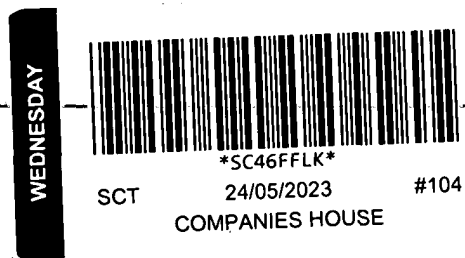


Company Registration No. SC211759 (Scotland)

**SIVERS PHOTONICS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**



# SIVERS PHOTONICS LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	W McLaughlin A Storm
<b>Secretary</b>	WJM Secretaries Limited
<b>Company number</b>	SC211759
<b>Registered office</b>	Wright, Johnston & Mackenzie LLP 12/13 The Capital Building St. Andrew Square Edinburgh EH2 2AF
<b>Auditor</b>	RSM UK Audit LLP Chartered Accountants Third Floor Centenary House 69 Wellington Street Glasgow G2 6HG

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# SIVERS PHOTONICS LIMITED

## CONTENTS

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	<b>Page</b>
Strategic report	1 - 3
Directors' report	4 - 6
Directors' responsibilities statement	7
Independent auditor's report	8 - 10
Statement of comprehensive income	11
Statement of financial position	12 - 13
Statement of changes in equity	14
Notes to the financial statements	15 - 33

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# SIVERS PHOTONICS LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2022

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The directors present the strategic report and financial statements for the year ended 31 December 2022.

#### **Review of the business**

The company supplies multiple, high growth, optical communications, sensing and wireless markets. The company's optical communications devices enable cloud computing, Passive Optical Networks (PON), 5G Fronthaul, artificial intelligence and machine learning. Its optical sensing devices enable the development of the core technologies used in autonomous vehicle, consumer biological identification, hazard detection, security systems and augmented/merged reality markets. Its optical wireless devices are used in secure, free-space communications such as LiFi.

The company has developed its modular approach to a consolidated Indium Phosphide production platform. This enables the company to scale up production more easily, with consistent quality, as demand for volume increases. It also allows for a variety of device performance specifications, within the common build platform, to suit the needs of the different markets.

The company continues to develop Silicon Photonics expertise. This supports the increasing use of optical datacoms in new, board-to-board and chip-to-chip applications, as well as established and existing, long-haul optical fibre applications such as Gigabit Passive Optical Network (GPON). Critical development success in Silicon Photonics devices has been achieved in collaboration with IMEC; a world-leading R&D and innovation hub in nanoelectronics and digital technologies.

The company now exports over 78% of its production output to the US. The company is a critical supply partner and approved vendor to some of the largest companies in the world, receiving new and repeat orders from Fortune 100 companies in most of its vertical markets.

The company continues to be strongly involved with many universities in collaborative projects, developing both new technologies and unique, process library IP. It also remains involved with UK and European Technology Consortium Programmes where it receives UK-government funding and overseas funding for innovation and development work.

#### **Financial review and key performance indicators**

The company achieved revenue of £5.9m (2021: £5.8m) during the year and gross profit of £3.5m (2021: £3.5m), both have remained consistent to prior year.

Earnings before interest, tax, depreciation and amortisation (EBITDA) resulted in a loss of £0.8m (2021: £0.7m), this is primarily driven by an increase in people costs as the company prepares for growth.

Investment in research and development eligible for a tax credit in year was £2.3m (2021: £2.4m), this spend reflects 39% (2021: 41%) of revenue. There are several highly scalable commercial opportunities underlying this investment which the directors expect will increase revenue and profit in the next 1-5 years.

Fixed assets (including intangible and property plant and equipment) decreased to £8.2m (2021: £8.4m) due to disposals and increased depreciation in the period.

The overall net asset position decreased to £1.3m (2021: £3.5m). This is mainly due to an increase in long term loans from the parent company, Sivers Semiconductors AB, as a result of the loss incurred in the period.

Given the nature of the business and during this transitional development phase, the company's directors are of the opinion that analysis of further KPI's beyond the key financial metrics given above are not relevant in understanding the development, performance or position of the business.

# SIVERS PHOTONICS LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### **Principal risks and uncertainties**

The company's operations, financial position and profit are exposed to a number of risks and uncertainties. These risks may adversely affect the company's operations, profit and financial position.

The risk factors described below are not ranked by importance, nor do they constitute a comprehensive description of all the risks the company is exposed to.

#### *Technology risk*

In common with all new technologies, price performance and rate of market expansion / consumer take up of services which depend on new hardware systems is a significant risk factor which will determine the company's future business growth and profitability. The company has a strong research and development focus. There are established processes for project management and follow-up to ensure future profitability. The projects involve experienced collaboration partners with contact networks that help speed up market launch. The company also works hard on targeted recruitment to attract competent staff. Collaborations with universities and other institutions provide a good recruitment pipeline.

#### *Market risk*

The company is active globally with customers in many different parts of the world. This exposes the company to risks such as deteriorating trade policy terms, changes to regulatory frameworks, limited protection of intellectual property rights, varying accounting standards, tax systems and changed payment terms. The company is active in markets that are expected to generate continued growth and earnings potential over the coming years. However, there is a risk that market developments could become unfavourable as a result of changes in the macroeconomic environment, new regulatory frameworks, limited protection of intellectual property rights or other unforeseen external factors. A significant proportion of the company's revenue is derived from customers in the US. Geopolitical disputes between the US, China and Europe may disrupt customers' procurement processes, which could, in turn, have an adverse impact on the Company.

#### *Dependence on customers*

The company has one customer that represents almost 50% of total sales. In the event that this customer should decrease or cease purchasing the company's products, this could have a negative impact on sales for a shorter or longer period which, in turn, would have a negative impact on the company's operations, result and financial position. The company focuses sharply on customer satisfaction and quality testing of the products it delivers. The company is currently in a growth phase, with an existing and potential customer base that could generate increased sales in future. The company continuously seeks to broaden its customer base to reduce dependence on a limited number of customers.

#### *War in Ukraine*

The company has no customers or suppliers in Russia or Ukraine. Management will take action to mitigate the impact of any indirect impacts on our cost base, including switching to alternative suppliers, consolidating supplies to secure bulk discounts, insourcing production, etc. In the last resort, any cost increases that cannot be mitigated will be passed on to customers via increased pricing.

#### *Brexit*

The UK's exit from the European Union, Brexit, has generated significant uncertainty in the European market, and it is difficult to predict the impact on the company's European operations. Continued or increased economic instability due to Brexit could have a negative impact on the company's operations, profit and financial position. The company has carried out an assessment of the impact on its operations. Because a large part of the company's customer base is located outside Europe, the primary risk associated with sales is considered to be Brexit related USD exchange rate effects. A proportion of the company's input goods are imported from European countries, although most are not subject to customs duty on imports from third party countries.

#### **Future developments**

The directors expect a continuation of growth in 2023 in key expansive markets and have taken steps to ensure that the company has the right product roadmaps and sales infrastructure in place to maximise its activity in them as and when these markets fully emerge. These markets include inter alia, PON, 5G Fronthaul, artificial intelligence and machine learning, autonomous vehicle, consumer bio, hazard, security and augmented reality markets.

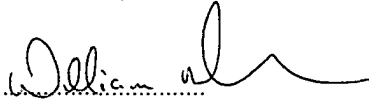
**SIVERS PHOTONICS LIMITED**

**STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

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On behalf of the board



W McLaughlin  
**Director**

Date: 19/05/2023

# **SIVERS PHOTONICS LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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The directors present their annual report and financial statements for the year ended 31 December 2022.

#### **Principal activities**

The principal activity of the company is to design and produce III-V compound semiconductors for photonics products. This includes providing custom-designed, foundry services and standard, high-volume, laser devices.

#### **Results and dividends**

The results for the year are set out on page 11.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend (2021: £nil).

#### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

W McLaughlin  
A Storm

#### **Qualifying third party indemnity provisions**

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

#### **Subsequent events**

There have been no other significant events which have taken place after the balance sheet date but before the date of signing which are considered to give significant and further information relevant to these financial statements.

#### **Future developments and Research and development**

In accordance with Section 414C of the Companies Act 2006, the directors have chosen to set out the following information in the Strategic Report which would otherwise be required to be contained in the Directors' Report:

- Future developments; and
- Research and development

#### **Auditor**

During the year RSM UK Audit LLP were appointed as auditor.

#### **Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

# SIVERS PHOTONICS LIMITED

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### **Financial risk management objectives and policies**

The company's activities expose it to a number of financial risks including cash flow risk, credit risk, and liquidity risk. The use of financial derivatives is agreed and monitored by the board of directors. The board of directors review these risks in advance of entering into contracts and approve the use of these instruments. The company does not use derivative financial instruments for speculative purposes.

#### *Cash flow risk*

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates.

The company previously used foreign exchange forward contracts to hedge these exposures however no new contracts have been entered into. The hedging strategy is regularly reviewed with regard to the current business position.

#### *Credit risk*

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The company has established a model for calculating expected credit losses in accordance with IFRS 9. An allowance for impairment is made based on the expected credit losses that are expected to result from all possible default events over the life of the instrument.

The company has historically experienced very few credit losses. The company actively pursues timely payment of outstanding invoices and frequently follows up unpaid customer invoices to determine the reason and collect overdue amounts.

#### *Liquidity risk*

The company uses short-term intercompany debt finance to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments.

The directors have made enquiries and understand that the ultimate parent company expects to have adequate resources to be able to provide this financial support, through a mix of its existing funds. Further details are included within 'Going concern'.

#### **Going concern**

The company has made a loss for the year of £2.2m and has net current liabilities of £0.6m at 31 December 2022, of which amounts due to group undertakings via intercompany loans contribute £3m. The directors have carried out a detailed review of the budgets and a stress test for the 12 months after the signing date of the financial statements, with due regard for the risks and uncertainties to which the business is exposed, including the current market conditions explained in the Strategic Report, as well as available mitigating actions such as controlling certain expenditures.

The directors are confident that the company has adequate resources to continue in operational existence for a period of at least 12 months from the date these financial statements were approved. The directors have also taken into consideration the available support via the financial commitment received from its ultimate parent company in forming this judgement. The parent company, Sivers Semiconductors AB, has provided a letter of support to confirm their intention to provide support for the company for at least 12 months from the date of signing the financial statements. This includes delaying, if necessary, the repayment of any intercompany loans due to the parent company. The directors have made enquiries and understand that the parent company expects to have adequate resources to be able to provide this financial support.

After considering the above facts, the directors therefore reasonably expect that the company has adequate resources to continue to operate for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.


# SIVERS PHOTONICS LIMITED

## DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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On behalf of the board



W McLaughlin  
Director

Date: 19/05/2023

# **SIVERS PHOTONICS LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIVERS PHOTONICS LIMITED

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## Opinion

We have audited the financial statements of Sivers Photonics Limited (the 'company') for the year ended 31 December 2022 which comprise the Statement of comprehensive income, Statement of Financial Position, Statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

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

## Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

## Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

*Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.*

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

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

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIVERS PHOTONICS LIMITED (CONTINUED)**

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### **Matters on which we are required to report by exception**

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

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

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

### **The extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIVERS PHOTONICS LIMITED (CONTINUED)

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As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 101, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures and evaluating advice received from external tax advisors.

The most significant laws and regulations that has an indirect impact on the financial statements is The Workplace (Health, Safety and Welfare) Regulations 1992. We performed audit procedures to inquire of management whether the company is compliant with health and safety standards and inspected policies in place and reviewing external sources.

The audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, and challenging judgments and estimates applied to identify the revenue stage of completion on contracts.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

### Use of our report

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

*K Morrison*

Katie Morrison BAcc CA (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
Third Floor  
Centenary House  
69 Wellington Street  
Glasgow  
G2 6HG  
22/05/23.....

# SIVERS PHOTONICS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

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	Notes	2022 £'000	2021 £'000
Revenue	3	5,861	5,805
Cost of sales		(2,344)	(2,301)
<b>Gross profit</b>		<b>3,517</b>	<b>3,504</b>
Distribution costs		(59)	(70)
Administrative expenses		(6,083)	(5,579)
Other operating income	4	510	462
<b>Operating loss</b>	<b>8</b>	<b>(2,115)</b>	<b>(1,683)</b>
Investment income		14	4
Finance costs	9	(323)	(338)
<b>Loss before taxation</b>		<b>(2,424)</b>	<b>(2,017)</b>
Tax on loss	10	250	344
<b>Loss and total comprehensive income for the financial year</b>		<b>(2,174)</b>	<b>(1,673)</b>

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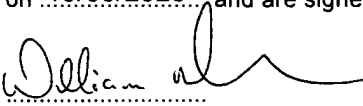
**SIVERS PHOTONICS LIMITED****STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2022**

	Notes	2022 £'000	2021 £'000
<b>Fixed assets</b>			
Intangible assets	12	1,747	1,570
Property, plant and equipment	13	6,446	6,832
Investments	14	28	14
		<u>8,221</u>	<u>8,416</u>
<b>Current assets</b>			
Inventories	15	960	754
Trade and other receivables	16	2,187	1,535
Current tax recoverable		437	504
Cash and cash equivalents	17	627	679
		<u>4,211</u>	<u>3,472</u>
<b>Creditors: amounts falling due within one year</b>			
Trade and other payables	18	4,452	4,005
Taxation and social security		108	123
Lease liabilities	20	246	336
Deferred income	21	48	49
		<u>4,854</u>	<u>4,513</u>
<b>Net current liabilities</b>		<u>(643)</u>	<u>(1,041)</u>
<b>Total assets less current liabilities</b>		<u>7,578</u>	<u>7,375</u>
<b>Creditors: amounts falling due after more than one year</b>			
Trade and other payables	18	5,140	2,474
Lease liabilities	20	901	1,136
Deferred income	21	254	302
		<u>6,295</u>	<u>3,912</u>
<b>Net assets</b>		<u>1,283</u>	<u>3,463</u>

**SIVERS PHOTONICS LIMITED****STATEMENT OF FINANCIAL POSITION (CONTINUED)****AS AT 31 DECEMBER 2022**

	Notes	2022 £'000	2021 £'000
<b>Equity</b>			
Called up share capital	23	6,361	6,361
Share premium account	24	11,961	11,961
Capital redemption reserve	24	191	191
Retained earnings	24	(17,230)	(15,050)
<b>Total equity</b>		<u>1,283</u>	<u>3,463</u>

The financial statements on pages 11 to 33 were approved by the board of directors and authorised for issue on 19/05/2023 and are signed on its behalf by:



W McLaughlin  
Director

# SIVERS PHOTONICS LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
<b>Balance at 1 January 2021</b>		361	11,961	191	(13,492)	(979)
<b>Year ended 31 December 2021:</b>						
Loss and total comprehensive income for the year		-	-	-	(1,673)	(1,673)
Issue of share capital	23	6,000	-	-	-	6,000
Credit to equity for equity settled share-based payments	7	-	-	-	115	115
<b>Balance at 31 December 2021</b>		<u>6,361</u>	<u>11,961</u>	<u>191</u>	<u>(15,050)</u>	<u>3,463</u>
<b>Year ended 31 December 2022:</b>						
Loss and total comprehensive income for the year		-	-	-	(2,174)	(2,174)
Debit to equity for equity settled share-based payments	7	-	-	-	(6)	(6)
<b>Balance at 31 December 2022</b>		<u>6,361</u>	<u>11,961</u>	<u>191</u>	<u>(17,230)</u>	<u>1,283</u>

# SIVERS PHOTONICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

---

### 1 Accounting policies

#### Company information

Sivers Photonics Limited ("the company") is a private company limited by shares incorporated and domiciled in Scotland. The registered office is Wright, Johnston & Mackenzie LLP, 12/13 The Capital Building, St. Andrew Square, Edinburgh, EH2 2AF. The principal place of business is 4 Stanley Boulevard, Hamilton International Technology Park, Blantyre, Glasgow, G72 0BN.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

#### Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101").

In preparing these financial statements, the company applies the recognition and measurement requirements of International Financial Reporting Standards as adopted by the UK (UK-adopted International Accounting Standards) ("IFRS"), amended where necessary in order to comply with Companies Act 2006 and to take advantage of FRS101 disclosure exemptions.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention, as modified by financial assets and liabilities at fair value through profit and loss. The principal accounting policies adopted are set out below.

As permitted by FRS 101, the company has taken advantage of the following disclosure exemptions from the requirements of IFRS:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs IO(d), IO(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii); 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

The financial statements of the company are consolidated into the financial statements of Sivers Semiconductors AB. The consolidated financial statements of Sivers Semiconductors AB are available from its registered office; Box 1274, 164 29 Kista, Sweden.

# SIVERS PHOTONICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 1 Accounting policies (Continued)

##### Going concern

The company has made a loss for the year of £2.2m and has net current liabilities of £0.6m at 31 December 2022, of which amounts due to group undertakings via intercompany loans contribute £3m. The directors have carried out a detailed review of the budgets and a stress test for the 12 months after the signing date of the financial statements, with due regard for the risks and uncertainties to which the business is exposed, including the current market conditions explained in the Strategic Report, as well as available mitigating actions such as controlling certain expenditures.

The directors are confident that the company has adequate resources to continue in operational existence for a period of at least 12 months from the date these financial statements were approved. The directors have also taken into consideration the available support via the financial commitment received from its ultimate parent company in forming this judgement. The parent company, Sivers Semiconductors AB, has provided a letter of support to confirm their intention to provide support for the company for at least 12 months from the date of signing the financial statements. This includes delaying, if necessary, the repayment of any intercompany loans due to the parent company. The directors have made enquiries and understand that the parent company expects to have adequate resources to be able to provide this financial support.

After considering the above facts, the directors therefore reasonably expect that the company has adequate resources to continue to operate for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

##### Revenue

Revenue represents the fair value of goods and services supplied and is stated net of value added tax. Revenue consists of the sale of III-V compound semiconductors for the fabrication of photonics products and custom foundry service.

Revenue from the sale of goods is measured based on the consideration specified in an invoice to a customer and is recognised at the point at which the goods are despatched to the customer, as this is when the control is transferred.

Revenue from the sale of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Revenue from custom, foundry services in wafer, coated bar, chip device and die on tape formats is recognised over time in accordance with a work program or milestones based on the output method of measuring progress of satisfaction of a performance obligation in accordance with IFRS 15.

##### Finance costs

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

##### Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated on a straight-line basis to allocate cost to residual values over the estimated useful life of the asset as follows:

Development costs	over 5 years
Intellectual property	over 5 years

# SIVERS PHOTONICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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### 1 Accounting policies (Continued)

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the company is able to use or sell the asset; the company has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised assets which are not yet complete are not amortised until completion of the project. Capitalised development costs on completed projects are amortised on a straight-line basis over the period of their expected benefit.

#### **Property, plant and equipment**

Property, plant and equipment under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	remaining term of the lease
Fixtures and fittings & Office equipment	over 5 years
Plant and equipment	over 10 years
Right-of-use assets	remaining term of the lease

The residual values, useful lives and methods of depreciation for all assets are reviewed at each financial year end and adjusted if appropriate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

Repairs and maintenance costs are recognised in the income statement as incurred.

#### **Impairment of tangible and intangible assets**

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Intangible assets that are not yet available for use and are not yet subject to amortisation are tested annually for impairment. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) 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 (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). 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.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the statement of comprehensive income.

# SIVERS PHOTONICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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### 1 Accounting policies (Continued)

#### **Financial assets**

The company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire.

Financial assets are initially measured at fair value. All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

#### ***Financial assets at fair value through profit or loss***

All of the company's financial assets are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses being recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Using the simplified method the company always recognises lifetime ECL for trade receivables and amounts due on contracts with customers.

The expected credit losses on these financial assets are estimated based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

#### **Financial liabilities**

Financial liabilities are initially measured at fair value.

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### ***Financial liabilities at fair value through profit or loss***

Financial liabilities are classified as at fair value through profit or loss, when the financial liability is held for trading, or is designated as at fair value through profit or loss. This designation may be made if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial liability forms part of a group of financial instruments which is managed and its performance is evaluated on a fair value basis, or the financial liability forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss. Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

#### ***Financial liabilities at amortised cost***

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

# SIVERS PHOTONICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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### 1 Accounting policies (Continued)

Borrowings are classified as creditors: amounts falling due within one year unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period in which case they are classified as creditors: amounts falling due after more than one year.

#### Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

#### Taxation

Tax is recognised in the statement of comprehensive income except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all temporary differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the assets and liabilities relate to income taxes levied by the same taxation authority.

#### Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

#### Retirement benefits

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

# SIVERS PHOTONICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 1 Accounting policies (Continued)

##### Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the statement of comprehensive income is charged with fair value of goods and services received.

##### Leases

###### *The company as a lessee*

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

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

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives;

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

The company did not make any such adjustments during the periods presented.

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

##### Grants

Government grants received on capital expenditure are initially recognised within deferred income on the Company's statement of financial position and are subsequently recognised in profit or loss on a systematic basis over the useful life of the related capital expenditure.

Grants for revenue expenditure are presented as part of the profit or loss in the periods in which the expenditure is recognised.

# SIVERS PHOTONICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 1 Accounting policies (Continued)

##### Foreign exchange

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other operating income'.

##### Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which is 5 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

#### 2 Critical accounting estimates and judgements

In preparing these financial statements, the directors have made the following judgements:

##### Capitalisation of development costs

The company has capitalised internal development costs of £461,000 (2021 - £508,000) during the year. In determining whether it was appropriate to capitalise these costs, the directors exercised judgement in assessing the point in time when the products they related to became technically feasible and had a demonstrable external market.

Key sources of estimation uncertainty which has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

##### Lease accounting

Leases are recognised as a right of use asset and a corresponding liability on the balance sheet. The incremental borrowing rate used in the measurement of the present value of the remaining lease payments is a key estimate. The value of the lease liability is shown in note 20.

# SIVERS PHOTONICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 2 Critical accounting estimates and judgements (Continued)

#### Carrying value of intangible assets

The company has intangible assets of £1,747,000 (2021 - £1,570,000) relating to capitalised internal development costs. These assets are amortised over a five year period. Given the loss incurred in the year and the market conditions being experienced by the company, the directors have performed an impairment assessment of the assets, with an impairment loss of £nil (2021 - £118,000) recognised in 2022. Management also reviewed assets not yet amortised against the full CGU with no impairment considered necessary. The impairment assessment of the assets takes into account the level of expected future sales associated with the technology and know-how to which the intangible assets relate. If these sales do not occur at the level forecast in the impairment assessment, there is a risk of further impairment of these assets in future periods. The value in use is sensitive to changes in the growth rate and discount rate.

### 3 Revenue

	2022	2021
	£'000	£'000
<b>Revenue analysed by class of business</b>		
Point in time	1,904	2,427
Over time	3,957	3,378
	<u>5,861</u>	<u>5,805</u>
	<u><u>5,861</u></u>	<u><u>5,805</u></u>
	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Revenue analysed by geographical market</b>		
North America	4,548	4,575
Europe	845	725
Asia	426	505
Other	42	-
	<u>5,861</u>	<u>5,805</u>
	<u><u>5,861</u></u>	<u><u>5,805</u></u>

### 4 Other operating income

	2022	2021
	£'000	£'000
Other operating income	269	223
Government grants receivable	49	45
RDEC credit	192	194
	<u>510</u>	<u>462</u>
	<u><u>510</u></u>	<u><u>462</u></u>

# SIVERS PHOTONICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2022 Number	2021 Number
Production	37	37
Other	38	39
	<u>75</u>	<u>76</u>

Their aggregate remuneration comprised:

	2022 £'000	2021 £'000
Wages and salaries	3,493	3,095
Social security costs	437	336
Pension costs	125	115
	<u>4,049</u>	<u>3,546</u>

### 6 Directors' remuneration

	2022 £'000	2021 £'000
Remuneration for qualifying services	255	251
Company pension contributions to defined contribution schemes	15	13
	<u>270</u>	<u>264</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2021 - 1).

Remuneration disclosed above include the following amounts paid to the highest paid director:

Remuneration for qualifying services	255	251
Company pension contributions to defined contribution schemes	15	13
	<u>270</u>	<u>264</u>

# SIVERS PHOTONICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 7 Share-based payment transactions

The parent company has a share option scheme for employees of the Group. The company takes part in this group share-based payment plan and recognises and measures its allocation of the share-based payment expense on a pro-rata basis.

Share options in respect of the scheme are exercisable at a price equal to the estimated fair value of the parent company's shares on the date of grant. Options are forfeited if the employee leaves the group before the options vest.

The Black-Scholes option pricing model was used to value the equity-settled share-based payment awards as it was considered that this approach would result in materially accurate estimate of the fair value of options granted. The total charge for the year was £6,000 (2021: credit of £115,000). The company recognises a share-based payment expense based on the fair value of the awards granted, and an equivalent credit directly in equity as a capital contribution.

The weighted average share price of Sivers Semiconductors AB at the year ended 31 December 2022 was 24.04 SEK (2021: 24.73 SEK). The weighted average remaining contractual lives of the options below was 4 years (2021: 4 years).

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant date	Vesting date	Expiry date	Exercise price in SEK per share option	Share options (thousands)	
				2022	2021
02/09/2019	02/09/2022	02/09/2027	10	400,000	400,000
20/08/2020	20/08/2023	30/09/2025	35	-	1,250,000
19/05/2021	20/08/2023	30/09/2025	28	-	420,000
22/06/2021	01/07/2024	30/06/2026	28	1,120,000	1,120,000
14/09/2021	01/07/2024	30/06/2026	27	400,000	400,000
				<u>1,920,000</u>	<u>3,590,000</u>

Share options granted on 20/08/2020 and 19/05/2021 hold a value of £nil at the year end (2021: £1,670,000) due to performance conditions not being met.

# SIVERS PHOTONICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 8 Operating loss

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Operating loss for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(109)	13
Research and development costs	1,478	1,833
Government grants	(241)	(240)
Fees payable to the company's auditor for the audit of the company's financial statements	34	30
Depreciation of property, plant and equipment	988	653
Loss on disposal of property, plant and equipment	2	-
Amortisation of intangible assets	300	346
Cost of inventories recognised as an expense	821	367
Impairment losses	29	118
	<u>          </u>	<u>          </u>

Impairment losses are included within administrative expenses.

### 9 Finance costs

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest payable to group undertakings	238	207
Interest on other loans	-	9
	<u>          </u>	<u>          </u>
	238	216
<b>Interest on other financial liabilities:</b>		
Interest on lease liabilities	85	122
	<u>          </u>	<u>          </u>
Total interest expense	<u>          </u>	<u>          </u>
	323	338
	<u>          </u>	<u>          </u>

### 10 Taxation

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax</b>		
UK corporation tax on profits for the current period	(281)	(311)
Adjustments in respect of prior periods	31	(33)
	<u>          </u>	<u>          </u>
Total UK current tax	<u>          </u>	<u>          </u>
	(250)	(344)
	<u>          </u>	<u>          </u>

# SIVERS PHOTONICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 10 Taxation (Continued)

The total tax credit for the year included in the statement of comprehensive income can be reconciled to the loss before tax multiplied by the standard rate of tax as follows:

	2022 £'000	2021 £'000
Loss before taxation	(2,424)	(2,017)
Expected tax credit based on a corporation tax rate of 19.00% (2021: 19.00%)	(461)	(383)
Income not taxable	(2)	(1)
Adjustment in respect of prior years	31	(33)
Research and development tax credit	(281)	(347)
Other permanent differences	(29)	(87)
Deferred tax not recognised	332	873
RDEC tax charge	-	37
Remeasurement of deferred tax for changes in tax rates	-	(601)
Additional deduction for R&D expenditure	(208)	(257)
Surrender of tax losses for R&D tax credit refund	368	455
<b>Taxation credit for the year</b>	<b>(250)</b>	<b>(344)</b>

The company has an unrecognised deferred tax asset of £2,870,000 (2021: £2,433,000) at the year end. This amount has not been recognised as the directors are of the opinion that recoverability of the deferred tax asset is uncertain.

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2021 on 24 May 2021. These changes included an increase in the main rate to 25% from April 2023. This change has no significant impact on these financial statements.

### 11 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	2022 £'000	2021 £'000
In respect of:		
Intangible assets	-	118
Property, plant and equipment	29	-
Recognised in:		
Administrative expenses	29	118

# SIVERS PHOTONICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 12 Intangible fixed assets

	Development costs £'000	Intellectual property £'000	Total £'000
<b>Cost</b>			
At 31 December 2021	3,306	100	3,406
Additions	461	16	477
At 31 December 2022	3,767	116	3,883
<b>Amortisation</b>			
At 31 December 2021	1,736	100	1,836
Charge for the year	300	-	300
At 31 December 2022	2,036	100	2,136
<b>Carrying amount</b>			
At 31 December 2022	1,731	16	1,747
At 31 December 2021	1,570	-	1,570

The amortisation charge for the year is included within administrative expenses.

No amortisation has been charged on intangible fixed assets with a carrying value of £1,091,000 as they are not yet complete.

# SIVERS PHOTONICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 13 Property, plant and equipment

	Leasehold improvements	Fixtures and fittings & Office equipment	Plant and equipment	Right-of-use assets	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 31 December 2021	153	140	8,907	1,300	10,500
Additions	75	14	521	23	633
Disposals	(1)	(17)	(159)	(76)	(253)
At 31 December 2022	227	137	9,269	1,247	10,880
<b>Accumulated depreciation and impairment</b>					
At 31 December 2021	3	57	3,367	241	3,668
Charge for the year	23	23	806	136	988
Impairment loss	-	-	29	-	29
Eliminated on disposal	-	(16)	(159)	(76)	(251)
At 31 December 2022	26	64	4,043	301	4,434
<b>Carrying amount</b>					
At 31 December 2022	201	73	5,226	946	6,446
At 31 December 2021	150	83	5,540	1,059	6,832

More information on impairment movements in the year is given in note 11.

Property, plant and equipment includes right-of-use assets, as follows:

Right-of-use assets	2022 £'000	2021 £'000
<b>Net values</b>		
Property	919	1,039
Plant and equipment	-	4
Motor vehicles	27	16
	946	1,059
<b>Additions</b>		
	23	-
<b>Depreciation charge for the year</b>		
Property	120	120
Plant and equipment	-	15
Motor vehicles	16	9
	136	144

# SIVERS PHOTONICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 14 Investments

	Non-current 2022 £'000	2021 £'000
Investments in associates	28	14
	<u>28</u>	<u>14</u>

The company has a 30% interest in III-V Epi Ltd (2021: 30%), which provides custom MOCVD (Metal Organic Chemical Vapour Deposition) and MBE (Molecular Beam Epitaxy) epitaxial growth and overgrowth of arsenic, antimony and phosphorous structures. III-V Epi Ltd is a private entity that is not listed on any public exchange. The company's interest in III-V Epi Ltd is accounted for using the equity method in the financial statements.

The associate requires the company's consent to distribute its profits. The company does not foresee giving such consent at the reporting date.

#### Movements in non-current investments

	Shares in group undertakings and participating interests £'000
<b>Cost or valuation</b>	
At 1 January 2022	14
Share of profit	14
	<u>28</u>
At 31 December 2022	<u>28</u>
<b>Carrying amount</b>	
At 31 December 2022	28
	<u>28</u>
At 31 December 2021	14
	<u>14</u>

### 15 Inventories

	2022 £'000	2021 £'000
Raw materials	908	738
Work in progress	52	16
	<u>960</u>	<u>754</u>
	<u>960</u>	<u>754</u>

# SIVERS PHOTONICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 16 Trade and other receivables

	2022 £'000	2021 £'000
Trade receivables	1,603	1,375
Provision for bad and doubtful debts	(16)	(64)
	<u>1,587</u>	<u>1,311</u>
Other receivables	300	61
VAT recoverable	94	-
Prepayments and accrued income	206	163
	<u>2,187</u>	<u>1,535</u>

Standard credit terms for trade receivables are 30 days from invoice date, although certain credit terms are contract-specific. The carrying amounts of trade and other receivables are considered to approximate their fair value. The directors have calculated the lifetime expected loss and assess this to be £16,000 (2021: £64,000).

### 17 Cash and cash equivalents

The bank hold a fixed charge and negative pledge over the company's bank accounts as security for any present or future obligations and liabilities due to the bank.

### 18 Trade and other payables

	Current		Non-current	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Trade payables	357	766	-	-
Contract liabilities (note 19)	577	420	-	-
Amounts owed to fellow group undertakings	2,983	2,345	5,140	2,474
Accruals	535	474	-	-
	<u>4,452</u>	<u>4,005</u>	<u>5,140</u>	<u>2,474</u>

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

Contract liabilities represent consideration received from customers in advance of work being completed, where the expected term of the contract crosses the year end. These contract liabilities will be fulfilled within twelve months of the reporting date.

Interest on the amounts owed to fellow group undertakings is charged at 12% (2021: 4.5%). The parent company have agreed to delay, if necessary, the repayment of any intercompany amounts due from Sivers Photonics Limited to Sivers Semiconductors AB.

# SIVERS PHOTONICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 19 Contracts with customers

	2022	2021
	£'000	£'000
<b>Contracts in progress at the reporting end date</b>		
Contract liabilities	577	420
	<u>577</u>	<u>420</u>

### Analysis of contract liabilities

	2022	2021
	£'000	£'000
Engineering services	577	420
	<u>577</u>	<u>420</u>

Revenue relating to engineering services is recognised over time as the performance obligations are satisfied. A contract liability is recognised for revenue that has been invoiced in advance of performance obligations being satisfied.

### 20 Lease liabilities

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2022	2021
	£'000	£'000
Current liabilities	246	336
Non-current liabilities	901	1,136
	<u>1,147</u>	<u>1,472</u>

Amounts recognised in profit or loss include the following:

	2022	2021
	£'000	£'000
Interest on lease liabilities	85	122
	<u>85</u>	<u>122</u>

The company leases a property, larger items of plant and vehicles and smaller equipment.

The total cash outflows for leases during the year was £460,000 (2021: £179,000).

The lease liabilities are secured over the assets to which they relate.

# SIVERS PHOTONICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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<b>21</b>	<b>Deferred income</b>	<b>2022</b>	<b>2021</b>
		<b>£'000</b>	<b>£'000</b>
	Arising from government grants	302	351
		<u>302</u>	<u>351</u>
		<u><u>302</u></u>	<u><u>351</u></u>

### Analysis of deferred revenue

Deferred income is classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Current liabilities	48	49
Non-current liabilities	254	302
	<u>302</u>	<u>351</u>
	<u><u>302</u></u>	<u><u>351</u></u>

The company receives several types of government grants, including Regional Selective Assistance ("RSA") grants and various grants awarded by the UK and the EU governments. Grant income is recognised in profit or loss on a systematic basis over the periods in which the company recognises as expenses the related costs for which the grant is intended to compensate. Income from RSA grants is recognised when related expenses are incurred. Grant income recognised during the year was £241,000 (2021: £240,000).

## 22 Retirement benefit schemes

### Defined contribution schemes

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £125,000 (2021: £115,000). Contributions totalling £26,000 (2021: £nil) were payable to the fund at the reporting date and are included in creditors.

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<b>23</b>	<b>Share capital</b>	<b>2022</b>	<b>2021</b>
		<b>£'000</b>	<b>£'000</b>
	<b>Ordinary share capital</b>		
	<i>Issued and fully paid</i>		
	874,327,851 Ordinary shares of \$0.01 each	6,361	6,361
		<u>6,361</u>	<u>6,361</u>
		<u><u>6,361</u></u>	<u><u>6,361</u></u>

The company's ordinary shares each carry the right to one vote at general meetings of the company and rank equally on distribution of dividends.

# SIVERS PHOTONICS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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### 24 Reserves

**Share premium account**

Includes the premium in issue of equity shares, net of any issue cost.

**Capital redemption reserve**

Contains the nominal value of own shares that have been acquired by the company and cancelled.

**Retained earnings**

Represents cumulative profits or losses, net of dividends paid and other adjustments.

### 25 Controlling party

The ultimate parent undertaking and controlling party of the company, and the largest and smallest parent company for which group accounts are drawn up is Siverts Semiconductors AB, a company incorporated in Sweden. The group accounts are available at Box 1274, 164 29 Kista, Sweden.