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.

18 July 2024

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

Final Results for the Year Ended 31 December 2023

Publication of Annual Report

Sondrel (AIM: SND), a leading provider of ultra-complex chips for leading global technology brands, announces its audited full year-results for the year ended 31 December 2023 ("FY23") and that it has published its annual report which is available to view on the Company's website - https://ir.sondrel.com/investors/results-reports-presentations.

Financial Review

- Revenue of £9.4 million (FY22: £17.3 million)
- Operating loss of £17.3 million (FY22: £5.2 million)
- Adjusted EBITDA of £4.5 million loss (FY22: £1.1 million loss)
- Net debt at year-end of £0.9 million (FY22: net cash of £3.7 million)

Operational Review

- Steady project progress during the first half of FY23. However, delays on the largest ASIC project and the lack of new contract wins in the second half resulted in a significant fall in revenue and tightening of cash position
- £2.7 million of revenue from largest ASIC project deferred from FY23 into FY24
- Two smaller ASIC projects achieved 'tape out' status during FY23, one of which led to Sondrel's first production order in late 2023
- Joe Lopez, Group CFO, stood down in September 2023 and was replaced by Nick Stone as Interim CFO in a non-board capacity

Post Period End

- On 6 March 2024, the Company entered into an £874,600 secured 15% convertible loan note agreement with Rox Equity Partners Limited ("ROX") to enable the Group to meet immediate working capital requirements
- The Company has since received a further £2 million from ROX on 28 March 2024 via a further convertible loan note under the same terms as the above and also a £5.6 million equity subscription completed on 14 June 2024.
- The Company agreed with ROX to enter into a transformation plan (the "Transformation Plan") that has resulted in the following management and Board changes:
    - Graham Curren has transitioned from his role as Chief Executive Officer to Non-Executive Director;
    - Nigel Vaughan has retired from his position as Non-Executive Chairman;
    - David Mitchard was appointed as interim Chief Executive Officer on 28 March 2024, and subsequently Non-Executive Chairman on 18 June 2024. David will stand down as interim Chief Executive Officer from today, following the appointment of John Chubb as Chief Executive Officer, and will remain the Company's Non-Executive Chairman; and
    - Miles Woodhouse has been appointed as Non-Executive Director.

- Under the Transformation Plan, the Company has also resolved to propose to cancel the admission of the Company's ordinary shares to trading on AIM (the "Cancellation"). A circular will be sent to shareholders in due course together with a notice convening a general meeting of the Company during August 2024 to consider, inter alia, the Cancellation.

For further information:

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John Chubb, CEO — Tel: +44 (0) 20 7466 5000
Nick Stone, Interim CFO

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Ben Jeynes / Katy Birkin / George Lawson - Corporate Finance
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Stephanie Whitmore
Jack Devoy
Abby Gilchrist

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).

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

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

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 of the 2023 annual report and accounts.

Nick Stone
Interim Chief Financial Officer
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 form part of the 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 form part of the 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 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 form part of the consolidated financial statements.

Sondrel (Holdings) plc
Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

1 General information

The financial information of the Group set out above does not constitute statutory accounts for the purposes of Section 435 of the Companies Act 2006. Whilst the financial information included in this announcement has been prepared in accordance with UK adopted international accounting standards, in conformity with the requirements of the Companies Act 2006, that are relevant to companies that report under these standards, this announcement does not itself contain sufficient information to comply with those standards. This financial information has been prepared in accordance with the accounting policies set out in the 2023 Annual Report.

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.

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.

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.

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.

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.

(a) 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.

(b) 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.

(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, 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.

(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 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.

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) 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.

(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.

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.

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.

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.

(i) 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.

(j) Cash and cash equivalents

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

(k) 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.

(l) 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.

(m) 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.

(n) 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.

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.

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).

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.

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)

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

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)

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)1

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)0

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

Current trade and other payables	**2023** **£**	2022 as restated £
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

Short-term borrowings included under current liabilities	**2023** **£**	2022 £
Bank loans	**859,800**	-
Total	**859,800**	-

Non-current borrowings	**2023** **£**	2022 £
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.

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.

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**

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[2] 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.

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

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.

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.

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.