

**Sondrel (Holdings) plc**

("Sondrel", the "Company" and together with its subsidiaries the "Group")

**Results for the half year ended 30 June 2023****Strong financial and operational progress; positive medium-term outlook**

Sondrel (Holdings) plc (AIM:SND), the fabless semiconductor business providing turnkey services in the design and delivery of 'application specific integrated circuits' ("ASICs") and 'system on chips' ("SoCs") for leading global technology brands, is pleased to announce its results for the half year to 30 June 2023 (the 'Period' or 'H1 2023').

**Financial Highlights**

- Revenue up 17% to £9.3 million (H1 22: £8.0 million)
- ASIC revenue growth of 50% YoY to £8.1 million, representing 87% of total revenues (H1 22: £5.4m, 68%)
- Adjusted EBITDA increased 33% to £0.4 million (H1 22: £0.3 million)
- Loss Before Tax of £2.0 million (H1 22: £1.5 million)
- Cash balance at period end £0.1 million (H1 22: £(0.7) million)

**Operational Highlights**

- Strong growth in ASIC revenues with first ASIC devices delivered to lead customers across high growth megatrend sectors including AI, smartphones and home networks
- Three ASIC chip designs taped out, delivering initial NRE (non-recurring engineering) revenues
- Good progress made on the Group's engagement for a Tier 1 OEM Automotive customer with key milestones being achieved
- Investment in US sales organisation, increasing the headcount and opening an office in Santa Clara
- Appointment of new sales partner in US
- Signed multi-year partnership extension with Synopsys, the American electronic design automation company, for its state-of-the-art EDA tools
- Additional software contract extension was also signed with blue-chip technology giant, Siemens, in April 2023 for the continued use of its Electronic Design Automation (EDA) software

**Post Period End Highlights**

- Appointment of industry veteran Anthony Fernandez as Chief Operating Officer
- Appointment of Oliver Jones as Vice-President of Strategic Sales in US
- Appointment of highly experienced Nick Stone as Interim Chief Financial Officer
- Silicon prototypes delivered for three ASIC projects

**Outlook**

- Continued momentum in the US with 15 potential customers in the pipeline, representing substantial design and prototype revenues over the next few years
- The Board remains confident that the Company will deliver performance in the FY23 full year in line with current market expectations as revised on 31 August 2023
- Notwithstanding H2 2023 delays and the consequential impact on previously anticipated ramp up as we enter FY 2024, increasing traction in the important US market, strong sales pipeline and positive ongoing relationships with our existing ASIC customers provides the Board with continued confidence in the Group's medium-term targets.

**Graham Curren, Chief Executive Officer of Sondrel, commented:**

*"I am pleased with our performance in the first half, notwithstanding increasingly challenging market conditions during the period. Significant progress was achieved in key areas that will grow our business in the medium term, namely the successful tapeouts of three designs, progress with our Tier 1 OEM automotive customer, real progress in the United States and increased customer production forecasts for our live ASIC projects in Europe.*

*"Although the customer delays will moderate growth in the near-term, we are focused on delivering in line with our growth strategy and remain well positioned to meet our medium-term objective of delivering revenues in excess of £100m per annum."*

**Analyst presentation**

There will be an in-person presentation for analysts at 9:30 a.m. (BST) today. If you would like to join, please contact Buchanan at [sondrel@buchanan.uk.com](mailto:sondrel@buchanan.uk.com)

*This announcement contains inside information as stipulated under the UK version of the Market Abuse Regulation No 596/2014 which is part of English Law by virtue of the European (Withdrawal) Act 2018, as amended. On publication of this announcement via a Regulatory Information Service, this information is considered to be in the public domain.*

**- Ends -**

**FOR FURTHER ENQUIRIES:**

**Sondrel (Holdings) plc**

Graham Curren, CEO  
Nick Stone, Interim CFO

Via Buchanan  
Tel: +44 (0) 20 7466 5000

**Cavendish Securities plc**

Ben Jeynes / Katy Birkin / George Lawson - Corporate Finance  
Michael Johnson - Sales

Tel: +44 (0)20 7220 0500

**Buchanan Communications**

Chris Lane  
Stephanie Whitmore  
Jack Devoy  
Abby Gilchrist

Tel: +44 (0) 20 7466 5000  
[sondrel@buchanan.uk.com](mailto:sondrel@buchanan.uk.com)

**About Sondrel**

Sondrel is a UK-based fabless semiconductor company specialising in high end, complex digital Application Specific Integrated Circuits (ASICs) and System on Chips (SoCs). It provides a full turnkey service in the design, prototyping, testing, packaging and production of ASICs and SoCs.

The Company is one of only a few companies capable of designing and supplying the higher-spec chips built on the most advanced semiconductor technologies, selling into a range of hyper growth end markets such as high-performance computing, automotive, artificial intelligence, VR/AR, video analytics, image processing, mobile networking and data centres. Sondrel designs have enabled products by leading technology brands including Apple (iPhone), Sony (PlayStation), Meta's (Oculus), Samsung, Google and Sony smartphones, JVC (prosumer camcorders), Tesla and Mercedes-Benz cars.

Sondrel is well-established, with a 20-year track record of successful delivery, supported by long standing ecosystem partnerships including Arm, TSMC and Samsung. Headquartered in the UK, Sondrel has a global presence with offices in UK, USA, China, India and Morocco.

For more information please visit: [ir.sondrel.com](http://ir.sondrel.com).

## **Chairman and CEO's Statement**

### **Introduction and overview**

The market conditions have become increasingly challenging for the Company, as Sondrel has had to manage the combined impacts of an unexpectedly long downturn in the semiconductor market, a collapse in private equity and venture capital funding for semiconductor companies, continuing geopolitical uncertainty, and delays in customer investments. Despite these near-term challenges, the fundamental strengths of the Group's business model remain unchanged. We were pleased with Sondrel's performance in the first half year of the year and to have made substantial progress in the key areas which will grow our business in the medium term.

Whilst not having a substantial impact on the first half year results, the Company has already announced that the challenges mentioned above will impact our H2 2023 revenue, profitability and cash position. Sondrel's flexible business model, and strong supplier partnerships, are allowing us to take the decisions needed to manage the situation as we continue to hit multiple key milestones and ensure that we will be well positioned as we move into 2024. The Board remains confident that the Company will deliver performance in the FY23 full year in line with current market expectations as revised on 31 August 2023.

Looking in more detail at H1 2023, the Group delivered ASIC projects to plan and completed the second milestone of a material ASIC engagement for a Tier 1 automotive customer, generating milestone payments. As a result of this and other work, H1 2023 unaudited revenues rose to £9.3m, representing a 17% increase from H1 2022, with an adjusted EBITDA of £0.4m during the period (H1 2022: £0.1m)<sup>1</sup>.

Sondrel has made some excellent new appointments to the management and silicon operations teams, we have established an office in Santa Clara, California, in the heart of Silicon Valley, and we have delivered our first ASIC devices to our lead customers (who themselves are increasingly optimistic about their end market production opportunities). In particular, our sales penetration into the US is progressing well as we start to develop this large market opportunity.

To support the Group's future growth in line with its capability to fulfil new orders for its full-service ASIC offering of design and supply, we announced the appointment of Anthony Fernandez as Chief Operating Officer post period end in July 2023. Anthony has joined us from Refeyn where he was CEO and, before that, was VP of Asia Pacific for Teledyne Technologies, the US-based provider of sophisticated digital imaging products and software, instrumentation, aerospace and defence electronics, and engineered systems.

The semiconductor market overall is now moving into recovery with SEMI forecasting 10% quarter-on-quarter growth in Q3 2023.<sup>2</sup> The ASIC segment that the Group operates in continues to grow as customers seek competitive advantage by including customised ASIC devices that enable differentiation of their end products while managing unit costs and power consumption, and addressing fast growth technology megatrends including AI, Automotive, 8k video, Smart Home devices, Wearables and next gen. Consumer Devices.

### **Turnkey ASIC business model**

Sondrel has successfully transitioned its business model to provide a full turnkey ASIC design and supply service for its customers. This includes contracting for the manufacture, testing and production of ASICs as well as previously offered design and production consulting. Although the testing, packaging, and other capital-intensive engineering functions necessary for production of an ASIC will continue to be outsourced to third parties, Sondrel

<sup>1</sup> *Adjusted EBITDA is EBITDA before deduction of exceptional items (see note 9 for reconciliation)*

<sup>2</sup> <https://www.semi.org/en/news-media-press-releases/semi-press-releases/global-semiconductor-industry-on-track-for-2024-recovery-but-near-term-headwinds-remain-semi-reports>

will provide the product engineering and manage the complex manufacturing process by engaging third parties directly.

Clear progress has been made in the first half of 2023 with three designs taping out in the period delivering the initial NRE (non-recurring engineering) revenues. Previously, as the design is complete at this stage, this is where Sondrel's engagement with the customer would have ended, but the Group now stands to benefit from the significant revenues associated with the production of the ASIC. Further details on the three tapeouts completed in the period can be found in the Customer Activity section of this report.

The full turnkey offering continues to be attractive to both potential and existing customers and the pipeline of opportunities remains strong, with the customers with whom we are engaged being increasingly optimistic about their sales prospects, and their volume forecasts are strengthening as we get closer to the start of production.

### **Continued progress in the US**

The Company is pleased to report that good progress has been made in the first half in expanding the Group's presence in the US with the opening of an office in Santa Clara, California and the hiring of several key personnel across both sales and engineering. With one customer already in the US, momentum has continued to build both during the Period and post the Period end, and the Group now has 15 potential customers in the pipeline, representing substantial design and prototype revenues over the next few years, with the potential for significant production revenues thereafter.

With the passing of the CHIPS Act in the US and subsequent push towards near-shoring, Sondrel's position as the only advanced ASIC company able to offer an independent and localised supply chain to Western customers represents a significant opportunity for the Group and we look forward to updating on further positive progress in the US market.

### **Strong relationships with key industry participants**

Sondrel has established highly valuable relationships with many participants in the semiconductor industry and has continued to build upon these in the period.

In March 2023, the Group signed a multi-year partnership extension with Synopsys, the American electronic design automation company, for its state-of-the-art EDA tools. These tools are vital to the process of designing ASICs down to 3 nanometres and the partnership extension will allow Sondrel to continue to provide its leading design services to customers.

An additional software contract extension was also signed with Siemens in April 2023 for the continued use of its Electronic Design Automation (EDA) software. EDA software is also vital to designing the ultracomplex chips that form the core of Sondrel's offering to customers and it was very pleasing to sign this multi-year contract extension.

### **Sondrel's key strengths and advantages**

We believe that Sondrel has several key strengths and advantages that are important to the success of the business:

1. Sondrel has already delivered designs at 5 nanometres and is now working on 3 nanometre process nodes. This level of engineering capability is limited to Sondrel and a small number of Asian direct competitors and positions Sondrel to benefit from the megatrends driving the increasing use of ASICs globally and the production of system solutions utilising increasingly complex design geometries.
2. Sondrel provides leading edge ASIC designs to a global customer base in advanced end markets with significant structural growth drivers including high performance computing, automotive, artificial intelligence, VR/AR, video analytics, image processing mobile networking and data centres.

3. Sondrel has a team of over 140 engineers that are located in design centres globally. This enables Sondrel to be one of only a handful of companies worldwide with the scale, capability and strength of industry relationships to deliver projects in leading technologies.
4. From concept to delivered ASICs, Sondrel is able to act as a single counterparty to its customers as a provider of a full turnkey service in the design, prototyping, testing, packaging and production of ASICs. Sondrel is able to provide customers with the ability to de-risk the design of ASICs through the use of Sondrel's Architecting the Future intellectual property.
5. Sondrel has a clear organic growth strategy focused on increasing its engineering headcount and investing in IP development to further enhance its competitive position, accelerating its growth in key geographies including the US and Europe.
6. Sondrel has a proven and experienced founder-led management team.

### **Customer Activity**

The Group continues to have a strong pipeline of revenue opportunities providing good visibility of future growth. Customers cover multiple growth markets, including major industrial OEMs, automotive suppliers, AI and satellite communication services.

The Group made good progress with customer projects in the first half of 2023, with three designs taping out in the period. These three designs, for a provider of Edge AI Hardware Accelerator solutions, a controller for a smartphone camera and a provider of home network solutions, highlight the strength of Sondrel's design capabilities and attraction of the full turnkey offering, as customers can use Sondrel as a single touchpoint throughout the whole process, providing security in a complex market. In addition to these three projects, good progress has been made on the Group's engagement for a Tier 1 OEM Automotive customer with key milestones being achieved during the year to date.

Sondrel continues to deliver for its customers and the completion of these three tapeouts in the period highlights the high quality of work that Sondrel does for its customers and the Group is already having positive discussions with customers about designing their next generation chips.

### **Summary and Outlook**

As the year has progressed conditions have proven to be increasingly challenging. However, H1 2023 was a period of significant progress, achieving multiple material project milestones as well as operational expansion that will, combined, deliver profitable and sustainable growth for shareholders. The Company is taking the steps necessary to manage the current difficulties and continues to develop a strong customer pipeline in multiple end markets and build a reputation as a premium designer and supplier capable of fulfilling complex ASIC turnkey solutions across the globe.

Notwithstanding H2 2023 delays and the consequential impact on previously anticipated ramp up as we enter FY24, our increasing traction in the important US market, strong sales pipeline and positive ongoing relationships with our existing ASIC customers provides us with continued confidence in our medium-term targets and we will ensure that we keep updating shareholders as we make progress towards this goal.

The Group is also pleased to announce alongside results today the successful delivery of silicon prototypes for three ASIC projects. The three projects, detailed in the Customer Activity section of this statement, will now proceed to validation and qualification and remain on track for release to production.

Investing for growth has delivered promising results, evidenced by particular progress in the important US market. The onboarding of an experienced sales and engineering team in Santa Clara, California, has been swift, and a sizeable sales pipeline is now in place. In addition to this, customer production volume forecasts for the Group's live ASIC projects in Europe have increased, further endorsing the Company's strategy.

### **Financial Highlights**

- Revenue growth of +17% to £9.3 million (2022: £8.0 million)
- ASIC revenue growth of 50% to £8.1 million (2022: £5.4 million)
- Adjusted EBITDA increased +150% to £0.4million (2022: £0.3 million)<sup>3</sup>
- Cash balance decreased -80% £0.1 million (2022: £0.7 million)
- Debt repaid in full £nil (2022: £2.3 million)

### **Operational Highlights**

- Strong growth in ASIC revenues.
- Investment in US sales organisation, increasing the headcount and opening of an office in Santa Clara.
- Appointment of new sales partner in US.
- Increased US pipeline exceeding \$100m.
- Trading in line with management expectations.

### **Post period end events**

- Appointment of Chief Operations Officer.
- Appointment of Vice President of Sales.
- Appointment of new CFO.

### **Financial Review**

#### **Statement of Comprehensive Income**

The Group reported revenue for the six-month period of £9.3 million, an increase of 17% over the £8.0 million reported in 2022. ASIC revenues grew by 50% to £8.1 million as major projects moved into the prototyping phase in 2023 in readiness for production to start in Q4 2023/Q1 2024.

As expected, the gross profit was £1.5 million lower at £1.2 million (2022 H1 £2.4 million) driven by the transition of three projects into the lower margin prototype phase compared to the same period last year when all major projects were in the engineering design phase.

#### **Administrative expenses**

Following the reclassification of research and development expenditure within administrative expenses there is a decrease in the period to £3.6 million from £4.0 million in H1 2022 due to the exceptional costs of £0.5 million and capitalisation of research and development costs of £0.2 million.

Removing the items above the investment in the US sales, silicon operations departments and the Board of Directors has increased employment costs 21% to £1.7 million (H1 2022 £1.4 million). Legal and professional costs increased 95% to £0.3m (H1 2022 £0.1 million) due to the additional costs of public company governance.

Other operating income increased £1.1 million to £1.5 million (H1 2022 £0.3 million) due to the higher cost of prototype research and development leading to an increased claim under the large company research and development expenditure credit scheme (RDEC).

H1 2023 generated a positive adjusted EBITDA (defined as EBITDA excluding exceptional items) of £0.3 million, an increase of 150% (H1 2022: £0.1 million) at a margin of 5% (2022: 3.7%).

Exceptional costs of £0.5 million (2022: £0.1 million) related to the downsizing of the China operation to focus investment on the US market.

<sup>3</sup> *Adjusted EBITDA is EBITDA before deduction of exceptional items (see note 9 for reconciliation)*

Operating loss increased by £0.3 million to £1.5 million (2022: loss of £1.2 million). The decrease in operating profit against the comparative period reflects the exceptional item of £0.5 million. Removing this item the operating loss has improved by £0.2 million due to the improved level of operating income.

The Group reported a loss after tax of £1.8 million (2022: loss of £1.6 million). Net finance costs increased to £0.4 million (2022: £0.3 million) comprising of the interest associated with the additional software acquisition in December 2022.

### **Statement of Financial Position**

Total current assets have decreased by £1.9 million from 31 December 2022 to £13.9 million due to the reduction in inventories and cash, £5.4 million, offset by the increase in working capital and other receivables of £3.5 million.

Inventory at 31 December 2022 of £1 million relating to the prototype mask set manufacture was released on successful completion in Q1 2023.

Trade and other receivables increased to £13.5 million (FY 2022: £10.2 million) due to the increase in contract receivables of £1.4 million to £7.4 million and corporation tax receivable £1.7 million to £2.3 million under the RDEC scheme (FY 2022: £6.0 million and £0.6 million respectively) demonstrating the increased levels of engineering and research and development.

Trade and other payables increased to £16.9 million (FY 2022: £15.0 million) driven by the increased cost of prototype activity in H1, offset by a reduction in accrued contract liabilities.

### **Cash flow**

The Group's cash position decreased from £4.5 million on 31 December 2022 to £0.1 million on 30 June 2023.

Operating cash outflow before movements in working capital of £0.04 million (H1 2022: £nil);

- Less a negative working capital flux of £1.9 million (H1 2022: positive flux of £3.6 million) driven by the increase in work in progress and reduction in supplier payables;
- Less cash used in investing activities of £1.1 million for the software capital expenditure (H1 2022: £2.5 million);
- Less cash outflow from repayment of the remaining debt £0.7 million and interest against the software asset and leasing obligations of £0.6 million (H1 2022: £0.4 million).

Receivables increased by 3.4 million due the amalgamation of project milestones for receipts, which were not triggered until after the period end. One milestone receipt of £2.5 million was received post the period end.

## Unaudited interim condensed consolidated statement of comprehensive income

For the six months ended 30 June

		<b>Six months ended 30 June 2023</b>	Six months ended 30 June 2022
	<b>Note</b>	<b>£</b>	<b>£</b>
<b>Revenue</b>	5	<b>9,334,652</b>	7,951,648
Cost of sales		<b>(8,173,815)</b>	(5,555,718)
<b>Gross profit</b>		<b>1,160,837</b>	2,395,930
Exceptional items	6	<b>(478,804)</b>	(52,446)
Administrative expenses		<b>(3,555,361)</b>	(3,804,291)
Other operating income	7	<b>1,350,375</b>	261,182
<b>Operating loss</b>		<b>(1,522,953)</b>	(1,199,625)
Finance income		<b>221</b>	3
Finance expense		<b>(427,932)</b>	(318,381)
<b>Loss before taxation</b>		<b>(1,950,664)</b>	(1,518,003)
Tax credit/(expense)	8	<b>107,993</b>	(35,888)
<b>Loss for the period attributable to the owners of the parent company</b>		<b>(1,842,671)</b>	(1,553,891)
Earnings per share attributable to the owners of the parent company	10		
Basic		<b>(0.03)</b>	(0.03)
Diluted		<b>(0.03)</b>	(0.03)

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

The notes on pages 12 to 23 form part of these unaudited interim condensed consolidated financial statements



**Unaudited interim condensed consolidated statement of comprehensive income**

For the six months ended 30 June

	<b>Six months ended 30 June 2023 £</b>	Six months ended 30 June 2022 £
<b>Loss for the period</b>	<b>(1,842,671)</b>	(1,553,891)
<b>Other comprehensive income/(expense):</b>		
Exchange differences on translation of foreign operations	<b>16,634</b>	(16,518)
<b>Total comprehensive expense for the period</b>	<b><u>(1,826,037)</u></b>	<u>(1,570,409)</u>

The notes on pages 12 to 23 form part of these unaudited interim condensed consolidated financial statements.

## Unaudited interim condensed consolidated statement of financial position

As at 30 June 2023

		(Unaudited)	(Audited)
		30 June	31 December
		2023	2022
		£	£
<b>Assets</b>	<b>Notes</b>		
<b>Non-current assets</b>			
Property, plant and equipment		303,147	293,914
Right-of-use assets		548,971	637,100
Intangible assets	11	13,446,882	14,547,870
Deferred tax assets		3,236,418	3,199,744
<b>Total non-current assets</b>		<b>17,535,418</b>	<b>18,678,628</b>
<b>Current assets</b>			
Inventories		-	1,044,069
Trade and other receivables	12	13,526,788	10,197,124
Cash and cash equivalents		132,227	4,449,812
Income tax receivable		273,580	149,853
<b>Total current assets</b>		<b>13,932,595</b>	<b>15,840,858</b>
<b>Total assets</b>		<b>31,468,013</b>	<b>34,519,486</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	14	87,462	87,462
Share premium		18,286,562	18,286,562
Foreign currency translation reserve		(38,962)	(55,597)
Share-based payment reserve		812,676	812,676
Retained earnings		(12,490,284)	(10,647,613)
<b>Total equity</b>		<b>6,657,454</b>	<b>8,483,490</b>
<b>Non-current liabilities</b>			
Other payables	13	7,589,110	9,984,228
Borrowings		-	700,000
Lease liabilities		227,675	307,944
Deferred tax liabilities		88,298	74,933
<b>Total non-current liabilities</b>		<b>7,905,083</b>	<b>11,067,105</b>
<b>Current liabilities</b>			
Trade and other payables	13	16,629,559	14,677,767
Short-term lease liabilities		275,917	291,124
<b>Total current liabilities</b>		<b>16,905,476</b>	<b>14,968,891</b>
<b>Total liabilities</b>		<b>24,810,559</b>	<b>26,035,996</b>
<b>Total equity and liabilities</b>		<b>31,468,013</b>	<b>34,519,486</b>



G S Curren  
Director

The notes on pages 12 to 23 form part of these unaudited interim condensed consolidated financial statements

## Unaudited interim condensed consolidated statement of changes in equity

For the six months ended 30 June

	Share capital	Share premium	Foreign Currency translation reserve	SBP reserve	Retained earnings	Total
<b>For the six month period ended 30 June 2023</b>						
	£	£	£	£	£	£
As at 1 January 2023	87,462	18,286,562	(55,597)	812,676	(10,647,613)	8,483,490
Loss for the period	-	-	-	-	(1,842,671)	(1,842,671)
Currency translation differences	-	-	16,634	-	-	16,634
<b>Total other comprehensive income</b>	-	-	16,634	-	-	16,634
<b>Total comprehensive income</b>	-	-	16,634	-	(1,842,671)	(1,826,037)
<b>Transactions with owners in their capacity as owners:</b>						
Share based payment charge	-	-	-	-	-	-
<b>As at 30 June 2023</b>	<b>87,462</b>	<b>18,286,562</b>	<b>(38,962)</b>	<b>812,676</b>	<b>(12,490,284)</b>	<b>6,657,454</b>
<b>For the year ended 31 December 2022</b>						
<b>As at 1 January 2022</b>	<b>8,345</b>	<b>122,431</b>	<b>(16,518)</b>	<b>1,236,397</b>	<b>(7,927,194)</b>	<b>(6,576,539)</b>
Loss for the period	-	-	-	-	(3,191,901)	(3,191,901)
Currency translation differences	-	-	(39,079)	-	-	(39,079)
<b>Total other comprehensive income</b>	-	-	(39,079)	-	-	(39,079)
<b>Total comprehensive income</b>	-	-	(39,079)	-	(3,191,901)	(3,230,980)
<b>Transactions with owners in their capacity as owners:</b>						
Share issues	36,364	18,164,131	-	-	-	18,200,495
Exercise of share options	1,029	-	-	(513,206)	513,206	1,029
Bonus issues	41,724	-	-	-	(41,724)	-
Share based payment charge	-	-	-	89,485	-	89,485
<b>As at 31 December 2022</b>	<b>87,462</b>	<b>18,286,562</b>	<b>(55,597)</b>	<b>812,676</b>	<b>(10,647,613)</b>	<b>8,483,490</b>

**For the six month period ended 30 June 2022**

<b>As at 1 January 2022</b>	8,345	122,431	(16,518)	1,236,397	(7,927,194)	<b>(6,576,539)</b>
Loss for the period	-	-	-		(1,553,891)	<b>(1,553,891)</b>
Currency translation differences	-	-	(16,518)	-	-	<b>(16,518)</b>
<b>Total other comprehensive income</b>	-	-	(16,518)	-	-	<b>(16,518)</b>
<b>Total comprehensive income</b>	-	-	(16,518)	-	(1,553,891)	<b>(1,570,409)</b>
<b>Transactions with owners in their capacity as owners:</b>						
Share based payment charge	-	-	-		-	-
<b>As at 30 June 2022</b>	<b>8,345</b>	<b>122,431</b>	<b>(33,036)</b>	<b>1,236,397</b>	<b>(9,4981,085)</b>	<b>(8,146,948)</b>

The notes on pages 12 to 23 form part of these unaudited interim condensed consolidated financial statements.

## Unaudited interim condensed consolidated statement of cash flows

For the six months ended 30 June

	Six months ended 30 June 2023 £	Six months ended 30 June 2022 £
<b>Cash flows from operating activities:</b>		
Loss for the financial period	(1,842,671)	(1,553,891)
<b>Adjustments for:</b>		
Amortisation of intangible assets	1,273,975	1,272,994
Depreciation of property, plant and equipment	51,874	47,176
Depreciation of right-of-use assets	156,619	125,864
Loss on disposal of tangible assets	745	-
Interest expense	427,932	318,381
Interest income	(221)	(3)
Taxation charge/(credit)	(107,993)	35,888
<b>Working capital adjustments:</b>		
Increase in receivables	(3,368,707)	(2,734,617)
Increase in payables	475,628	6,248,371
Decrease in inventories	1,044,069	-
Corporation tax paid	-	(80,476)
Unrealised foreign currency losses	19,817	(566)
<b>Net cash generated from / (used in) operating activities</b>	<b>(1,868,933)</b>	<b>3,679,121</b>
<b>Cash flows from investing activities</b>		
Purchase of intangible fixed assets	(1,073,276)	(2,281,172)
Purchase of property, plant and equipment	(59,139)	(170,566)
Interest received	221	3
Proceeds from sale of tangible fixed assets	760	-
<b>Net cash used in investing activities</b>	<b>(1,131,434)</b>	<b>(2,451,735)</b>
<b>Cash flows from financing activities</b>		
Repayment of bank loans	(700,000)	(175,000)
Interest paid	(416,279)	(161,230)
Interest paid on lease liabilities	(28,440)	(9,278)
Principal element of lease payments	(172,499)	(85,089)
<b>Net cash flows used in financing activities</b>	<b>(1,317,218)</b>	<b>(430,597)</b>
Net increase / (decrease) in cash and cash equivalents	(4,317,585)	796,789
Cash and cash equivalents at beginning of the period	4,449,812	(1,243,719)
<b>Cash and cash equivalents at end of the period</b>	<b>132,227</b>	<b>(446,930)</b>

The notes on pages 12 to 23 form part of these unaudited interim condensed consolidated financial statements.

## **1. Corporate information**

These unaudited interim condensed consolidated financial statements of Sondrel (Holdings) Plc (“the Company”) and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2023 were authorised for issue in accordance with a resolution of the directors on 20<sup>th</sup> September 2023

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.

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

## **2. Summary of Significant Accounting Policies**

### **2.1. Basis of preparation**

The unaudited interim financial statements in this report has been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as adopted by the UK. This is consistent with the financial statements for the year ended 31st December 2022. Financial information contained in this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 (“the Act”). The statutory accounts for the year ended 31 December 2022 have been filed with the Registrar of Companies. The report of the auditors on those statutory accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Act. The group has chosen not to adopt IAS 34 “Interim Financial Statements” in preparing the interim financial information.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2022. These unaudited interim financial statements do however present selected explanatory notes to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since 31 December 2022.

Since the 31 December 2022 results were published, management has made a presentational change to re-allocate R&D costs from cost of sales to overheads. The directors believe this permits the reader a better understanding of the true direct costs of generating revenues. Research and Development activity is not directly aligned to sales being made in the period, and therefore the Directors believe including these within cost of sales does not present a fair reflection of the true margin made during the period. This allocation of costs has been applied throughout the current period, and will be adopted by the Group going forward. The figures relating to the six month period to June 2022 also reflect the revised presentation.

### **2.2. Going Concern**

Notwithstanding the loss from continuing operations for the six month period to June 2023, the directors have prepared the unaudited interim financial information under the going concern basis.

As part of normal business practice, the Group prepares monthly detailed financial forecasts which incorporate year-to-date performance and scenario planning. The Directors have considered the cashflow requirements of the Group and concluded will have sufficient funds to meet its financial liabilities as and when they fall due, for a period of at least 12 months from the date of this report.

### **2.3. Summary of significant accounting policies**

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

The Group is in the business of providing system-on-chip and associated engineering services. Revenue from contracts with customers is recognised when, in accordance with IFRS 15, control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

### **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.

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 contracts with customers are for fixed price consideration with 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.

### **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 to the Group. These rebates constitute a form of variable consideration and are recognised as a reduction to the revenue.

The Group had one arrangement with a customer which involved the withholding of a retention until completion of the project. The arrangement provided the customer with protection for the Group failing to adequately complete obligations under the contract. Therefore, this is not accounted for as a significant financing component. As this is a contractual payment term, revenue is recognised in full as the Group performs, with a contract asset recognised for the retention element. In order to determine a measure of progress of satisfaction of the performance obligation, the Group uses the input method based on time incurred, as this best reflects the progress of satisfaction of the performance obligation.

## **Warranties**

The Group provides warranties to customers that ensure that the products comply with agreed-upon-specifications. The warranty arrangements are not recognised as separate performance obligations because they cannot be purchased separately and do not provide the customer with a service in addition to the assurance that the product complies with agreed-upon specifications. A provision is recognised for warranty claims when they meet the recognition criteria.

## **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.

## **(b) Lease 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 or 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 statement of financial position.

## **(c) 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. 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 by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

## **(d) Interest**

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



**(e) Taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or 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.

**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.

**(f) Earnings per share and dividends**

**Basic EPS**

Basic earnings per share is calculated on the Group's profit or loss after taxation attributable to the parent entity and on the basis of weighted average of issued and fully paid ordinary shares at the end of the year.

**Diluted EPS**

Diluted EPS is calculated by dividing the profit or loss after taxation attributable to the parent entity by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares (after adjusting for outstanding share awards arising from the share-based payment scheme) into ordinary shares.

**(g) 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.

An item of property, plant and equipment is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

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.

**(h) 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.

An intangible asset is derecognised upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

**(i) 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
- 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.

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 10 years.

**(j) Impairment of non-financial assets**

Assets that are subject to depreciation or amortisation 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, assets are grouped at the lowest levels for which there are 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) Government grants**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

**(l) Inventories**

Inventories relate to work in progress and are valued at the lower of cost and net realisable value. Costs incurred relate to direct materials.

**(m) Cash and cash equivalents**

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

Bank overdrafts are included in cash and cash equivalents for the purposes of presentation in the statement of cash flows because they are an integral part of the Group's cash management. Bank overdrafts are included in trade and other payables in the statement of financial position.

**(n) Financial instruments**

**Financial assets**

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

Trade 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**

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.

#### **(o) Equity**

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

#### **(p) Borrowings**

Interest bearing bank loans and overdrafts 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.

#### **2.4. 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. The principal ones were:

Amendment to IFRS 16 - Leases on sale and leaseback transaction (effective for annual periods beginning on or after 1 January 2024)

Amendments to IAS 1, Presentation of financial statements on classification of liabilities (effective date deferred until accounting periods starting not earlier than 1 January 2024)

The Directors do not expect the adoption of these amendments to standards to have a material impact on the financial statements.

#### **3. Significant events and transactions**

There were no significant events and transactions during the period.

#### 4. 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 period.

#### 5. 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.

	<b>Six months ended 30 June 2023 £</b>	Six months ended 30 June 2022 £
<b>Service line</b>		
Projects	<b>8,135,504</b>	5,433,970
Consultancy	<b>1,199,148</b>	2,517,678
<b>Total</b>	<b>9,334,652</b>	7,951,648
<b>Primary geographical markets</b>		
UK	<b>1,569,289</b>	3,142,119
Rest of the world	<b>7,765,363</b>	4,809,529
<b>Total revenue</b>	<b>9,334,652</b>	7,951,648

The operations are not cyclical and there is no significant seasonality to the operations.

#### 6. Exceptional Items

	<b>Six months ended 30 June 2023 £</b>	Six months ended 30 June 2022 £
Cost of listing	-	52,446
Cost of restructure	<b>478,804</b>	-
<b>Total</b>	<b>478,804</b>	52,446

Exceptional expenses in the six month period ended 30 June 2023 relate to the restructuring of the engineering activity in China. This forms part of the company strategy to focus on the US market. Exceptional expenses in the six month period ended 30 June 2022 relate to the costs of the group undergoing the Initial Public Offering in October 2022.

#### 7. Other Operating Income

	<b>Six months ended 30 June 2023 £</b>	Six months ended 30 June 2022 £
R&D tax credit	<b>1,350,375</b>	261,182
<b>Total</b>	<b>1,350,375</b>	261,182

## 8. Taxation

The Group calculated the income tax expense for the period using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the unaudited interim condensed consolidated statement of profit or loss are:

	Six months ended 30 June 2023 £	Six months ended 30 June 2022 £
<b>Income taxes</b>		
Current tax (credit) / expense	(84,684)	35,888
Deferred tax (credit)	(23,309)	-
<b>Total tax (credit) / charge</b>	<b>(107,993)</b>	<b>35,888</b>

Tax for the six month period is charged at 25% (six months ended 30 June 2022: 19%), representing the best estimate of the average annual effective tax rate expected for the full year, applied to the pre-tax income of the six month period.

## 9. Alternative performance measures

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

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

A further alternative performance measure for the Group is adjusted loss for the period before tax. This is used to measure earnings before tax adjusted for amortization and exceptional items.

	Six months ended 30 June 2023 £	Six months ended 30 June 2022 £
Loss for the period before tax	(1,950,664)	(1,518,003)
Exceptional costs (note 6)	478,804	52,446
Depreciation	208,493	166,912
Amortisation (note 11)	1,273,975	1,272,994
Finance costs	427,932	318,381
<b>Adjusted EBITDA</b>	<b>438,540</b>	<b>292,730</b>
Loss for the period before tax	(1,950,664)	(1,518,003)
Exceptional items (note 6)	478,804	52,446
Amortisation (note 11)	1,273,975	1,272,994
<b>Adjusted loss for the period before tax</b>	<b>(197,885)</b>	<b>(192,563)</b>

## 10. Earnings per share (EPS)

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

	Six months ended 30 June 2023 £	Six months ended 30 June 2022 £
Loss for the period	(1,842,671)	(1,553,891)
Weighted average number of shares	87,461,772	50,068,686
<b>Basic earnings loss per share (£)</b>	<b>(0.02)</b>	<b>(0.03)</b>
Loss for the period	(1,842,671)	(1,553,891)
Weighted average number of shares	87,461,772	50,068,686
Dilutive effect of share options	-	-
Weighted average number of diluted shares	87,461,772	50,068,686
<b>Diluted loss per share (£)</b>	<b>(0.02)</b>	<b>(0.03)</b>

During the six month periods ending 30 June 2022 and 30 June 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 Earnings Per Share. As a result, the diluted Earnings Per Share is equal to the Basic Earnings Per Share.

## 11. Intangibles

	Software licenses £	Development costs £	Total £
Cost			
<b>At 1 January 2022</b>	<b>12,511,590</b>	-	<b>12,511,590</b>
Disposals	(917,118)	-	(917,118)
<b>At 30 June 2022</b>	<b>11,594,472</b>	-	<b>11,594,472</b>
Additions	8,098,891	239,373	8,338,264
Disposals	(1,021,447)	-	(1,021,447)
<b>At 31 December 2022</b>	<b>18,671,916</b>	<b>239,373</b>	<b>18,911,289</b>
Additions	18,373	154,613	172,986
<b>At 30 June 2023</b>	<b>18,690,289</b>	<b>393,986</b>	<b>19,084,275</b>
<i>Amortisation</i>			
<b>At 1 January 2022</b>	<b>3,165,209</b>	-	<b>3,165,209</b>
Amortisation charge for the period	1,272,994	-	1,272,994
Disposals	(917,118)	-	(917,118)
<b>At 30 June 2022</b>	<b>3,521,085</b>	-	<b>3,521,085</b>
Amortisation charge for the period	1,683,085	-	1,683,085
Disposals	(840,752)	-	(840,752)
<b>At 31 December 2022</b>	<b>4,363,418</b>	-	<b>4,363,418</b>

Amortisation charge for the period	1,273,975	-	1,273,975
<b>At 30 June 2023</b>	<b>5,637,393</b>	<b>-</b>	<b>5,637,393</b>
<i>Net book value</i>			
<b>At 30 June 2023</b>	<b>13,052,896</b>	<b>393,986</b>	<b>13,446,882</b>
At 31 December 2022	14,308,497	239,373	14,547,870
At 30 June 2022	8,073,387	-	8,073,387

The additions in the period relate to capitalised development costs and externally generated software licenses.

## 12. Trade and other receivables

	(Unaudited) 30 June 2023 £	(Audited) 31 December 2022 £
Current trade and other receivables:		
Trade receivables	3,478,571	3,138,895
Contract receivables	7,385,833	5,972,166
	<b>10,864,404</b>	<b>9,111,061</b>
Allowance for expected credit losses	(91,306)	(91,306)
	<b>10,773,098</b>	<b>9,019,755</b>
Other receivables	2,061,691	827,928
Prepayment and accrued income	691,999	349,441
<b>Total</b>	<b>13,526,788</b>	<b>10,197,124</b>

Management have assessed the expected credit loss up to 30 June 2023 and the change from the year end balance (31 December 2022) was deemed immaterial.

## 13. Trade and other payables

	(Unaudited) 30 June 2023 £	(Audited) 31 December 2022 £
Current trade and other payables:		
Trade payables	3,437,468	586,072
Social security and other taxes	289,280	432,596
Other payables	4,657,223	4,514,832
Accruals	4,242,460	3,390,621
Contract liabilities	4,003,128	5,753,646
<b>Total</b>	<b>16,629,559</b>	<b>14,677,767</b>
Non-current trade and other payables:		
Other payables	7,589,110	9,984,228
<b>Total</b>	<b>7,589,110</b>	<b>9,984,228</b>

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



Other payables represent the amounts owed in relation to the acquisition of software licences and are repayable in staged instalments over 3 years. An effective interest rate of 4.68% to 7.56% has been charged on this payables balance. The rate is determined by each part of the contract.

**14. Share capital**

	<b>(Unaudited)</b> <b>30 June</b> <b>2023</b> <b>Number</b>	<b>(Audited) 31</b> <b>December</b> <b>2022</b> <b>Number</b>	<b>(Unaudited)</b> <b>30 June</b> <b>2023</b> <b>£</b>	<b>(Audited) 31</b> <b>December</b> <b>2022</b> <b>£</b>
Ordinary shares of £0.001 each	87,461,772	87,461,772	87,462	87,462
<b>Total</b>	<b>87,461,772</b>	<b>87,461,772</b>	<b>87,462</b>	<b>87,462</b>

**15. Subsequent events**

There are no events subsequent to the reporting date which would have a material impact on the financial statements.