**2,146**	4,449,812
Total	**2,146**	4,449,812

Cash at bank earns interest at floating rates based on daily bank deposit rates.

21 Deferred taxation

	Property, plant and equipment	**Share-based payments**	**Short-term timing differences**	**Losses**	**Total**
	£	**£**	**£**	**£**	**£**
Net asset at 1 January 2022	-	-		-	-
(Charge)/credit to Consolidated Statement of Profit and Loss and Other Comprehensive Income	(41,792)	317,340	(33,141)	2,882,404	3,124,811
Net (liability)/asset at 31 December 2022	(41,792)	317,340	(33,141)	2,882,404	3,124,811
Credit/(charge) to Consolidated Statement of Profit and Loss and Other Comprehensive Income	15,976	(317,340)	30,543	(2,882,404)	(3,153,225)
Net liability at 31 December 2023	**(25,816)**	**-**	**(2,598)**	**-**	**(28,414)**

The deferred tax balances at 31 December 2023 have been calculated on the basis that the associated assets or liabilities will unwind at 25% (2022: 25%).

Deferred tax assets not recognised

The Group has not recognised a deferred tax asset in respect of losses in the current year. The losses amount to £29,806,109 and there is no certainty that all or any of this amount will be capable of being relieved in future periods. The equivalent deferred tax asset at 25% is £7,451,527.

22 Trade and other payables

	2023	2022 as restated
Current trade and other payables	**£**	£
Trade payables	**2,491,093**	586,072
Social security and other taxes	**822,606**	432,596
Accruals	**1,952,688**	3,390,621
Contract liabilities	**435,386**	5,753,646
Total	**5,701,773**	10,162,935

Trade payables are non-interest bearing and are normally settled on 60-day terms.

Re-presentation of other payables

Both the prior year current other payables balance of £4,514,832 and non-current other payables balance of £9,984,228 have been re-presented in these financial statements as lease liabilities. See notes 4 and 24 for more details.

23 Borrowings

	2023	2022
Short-term borrowings included under current liabilities	**£**	£
Bank loans	**859,800**	-
Total	**859,800**	-
Non-current borrowings		
Shareholder loan	**-**	700,000
Total	**-**	700,000

Bank loans relate to a short-term loan secured against the value of the R&D tax credit receivable from HMRC. The interest is payable at a rate of 16% and the loan is due to be repaid during 2024.

The shareholder loan was unsecured, attracted interest at a rate of 4% and was scheduled to be fully repaid in 2025, however it was repaid in full during 2023.

24 Lease liabilities

	2023	2022 as restated
	£	£
Maturity analysis – contractual undiscounted cash flows		
In one year or less	**8,814,289**	5,661,408
Between one and five years	**5,481,977**	10,985,590
Total undiscounted lease liabilities at 31 December	**14,296,266**	16,646,998
Short-term lease liabilities included within current liabilities	**8,086,429**	4,805,956
Non-current lease liabilities	**5,378,108**	10,292,172
Lease liabilities included in the Consolidated Statement of Financial Position	**13,464,537**	15,098,128
Amounts recognised in the Consolidated Statement of Profit and Loss and Other Comprehensive Income		
Interest expense on lease liabilities	**574,652**	944,407
Depreciation expense on right-of-use assets	**337,623**	310,177
Amortisation expense on right-of-use assets within intangible assets	**12,023,312**	2,384,795
Expense relating to short-term leases and leases of low-value assets	**158,472**	95,379
Net amount recognised in the Consolidated Statement of Profit and Loss and Other Comprehensive Income	**13,094,059**	3,734,758
Amounts recognised in the Consolidated Statement of Cash Flows		
Payment of principal portion of lease liabilities	**1,918,114**	4,336,531
Interest paid on lease liabilities	**574,652**	954,611
Total cash outflow recognised under cash flows from financing activities	**2,492,766**	5,291,142

25 Financial instruments

The Group's financial liabilities comprise trade and other payables, lease liabilities and borrowings. The main purpose of these financial liabilities is to finance the Group's operations. The Group's financial assets include trade and other receivables, and cash and cash equivalents that derive directly from its operations. The carrying value of all financial assets and liabilities held at amortised cost are considered by the Directors to be a reasonable approximation of their fair value.

	Financial assets measured at amortised cost	
	2023	2022
	£	£
Current financial assets		
Cash and cash equivalents	**2,146**	4,449,812
Trade receivables	**1,638,259**	3,138,895
Other receivables	**9,816**	-
Contract receivables	**312,588**	5,972,166
Total	**1,962,809**	13,560,873

	Financial liabilities measured at amortised cost	
	2023	2022 as restated
	£	£
Current financial liabilities		
Trade payables	**2,491,093**	586,072
Accruals	**1,952,688**	3,390,621
Contract liabilities	**435,386**	5,753,646
Short-term borrowings	**859,800**	-
Short-term lease liabilities	**8,086,429**	4,805,956
Total	**13,825,396**	14,536,295
Non-current financial liabilities		
Borrowings	**-**	700,000
Lease liabilities	**5,378,108**	10,292,172
Total	**5,378,108**	10,992,172

Financial instruments risk management objectives and policies
The main risks arising from the Group's operations are market risk, credit risk and liquidity risk, however other risks are also considered below. The Group's senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's exposure to market risk comprised of only currency risk.

25 Financial instruments *(continued)*

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency).

The financial assets and liabilities that are exposed to currency risk are trade receivables, trade payables and other payables.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in GBP, was as follows:

	2023		2022	
	USD	**EUR**	USD	EUR
	£	**£**	£	£
Trade and other receivables	**50,523**	**792,818**	310,056	1,437,161
Cash and cash equivalents	**-**	**-**	307,994	1,749
Trade and other payables	**(2,059,512)**	**(761,698)**	(40,303)	(86,191)
Total	**(2,008,989)**	**31,120**	577,747	1,352,719

The following tables demonstrate the sensitivity of profit and equity to a reasonably possible change in USD and EUR exchange rates, with all other variables held constant. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in USD rate	**Effect on profit before tax and equity £**	**Change in EUR rate**	**Effect on profit before tax and equity £**
As at 31 December 2023	**2%**	**40,180**	**2%**	**622**
As at 31 December 2022	2%	11,555	2%	26,790

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The carrying amount of the Group's financial assets represents its maximum exposure to credit risk.

Customer credit risk is managed centrally subject to the Group's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables and contract receivables are regularly monitored.

25 Financial instruments *(continued)*

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of the various customers. In making this assessment, the Group considers historical experience of write-offs, which are insignificant, and forward-looking information available at the time of the assessment. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from Management's knowledge, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is their carrying value.

The Group has assessed the credit risk of its financial assets and has determined that an ECL of £19,737 is required at the year-end (2022: £91,306).

The Group's provision matrix is as follows:

	Current	**< 30 days**	**31–60 days**	**> 60 days**	**Total**
31 December 2023					
Expected credit loss % range	1.0%	1.0%	1.0%	1.0%	
Gross carrying amount – trade receivables (£)	976,646	11,739	327,097	322,777	1,638,259
Gross carrying amount – contract receivables (£)	312,588	-	-	-	312,588
	1,289,234	11,739	327,097	322,777	1,950,847
Loss allowance	**12,902**	**118**	**3,365**	**3,352**	**19,737**

	Current	**< 30 days**	**31–60 days**	**> 60 days**	**Total**
31 December 2022					
Expected credit loss % range	1.0%	1.0%	1.1%	1.0%	
Gross carrying amount – trade receivables (£)	2,438,200	592,624	-	108,071	3,138,895
Gross carrying amount – contract receivables (£)	5,972,166	-	-	-	5,972,166
	8,410,366	592,624	-	108,071	9,111,061
Loss allowance	**84,180**	**6,004**	**-**	**1,122**	**91,306**

25 Financial instruments *(continued)*

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing its liquidity is to ensure, as far as possible, that it has sufficient liquidity available to meet its liabilities when due, both under normal and adverse economic conditions, without incurring unacceptable losses or risking damage to its reputation. The Group monitors and manages cash within its banking facilities and includes a cashflow forecast in its budgets and its sensitivity analysis.

The following table details the contractual maturity of the Group's financial liabilities based on the dates the liabilities are due to be settled:

	Within 1 year	**1 to 2 years**	**2 to 5 years**	**Total contractual cash flows**	**Carrying amount**
	£	**£**	**£**	**£**	**£**
Trade payables	2,491,093	-	-	2,491,093	2,491,093
Accruals	1,952,688	-	-	1,952,688	1,952,688
Contract liabilities	435,386	-	-	435,386	435,386
Borrowings	859,800	-	-	859,800	859,800
Lease liabilities	8,814,289	5,481,977	-	14,296,266	13,464,537
At 31 December 2023	**14,553,256**	**5,481,977**	**-**	**20,035,233**	**19,203,504**

	Within 1 year	**1 to 2 years**	**2 to 5 years**	**Total contractual cash flows**	**Carrying amount**
As restated:	**£**	**£**	**£**	**£**	**£**
Trade payables	586,072	-	-	586,072	586,072
Accruals	3,390,621	-	-	3,390,621	3,390,621
Contract liabilities	5,753,646	-	-	5,753,646	5,753,646
Borrowings	700,000	-	-	700,000	700,000
Lease liabilities	5,661,408	5,652,151	5,333,439	16,646,998	15,098,128
At 31 December 2022	16,091,747	5,652,151	5,333,439	27,077,337	25,528,467

Capital risk management

The Group's main objective when managing capital is to protect returns to shareholders. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. The Group meets its objectives for managing capital by re-investing profits to enhance future growth.

The Group considers its capital to include capital and net debt.

26 Share-based payments

The Group has an HMRC approved share options scheme for certain employees. Each option entitles the holder to purchase one share at a set exercise price and is an equity-settled transaction. Options are forfeited if the employee leaves the Group before the options vest. The options would only vest on change of ownership of the Group.

The Group uses the Black Scholes model in arriving at the fair value at grant date for the options granted in the period due to no market conditions being attached to the shares.

The following principal assumptions have been used in the valuations at grant date for each option:

	Range
Share price[3] at grant date	£0.30 - £0.64
Volatility	4.0% - 47.8%
Option life	0.11 - 10 years
Dividend yield	0%
Risk-free rate	0.71% - 4.46%
Exercise price[3] at grant date	£0.001 - £0.59
Fair value per option at grant date	£0.13 - £0.39

The expected volatility was determined by calculating the historical volatility of the Group's share price over the previous period corresponding with the expected vesting period, with the share price determined by applying a revenue multiple. The total expense in respect of the options amounted to a credit of £339,604 (2022: charge of £89,485). The credit in 2023 arises following the reversal of accumulated charges related to options which lapsed in 2023.

[3] Share price at grant and exercise price have been adjusted to reflect share split prior to IPO

26 Share-based payments *(continued)*

A reconciliation of share option movements over the year to 31 December 2023 is shown below:

Group and Company	**2023**		2022	
	Weighted average exercise price (pence)	**Number of options**	Weighted average exercise price (pence)	Number of options
Outstanding at the beginning of the year	**0.18**	**3,440,000**	1.16	741,575
Granted during the year	**0.58**	**637,597**	0.23	4,579,450
Forfeited during the year	**0.25**	**(1,340,000)**	1.50	(851,575)
Exercised during the year	**-**	**-**	0.001	(1,029,450)
Outstanding at the end of the year	**0.33**	**2,737,597**	0.18	3,440,000
Exercisable at the end of the year	**0.25**	**2,100,000**	0.18	3,440,000

The weighted average remaining contractual life for the share options outstanding at the end of the year was 6 years (2022: 7 years).

The range of exercise prices for options outstanding at the end of the year was £0.25 - £0.59 (2022: £0.25).

Phantom share scheme

Certain employees have been awarded phantom shares. When a release event occurs, an award will be settled in cash to the extent that the current share price exceeds the exercise price of the award.

175,000 phantom share awards were granted in the year (2022: nil) at an exercise price of £0.585. They are accounted for as cash settled share-based payments. At the year end the Group recognised a liability of £2,416 (2022: £nil).

27 Share capital

	Allotted, called up and fully paid			
	2023 Number	2022 Number	**2023 £**	2022 £
Ordinary shares of £0.001 each	**87,461,772**	87,461,772	**87,462**	87,462
Total	**87,461,772**	87,461,722	**87,462**	87,462

Prior to 8 September 2022, there were two distinct classes of shares; Ordinary and Ordinary A.

Ordinary A shares were prescribed one vote per share. Ordinary shares did not hold the right to attend or vote at general meetings. The Ordinary shares had second right on wind up to the assets of the Company.

27 Share capital *(continued)*

On 8 September 2022, the Company issued and allotted 40,889,430 A Ordinary shares at a price of £0.001 per share, for no consideration. The Company also issued and allotted 834,475 Ordinary shares at a price of £0.001 per share, for no consideration. This bonus share issue, carried out on a 5 for 1 basis via capitalisation from retained earnings of the Company, was done in order to increase the share capital to meet the minimum requirements of £50,000 for registration to plc status. Immediately following that issue and allotment, the issued share capital of the Company was comprised of 50,068,686 shares.
Pursuant to the IPO placing on 21 October 2022, all A Ordinary shares were reclassed as Ordinary shares.

On the same day, 36,363,636 Ordinary shares were issued and allotted at a price of £0.001 per share, for total consideration of £0.55 per share, to certain new investors. Additionally, 1,029,450 share options over Ordinary shares were exercised by a Company employee at an exercise price of £0.001 per share.

Immediately following this issue and allotment, the Company's issued share capital increased to 87,461,772 Ordinary shares. All shares are equally eligible to receive dividends, the repayment of capital on winding up of the Company and represent one vote at the shareholders' meeting of the Company.

See note 33 for detail on post year-end share issues.

28 Reserves

Share premium
This reserve represents the excess paid for share capital over and above the nominal value of the share capital.

Foreign currency translation reserve
This reserve contains movements in relation to translation of foreign operations.

Share-based payment reserve
This reserve contains movements in relation to share-based payments.

Retained deficit
This reserve relates to movements in the cumulative profits and losses less amounts distributed to shareholders. The Directors have proposed that there will be no final dividend in respect of the year ended 31 December 2023 (2022: £nil).

29 Notes to the Cash Flow Statement

Reconciliation of cash used in operations

	2023	2022
	£	£
Cash flows from operating activities		
Loss after taxation	**(21,520,113)**	(3,191,901)
Adjustments for:		
Depreciation of property, plant and equipment	**119,272**	83,845
Depreciation of right-of-use assets	**337,623**	310,177
Amortisation of intangible assets	**12,150,250**	2,384,795
Profit on disposal of property, plant and equipment	**1,848**	397
Profit on disposal of right-of-use assets	**4,704**	6,600
Unrealised foreign currency gains	**49,556**	(71,333)
Finance costs	**655,797**	1,175,510
Finance income	**(305)**	(30)
Tax charge/(credit)	**3,541,379**	(3,219,735)
Share-based payment (credit)/charge	**(339,604)**	89,485
Working capital adjustments:		
Decrease/(increase) in trade and other receivables	**5,694,878**	(7,340,209)
(Decrease)/increase in trade and other payables	**(4,477,766)**	5,863,702
Decrease/(increase) in inventories	**1,044,069**	(1,044,069)
Cash used in operations	**(2,738,412)**	(4,952,766)

Reconciliation of net debt

	1 January 2023 (as restated)	Cash flows	Non-cash changes	**31 December 2023**
	£	£	£	**£**
Cash and cash equivalents	4,449,812	(4,466,660)	18,994	**2,146**
Bank loans	(700,000)	(82,458)	(77,342)	**(859,800)**
Lease liabilities	(15,098,128)	2,492,766	(859,175)	**(13,464,537)**
Total	(11,348,316)	(2,056,352)	(917,523)	**(14,322,191)**

All bank loans are presented gross of capitalised loan costs.

30 Related party transactions

Group

Transactions with key management personnel

Key management personnel information is disclosed in Note 9.

Other transactions

Nigel Vaughan, a Director of the Company prior to the IPO, provided services via a consultancy agreement though Vaughan Management Solutions Limited (a company wholly owned by Nigel Vaughan). The value of the services provided during the year was £nil (2022: £19,644). The amount outstanding as at 31 December 2023 was £nil (2022: £9,999). On the successful IPO, Nigel Vaughan was appointed a non-executive Director and is now paid directly through the Company run payroll.

At 31 December 2023, the Group had a loan of £nil (2022: £700,000) owed to a shareholder of the Group. The loan was unsecured, incurred interest at a rate of 4% per annum, and was repaid in January 2023. During the year, £1,500 of interest (2022: £27,923) was paid and recognised within interest payable. The shareholder divested its shareholding in full in December 2023. The Group also sells to and purchases services from the same party. No sales were made in 2023 (2022: £nil). The purchases relate to the EDA software used in the Group's project work. The total value of these services and amounts outstanding at the end of the year are summarised in the following table:

	2023	2022
	£	£
Purchases	**247,574**	403,962
Amounts payable at the end of the year	**143,628**	7,038

31 Commitments and contingencies

There were no commitments or contingencies at the reporting date.

32 Ultimate controlling party

In the opinion of the Directors, Rox Equity Partners Limited is the ultimate controlling party.

33 Events after the reporting period

Adjusting post balance sheet event – Fund raise

On 13 June 2024, the Group completed a fund-raising process, raising a total of £8.5m from ROX Equity Partners ("ROX"). The first £2.9m was initially received in the form of convertible debt, which was converted to equity at the same time as the fund raise completed with the issue of a further £5.6m equity. The success of this fund-raising process was key to management's decision to prepare accounts on the going concern basis.

33 Events after the reporting period *(continued)*

Non-adjusting post balance sheet event – Renegotiation of key supply contract

On 27 March 2024, management concluded negotiations with a supplier in respect of existing and future supply arrangements under an addendum to an existing supply contract. The licenses available to the Group under this contract are recognised as an intangible asset, and the contractual payments due are included in financial liabilities. At the year-end, management recognised an accelerated amortisation charge of £4.9m which reflected the reduced utility that the Group expected to get from the asset over its remaining lifetime given the reduced level of design activity experienced by the Group.

Under the addendum, contractual payments have been rescheduled, requiring a remeasurement of the financial liability, and the lifetime of the asset has been extended. On re-measurement the value of the liability has been reduced by £3.3m. Management now expect to recover the full benefit of the "lost" utility over the extended lifetime of the asset.
There are no other events subsequent to the reporting date which would have a material impact on the financial statements.

34 Parent company guarantees

The Company is providing Sondrel Ventures Ltd (as disclosed in note 6 of the Company financial statements and which is included within these Group consolidated financial statements) with guarantee of its debts in the form prescribed by Section 479C of the Companies Act 2006 ("the Act") such that it can claim exemption from requiring an audit in accordance with section 479A of the Act. This guarantee covers all of the outstanding actual and contingent liabilities of that company as at 31 December 2023.

Sondrel (Holdings) plc

Company Statement of Financial Position

As at 31 December 2023

	Note	31 December 2023 £	31 December 2022 £
Non-current assets			
Investment in subsidiaries	5	**986,066**	1,328,086
Long-term receivables	7	**4,226,217**	19,272,024
Deferred tax assets	8	-	490,622
Total non-current assets		**5,212,283**	21,090,732
Current assets			
Trade and other receivables	7	**26,764**	189,339
Cash and cash equivalents		**430**	11,356
Total current assets		**27,194**	200,695
Total assets		**5,239,477**	21,291,427
Current liabilities			
Trade and other payables	9	**180,378**	40,669
Total current liabilities		**180,378**	40,669
Non-current liabilities			
Borrowings	10	-	700,000
Total non-current liabilities		-	700,000
Total liabilities		**180,378**	740,669
Net assets		**5,059,099**	20,550,758
Equity			
Issued share capital	11	**87,462**	87,462
Share premium	12	**18,286,562**	18,286,562
Share-based payment reserve	12	**470,656**	812,676
Retained (deficit)/earnings	12	**(13,785,581)**	1,364,058
Shareholders' funds		**5,059,099**	20,550,758

The Company has taken advantage of the exemption under S408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The loss for the year of the Company after tax was £15,149,639 (2022: loss of £750,185).

The Company financial statements were approved and authorised for issue by the Board on 17 July 2024 and were signed on its behalf by:

David Mitchard
Non-Executive Chairman and Interim Chief Executive Officer

Company number: 07275279

The notes on pages 87 to 97 form part of the Company financial statements.

Sondrel (Holdings) plc

Company Statement of Changes in Equity

As at 31 December 2023

	Note	Share capital £	Share premium £	Share-based payment reserve £	Retained earnings £	Total £
Balance at 1 January 2022		8,345	122,431	1,236,397	1,642,761	3,009,934
Loss for the year		-	-	-	(750,185)	(750,185)
Total comprehensive expense for the year		-	-	-	(750,185)	(750,185)
Transactions with owners in their capacity as owners:						
Share issues	11	36,364	18,164,131	-	-	18,200,495
Exercise of share options		1,029	-	(513,206)	513,206	1,029
Bonus issues	11	41,724	-	-	(41,724)	-
Share-based payment charge		-	-	89,485	-	89,485
Total transactions with owners		79,117	18,164,131	(423,721)	471,482	18,291,009
At 31 December 2022		**87,462**	**18,286,562**	**812,676**	**1,364,058**	**20,550,758**
Loss for the year		-	-	-	(15,149,639)	(15,149,639)
Total comprehensive expense for the year		-	-	-	(15,149,639)	(15,149,639)
Transactions with owners in their capacity as owners:						
Share-based payment credit		-	-	(342,020)	-	(342,020)
Total transactions with owners		-	-	(342,020)	-	(342,020)
At 31 December 2023		**87,462**	**18,286,562**	**470,656**	**(13,785,581)**	**5,059,099**

The notes on pages 87 to 97 form part of the Company financial statements.

1 General information

Sondrel (Holdings) plc (the “Company”) is a public limited company, limited by shares, which is listed on the Alternative Investment Market (AIM) of the London Stock Exchange. The Company is incorporated, domiciled and registered in England and Wales, with registration number 07275279. The address of its registered office is Sondrel House, Theale Lakes Business Park, Moulden Way, Sulhamstead, Reading, RG7 4GB.

The Company’s principal activity is to act as an investment holding company that provides management services to its subsidiaries.

2 Material accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards (IFRS) as adopted by the UK (UK-adopted international accounting standards) but makes amendments where necessary in order to comply with the Companies Act 2006 and to take advantage of FRS 101 disclosure exemptions.

The Company financial statements have been prepared on a historical cost basis and are presented in pounds sterling which is also the Company’s functional currency. All amounts are rounded to the nearest pound sterling unless stated otherwise.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of the compensation of Key Management Personnel;
- Disclosures in respect of capital management;
- Disclosure in respect of financial instruments; and
- The effects of new but not yet effective IFRSs

In addition, and in accordance with FRS 101, further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Sondrel (Holdings) plc, where the results of the Company are also consolidated. These financial statements do not include certain disclosures in respect of:

- Certain disclosures required by IFRS 2 Share-based Payment;
- Certain disclosures required by IAS 36 Impairment of Assets;
- Certain disclosures required by IFRS 13 Fair Value Measurement; and
- Disclosures required by IFRS 7 Financial Instrument Disclosures

2 Material accounting policies *(continued)*

2.2 Going concern

The Company financial statements have been prepared on a going concern basis. In reaching this conclusion regarding the going concern assumption, the Directors considered cash flow forecasts for a period of greater than twelve months from the date of signing of these financial statements. The going concern assumption for the Company is considered together with the going concern assumption for the Group, see note 2.3 in the consolidated financial statements for more detail.

2.3 Summary of material accounting policies

The following are the material accounting policies applied by the Company in preparing its individual financial statements:

(a) Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost unless, in the opinion of the Directors, there has been impairment to their value, in which case they are written down to their recoverable amount.

(b) Impairment of non-financial assets

Non-financial assets are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, the assets of the whole business are grouped together since there are no smaller groups of assets with separately identifiable cash flows. Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

(c) Share-based payments

Employees (including senior executives) of some of the Company’s subsidiaries receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments in the Company (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in note 26 of the consolidated financial statements.

That cost is recognised as a capital contribution or reduction within investments in subsidiaries, together with a corresponding increase or decrease in equity, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative amount recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company’s best estimate of the number of equity instruments that will ultimately vest.

Where an award is cancelled by the entity or forfeited by the counterparty, any remaining element of the fair value of the award is recognised as a capital reduction within investments in subsidiaries.

2 Material accounting policies *(continued)*

2.3 Summary of material accounting policies *(continued)*

(d) Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit and loss, except if it arises from transactions or events that are recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity respectively.

(e) Taxation *(continued)*

Current tax

Current tax is based on the taxable profit for the year and is calculated using the tax rates in force or substantively enacted at the reporting date. Taxable profit differs from accounting profit either because some income and expenses are never taxable or deductible, or deductible in other years.

Deferred tax

Deferred tax is recognised in respect of all temporary differences between the carrying value of assets and liabilities in the Company Statement of Financial Position and the corresponding tax base, with the exception of temporary differences arising from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax assets and liabilities reflect the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its asset and liabilities.

Deferred tax assets are recognised only to the extent that the Company considers that it is probable (i.e. more likely than not) that there will be sufficient taxable profits available for the asset to be utilised within the same tax jurisdiction. Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities, they relate to the same tax authority and the Company's intention is to settle the amounts on a net basis.

(f) Foreign currencies

The presentational currency of the Company is pound sterling, which is also the Company's functional currency.

Transactions and balances

All translation differences are taken to profit and loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

2 Material accounting policies *(continued)*

2.3 Summary of material accounting policies *(continued)*

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits.

(h) Financial instruments

Financial assets

Financial assets comprise amounts owed by group undertakings, other receivables and cash and cash equivalents.

Amounts owed by group undertakings and other receivables are initially measured at transaction price, and subsequently at their amortised cost subject to any impairment in accordance with IFRS 9.

Impairment

The Company recognises an allowance for expected credit losses (ECL), for all financial assets not held at fair value through profit or loss. The ECL is based on its historical credit loss experience, adjusted for forward-looking factors specific to the economic environment. ECL is the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

Financial liabilities

Financial liabilities comprise trade and other payables and loans and borrowings and are recognised initially at fair value net of directly attributable transaction costs (if any), and subsequently at amortised cost.

Equity

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

(i) Borrowings

Interest bearing borrowings are initially recorded at the value of the amount received, net of attributable transaction costs. Interest bearing borrowings are subsequently stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss over the period of the borrowing using the effective interest method.

3 Key sources of estimation uncertainty and significant accounting judgements

In the application of the Company's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The judgements, estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements are detailed below:

Deferred tax assets on losses

Deferred tax assets on losses are recognised for the Company to the extent that it is regarded as more likely than not that they will be recovered. Recoverability is based on the forecast of future profitability commencing in 2024. Such forecasts are subject to an element of judgement regarding future revenues and expenditure. Although the Directors expect to return to a profit in the short term, they are not satisfied that the deferred tax asset can be fully recovered in the short to medium term and have therefore decided to derecognise the deferred tax asset arising from brought forward losses, resulting in a charge of £0.2 million.

Impairment of investments in subsidiaries

IAS 36 requires an impairment review to be carried out at each reporting date. Management consider the lower than expected performance of the Group in 2023 is an indicator that some assets may be impaired.

In making this impairment review, management have assessed the carrying value of its investments in its subsidiaries are is higher than the recoverable amount (i.e. the higher of the value-in-use and fair value less cost to sell), and in making this assessment, significant judgements are required to determine whether the recoverable amount of an asset can be determined in isolation or in a group, and in estimating the value-in-use and fair value less cost to sell of an asset or group of assets.

Management have considered the value-in-use of Sondrel Limited by estimating future cash inflows and outflows from the assets and applying an appropriate discount rate to the cash flows. The WACC has been determined by considering the cost of debt experienced directly by the Group and an estimated cost of equity based on market data for businesses in the same sector, with a similar risk profile.

The value-in-use calculated exceeds the carrying value of the investment, so no impairment has been recognised.

Impairment of intercompany receivables

The possibility of impairment of the Company's intercompany receivables is considered in accordance with IFRS 9. The impairment requirements of IFRS 9 requires management to consider lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition. Management have used a Monte Carlo simulation to calculate the expected credit losses which requires management to estimate future cash inflows and outflows generated by the subsidiary, and to construct a range of possible alternative outcomes from that estimate. The expected credit losses for the intercompany receivables are detailed in note 7 of these financial statements.

4 Employees

The Company had no employees in either the current or prior year.

5 Investments

	Investment in subsidiary undertakings £
Cost	
At 1 January 2022	1,340,617
Capital contribution relating to share-based payments	89,485
At 31 December 2022	1,430,102
Capital reduction relating to share-based payments	(342,020)
At 31 December 2023	**1,088,082**
Impairment	
At 1 January 2022, 31 December 2022 and **31 December 2023**	**102,016**
Net book value	
At 31 December 2023	**986,066**
At 31 December 2022	1,328,086

See note 6 for details of the Company's subsidiaries.

6 Subsidiaries

The Company's subsidiaries at 31 December 2023 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Company, and the proportion of ownership interests held equals the voting rights held by the Company. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business/ country of incorporation	Registered office address	Principal activities	Ownership interest held by the Group 31 December 2023	31 December 2022
				%	%
Sondrel Limited	UK	See 1 below	Provision of design services	100	100
Sondrel (Xian) Company Limited*	China	See 2 below	Provision of design services	100	100
Sondrel Morocco SARL AU	Morocco	See 3 below	Provision of design services	100	100
Sondrel Inc	USA	See 4 below	Provision of design services	100	100
Sondrel Ventures Ltd (formerly Sondrel (SOC Solutions) Ltd)	UK	See 1 below	Provision of design services	100	100
Sondrel India Pvt. Limited	India	See 5 below	Provision of design services	100	100

Reference	Registered office address
1	Sondrel House, Theale Lakes Business Park, Moulden Way, Reading, RG7 4GB
2	Room 2303-4, Capita Malls, 64A, Western Part of South Second Ring Road, Xi'an, 710065
3	Batiment B4, 1st Floor, Morocco, Technopolis, 11 100
4	2445 Augustine Drive, Suites 150 & 201, Santa Clara, California 95054
5	Unit 1, 11th Floor, MyHome Twitza, HITEC City, Ranga Reddy District, Hyderabad, Telangana 500081

*Held indirectly through Sondrel Limited.

For the year ended 31 December 2023, Sondrel Ventures Ltd has taken advantage of the exemption from audit as conferred by Section 479A of the Companies Act 2006.

7 Trade and other receivables

	2023	2022
Current trade and other receivables	**£**	£
Other receivables	**-**	186,549
Prepayments and accrued income	**26,764**	2,790
Total	**26,764**	189,339

	2023	2022
Non-current trade and other receivables		
Amounts owed by group undertakings	**4,226,217**	19,272,024
Total	**4,226,217**	19,272,024

Amounts owed by group undertakings are unsecured and interest-free They have been classified as non-current as management does not expect them to be settled within 12 months of the statement of financial position date.

The carrying amount of amounts owed by group undertakings is stated after provision for impairment of £13,621,043 (2022: £nil). The impairment charge reflects the expected lifetime credit losses on the balance due from Sondrel Limited.

8 Deferred taxation

	Share-based payments	**Losses**	**Total**
	£	**£**	**£**
Net asset at 1 January 2022	-	-	-
Credit to Statement of Profit and Loss and Other Comprehensive Income	317,340	173,282	490,622
Net asset at 31 December 2022	317,340	173,282	490,622
Charge to Statement of Profit and Loss and Other Comprehensive Income	(317,340)	(173,282)	(490,622)
Net asset at 31 December 2023	-	-	-

The deferred tax balances at 31 December 2023 have been calculated on the basis that the associated assets or liabilities will unwind at 25% (2022: 25%).

8 Deferred taxation (continued)

Deferred tax assets not recognised

The Company has not recognised a deferred tax asset in respect of losses in the current year. The losses amount to £1,045,402 and there is no certainty that all or any of this amount will be capable of being relieved in future periods. The equivalent deferred tax asset at 25% is £261,351.

9 Trade and other payables

	2023	2022
Current trade and other payables	**£**	£
Trade payables	**173,402**	37,437
Social security and other taxes	**3,097**	-
Accruals	**3,879**	3,232
Total	**180,378**	40,669

Trade payables are non-interest bearing and are normally settled on 60-day terms.

10 Borrowings

	2023	2022
Non-current borrowings	**£**	£
Shareholder loan	**-**	700,000
Total	-	700,000

The shareholder loan was unsecured, attracted interest at a rate of 4% and was scheduled to be fully repaid in 2025, however it was repaid in full during 2023.

11 Share capital

	Allotted, called up and fully paid			
	2023 Number	2022 Number	**2023 £**	2022 £
Ordinary shares of £0.001 each	**87,461,772**	87,461,772	**87,462**	87,462
Total	**87,461,772**	87,461,722	**87,462**	87,462

Prior to 8 September 2022, there were two distinct classes of shares; Ordinary and Ordinary A.

11 Share capital (continued)

Ordinary A shares were prescribed one vote per share. Ordinary shares did not hold the right to attend or vote at general meetings. The Ordinary shares had second right on wind up to the assets of the Company.

On 8 September 2022, the Company issued and allotted 40,889,430 A Ordinary shares at a price of £0.001 per share, for no consideration. The Company also issued and allotted 834,475 Ordinary shares at a price of £0.001 per share, for no consideration. This bonus share issue, carried out on a 5 for 1 basis via capitalisation from retained deficit, was done in order to increase the share capital to meet the minimum requirements of £50,000 for registration to plc status. Immediately following that issue and allotment, the issued share capital of the Company was comprised of 50,068,686 shares.

Pursuant to the IPO placing on 21 October 2022, all A Ordinary shares were reclassed as Ordinary shares.

On the same day, 36,363,636 Ordinary shares were issued and allotted at a price of £0.001 per share, for total consideration of £0.55 per share, to certain new investors. Additionally, 1,029,450 share options over Ordinary shares were exercised by a Company employee at an exercise price of £0.001 per share.

Immediately following this issue and allotment, the Company's issued share capital increased to 87,461,772 Ordinary shares. All shares are equally eligible to receive dividends, the repayment of capital on winding up of the Company and represent one vote at the shareholders' meeting of the Company.

See note 16 for detail on post year-end share issues.

12 Reserves

Share premium
This reserve represents the excess paid for share capital over and above the nominal value of the share capital.

Share-based payment reserve
This reserve contains movements in relation to share-based payments.

Retained earnings
This reserve relates to movements in the cumulative profits and losses less amounts distributed to shareholders. The Directors have proposed that there will be no final dividend in respect of the year ended 31 December 2023 (2022: £nil).

13 Related party transactions

The Company has availed itself of the exemption under FRS 101 not to give details of related party transactions with wholly owned group companies.

At 31 December 2023, the Company had a loan of £nil (2022: £700,000) owed to a shareholder of the Group. The loan was unsecured, incurred interest at a rate of 4% per annum, and was repaid in January 2023. During the year £1,500 of interest (2022: £27,923) was paid and recognised within interest payable. The shareholder divested its shareholding in full in December 2023.

14 Commitments and contingencies

There were no commitments or contingencies at the reporting date.

15 Ultimate controlling party

In the opinion of the Directors, Rox Equity Partners Limited is the ultimate controlling party.

16 Events after the reporting period

See note 33 of the consolidated financial statements for detail.

Company information, Officers & Professional advisers

REGISTERED OFFICES:

Sondrel Holdings plc

Sondrel House, Theale Lakes Business Park, Moulden Way, Sulhamstead, Berks RG7 4GB UK
Registered in England/Wales Company no. 07275279

Sondrel Limited

Sondrel House, Theale Lakes Business Park, Moulden Way, Sulhamstead, Berks RG7 4GB, UK
Registration no: 04491953

Sondrel Ventures Limited (formerly Sondrel (SOC Solutions) Ltd)

Sondrel House, Theale Lakes Business Park, Moulden Way, Sulhamstead, Berks RG7 4GB, UK
Registration no: 10246519

Sondrel Inc

2445 Augustine Drive, Suites 150 & 201, Santa Clara, California 95054, USA
Registration no: 3661476

Sondrel India Pvt. Limited

Unit 1, MyHome Twitza, HITEC City, Ranga Reddy District, Hyderabad, Telangana 500081, India
Registration no: U74999TG2017PTC117059

Sondrel Morocco SARL AU

Batiment B4, 1st Floor, Morocco, Technopolis, 11 100, Morocco
Registration no: 23953

Sondrel (Xian) Company Limited

Room 2303-4, CapitaMalls, 64A, Western Part of South Second Ring Road, Xi'an, 710065, China
Registration no: 91610131673292132F

Advisers

COMPANY SECRETARY:

ONE Advisory Limited
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NOMINATED ADVISER & BROKER:

Cavendish Capital Markets Limited
1 Bartholomew Close, London EC1A 7BL

AUDITOR:

CLA Evelyn Partners Limited
45 Gresham Street, London EC2V 7BG

LAWYER:

Shoosmiths LLP
1 Bow Churchyard, London EC4M 9DQ

REGISTRAR:

Link Market Services Limited
10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL