

Registered number: 04129612

Plessey Semiconductors Limited
Annual report and financial statements
for the year ended 30 June 2021



Plessey Semiconductors Limited

Company Information

Directors

Mr C S Bailey
Mr I C Silvester

Registered number

04129612

Registered office

Tamerton Road
Roborough
Plymouth
Devon
PL6 7BQ

Plessey Semiconductors Limited

Contents

	Page(s)
Strategic report	1 - 2
Directors' report	3 - 4
Directors' responsibilities statement	5
Independent auditor's report	6 - 9
Profit and loss account	10
Balance sheet	11
Statement of changes in equity	12
Notes to the financial statements	13 - 35

Plessey Semiconductors Limited

Strategic report for the year ended 30 June 2021

The directors of Plessey Semiconductors Limited (the 'company') present their strategic report for the year ended 30 June 2021.

Principal activity and review of business

The principal activity in the year continued to be the development of micro LED process technologies and production of product demonstrators for micro LED displays.

Following the acquisition of Intellectual Property from the University of Cambridge in 2012, the company has developed its novel GaN on silicon LED process with an increasing focus on very small pixel structures in a monolithic array. In 2017 the company took the strategic decision to focus solely on micro LED displays to exploit this nascent but potentially substantial market in which the Plessey GaN on silicon platform was increasingly considered to be a pivotal enabler.

Plessey is a globally recognised industry brand and an icon of British technology innovation and high-technology manufacturing. Plessey Semiconductors Limited is the trading company of the Group which operates within its own manufacturing facilities and assets based in Plymouth, UK.

In July 2019 the company secured a key NRE agreement for prototype development with a leading player in the AR space, aligned with Plessey's in-house development roadmap. That agreement led to deeper engagement culminating in a multi-year agreement whereby Plessey will dedicate operations and manufacturing capabilities, as well as grant an exclusive license to some of its Intellectual Property.

During the year the company has significantly expanded its development and manufacturing capabilities with the installation of a new 8" semiconductor processing line. This expansion, together with its existing 6" semiconductor processing line, will enable faster development of micro LED processes.

During the year the company cancelled its share premium resulting in a transfer of £69,833,214 from the share premium account to the profit and loss account.

Key performance indicators

The company made an operating profit of £6.3m for the year (period from 1 January 2020 to 30 June 2020: £15.6m) and a profit before tax of £7.8m (period from 1 January 2020 to 30 June 2020: £16.1m). The key performance indicators for management are liquidity, product development and performance and wafer production yield metrics.

The company actively monitors all areas of the business performance through well-developed business information systems. KPI's form a core part of the performance review process and are reviewed as appropriate by the senior management team at regular weekly and monthly meetings. The directors regard LED light output efficacy, device geometry down scaling and industry standard production metrics, for example device yield as key drivers of the performance of the company.

Plessey Semiconductors Limited

Strategic report (continued) for the year ended 30 June 2021

Principal risks and uncertainties

The key business risk facing the company is the effect of the Coronavirus pandemic. The company has put in place Covid secure working practices in line with Government guidance and continuously monitors compliance with the guidance. Silicon wafer processing and micro LED development was halted in April 2020 and resumed in July 2020. The company is continually managing challenges with the supply chain and changing guidance related to ensuring a Covid secure work environment.

The second key risk facing the business is achievement of development milestones related to micro LED processes and early stage product. This is an ongoing risk which management are well equipped to manage through regular meetings with the development team and a robust gate review process. However, process development is inextricably linked to access to and operation of the facility and this in turn is at risk from Covid related factors referred to above.

The recruitment and retention of highly skilled employees is key to the company's operations in developing micro-LED technology. Failure to attract, develop and retain qualified employees, particularly process engineers, may hinder development deadlines and plans. The company has robust recruitment processes in place, competitive remuneration packages and is committed to ongoing training and development for employees which ensures smooth succession of senior roles in the long term. Despite the ongoing Covid-19 pandemic, recruitment has increased significantly to match the growth of the business in the period. The company continues to successfully attract sufficient local labour for all but the most specialist of roles, where the recruitment search is expanded internationally.

Brexit

Brexit has had limited impact on business to date and is unlikely to pose significant future risk or uncertainty. ~~The company exports to the EU infrequently and has had efficient procedures in place to address increased lead times and additional administration associated with EU imports since the UK left the EU in January 2020.~~

This report was approved by the board on

7th MARCH 2022 and signed on its behalf by:



Mr C S Bailey
Director

Plessey Semiconductors Limited

Directors' report for the year ended 30 June 2021

The directors present their report and the audited financial statements of the company for the year ended 30 June 2021.

Results and dividends

The profit for the year, after taxation, amounted to £7,593,000 (period from 1 January 2019 to 30 June 2020: £27,227,000).

During the year the company paid dividends amounting to £10,005,000 (period from 1 January 2019 to 30 June 2020: £nil).

Directors

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

Mr C S Bailey
Mr I C Silvester

Financial risk management objectives and policies

Plessey Semiconductors Limited is being managed through the many challenges facing a company undergoing a period of transition and major change. Tight cost control and cash management is exercised through the use of comprehensive cash flow and forecasting processes and close hands-on management by the directors. As the company owns its own manufacturing assets this brings benefits, but with a level of fixed costs. Against the fixed costs the advantages include:

- protection from global supply issues during periods of increasing demand for semiconductors;
- availability of a unique set of capabilities and process technologies from which to develop competitive products; and
- the ability to develop new processes and products more quickly, efficiently and at a lower cost than would be achievable if the manufacturing was outsourced.

With the investment and support from its external investor and the multi-year development and manufacturing agreement with its key partner, the Company has secured its cash position and has been able to implement its strategy of developing best in class micro LED technology and processes.

Research and development

The company continues to commit resources to research and development where the activity is necessary to the evolution of its business and in order to keep it technologically in the forefront of the marketplace.

The aggregate amount of research and development expenditure recognised as an expense during the year is £8,466,505 (period from 1 January 2019 to 30 June 2020: £10,941,128).

Plessey Semiconductors Limited

Directors' report (continued) for the year ended 30 June 2021

Going concern

The company made an operating profit of £6.3m (period from 1 January 2019 to 30 June 2020: £15.6m) and a profit before tax of £7.8m (period from 1 January 2019 to 30 June 2020: £16.1m). The company has net assets of £25.2m (2020: £27.5m).

The directors have evaluated the relevant conditions and events that are known and reasonably knowable at the date that the financial statements are approved, including the current outbreak of a novel strain of coronavirus ('COVID-19') which has continued to spread and cause disruption to businesses. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least 12 months from when these financial statements are approved by the company directors, and that the spread of COVID-19, as set out in the principal risks and uncertainties section in the strategic report, is not expected to have a material adverse impact on the company's ability to continue as a going concern. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Post balance sheet events

No events have occurred since 30 June 2021 which have an impact on these financial statements.

Qualifying third party indemnity insurance

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties subject to conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Disclosure of information to auditors

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

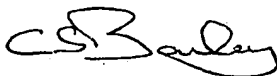
Independent auditors

Ernst & Young LLP were appointed as auditors during the year and will be proposed for reappointment in accordance with section 485 of the Companies House 2006.

This report was approved by the board on
by:

7th March

2022 and signed on its behalf



Mr C S Bailey
Director

Plessey Semiconductors Limited

Directors' responsibilities statement for the year ended 30 June 2021

The directors acknowledge their responsibilities for preparing the Annual 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). 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; 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.



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PLESSEY SEMICONDUCTORS LIMITED

Opinion

We have audited the financial statements of Plessey Semiconductors Limited (the "Company") for the year ended 30 June 2021 which comprise the Profit and Loss Account, the Balance Sheet and the Statement of changes in equity and the related notes 1 to 32, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 30 June 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 12 months from when the financial statements are authorised for issue.

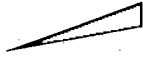
Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

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 this report, we do not express any form of assurance conclusion thereon.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PLESSEY SEMICONDUCTORS LIMITED (Continued)

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 the 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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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 5, 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.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PLESSEY SEMICONDUCTORS LIMITED (Continued)

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are FRS 102, the Companies Act 2006 and the relevant direct and indirect tax compliance regulation in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, including in relation to the Coronavirus Job Retention Scheme rules, Health and Safety and GDPR;
- We understood how the Company is complying with those frameworks by making enquiries of management to understand how the Company maintains and communicates its policies and procedures in these areas. We corroborated our enquires through reading board resolutions and any correspondence with relevant authorities, and we noted that there is no contradictory evidence;
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override related to recognition of revenue due to the exclusivity and complexity of the transactions. Our procedures to address this risk include making enquiries of management, those charged with governance and others within the entity, as to whether they have knowledge of any actual or suspected fraud. The audit procedures to address the fraud risk included testing the fair value measurement of revenue streams and tested revenue journal postings that fell under specific criteria. The audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error;
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved testing journals identified by specific risk criteria. We read the minutes of board resolutions to identify any non-compliance with laws and regulations. We also made enquiries with the management of the Company regarding compliance with laws and regulations.

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



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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PLESSEY SEMICONDUCTORS
LIMITED (Continued)**

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.

Teresa Tully (Senior statutory auditor)
for and on behalf of Ernst & Young Chartered Accountants, Statutory Auditor
Dublin
11 March 2021

Plessey Semiconductors Limited

Profit and loss account for the year ended 30 June 2021

	Note	Year ended 30 June 2021 £000	Period from 1 January 2019 to 30 June 2020 £000
Turnover	5	34,977	51,439
Cost of sales		(11,920)	(8,782)
Gross profit		23,057	42,657
Distribution costs		(1,152)	(2,360)
Administrative expenses		(19,180)	(25,986)
Other operating income	6	3,581	1,330
Operating profit	8	6,306	15,641
Impairment of investments	16	(9)	(51)
Interest receivable and similar income	12	1,615	531
Interest payable and similar expenses	13	(92)	(29)
Profit before tax		7,820	16,092
Tax on profit	14	(227)	11,135
Profit for the financial year/period		7,593	27,227
Total comprehensive income for the year/period		7,593	27,227

The above results were derived from continuing operations.

The notes on pages 13 to 35 form part of these financial statements.

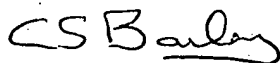
Plessey Semiconductors Limited

Registered number: 04129612

Balance sheet as at 30 June 2021

	Note	2021 £000	2020 £000
Fixed assets			
Intangible assets	15	77	52
Tangible assets	16	34,853	12,955
Investments	17	3	3
		<u>34,933</u>	<u>13,010</u>
Current assets			
Stocks	18	621	440
Debtors: amounts falling due within one year	19	27,836	40,527
Cash at bank and in hand		10,458	6,351
		<u>38,915</u>	<u>47,318</u>
Creditors: amounts falling due within one year.	20	(18,755)	(23,659)
Net current assets		<u>20,160</u>	<u>23,659</u>
Total assets less current liabilities		<u>55,093</u>	<u>36,669</u>
Creditors: amounts falling due after more than one year	21	(29,837)	(8,064)
Provisions for liabilities	25	(69)	(1,074)
Net assets		<u>25,187</u>	<u>27,531</u>
Capital and reserves			
Called up share capital	26	-	-
Share premium account		-	69,833
Share option reserve		197	129
Capital contribution reserve		31,127	41,132
Profit and loss account		(6,137)	(83,563)
Total equity		<u>25,187</u>	<u>27,531</u>

The financial statements were approved and authorised for issue by the board on 7th MARCH 2022 and were signed on its behalf by:



Mr C S Bailey
Director

The notes on pages 13 to 35 form part of these financial statements.

Plessey Semiconductors Limited

Statement of changes in equity for the year ended 30 June 2021

	Called up share capital	Share premium account	Share option reserve	Capital contribution reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000
At 1 July 2020	-	69,833	129	41,132	(83,563)	27,531
Profit for the financial year	-	-	-	-	7,593	7,593
Share based payment plan	-	-	68	-	-	68
Total comprehensive income for the year	-	-	68	-	7,593	7,661
Capital reduction	-	(69,833)	-	-	69,833	-
Dividends paid	-	-	-	(10,005)	-	(10,005)
Total transactions with owners	-	(69,833)	-	(10,005)	69,833	(10,005)
At 30 June 2021	-	-	197	31,127	(6,137)	25,187

Statement of changes in equity for the period from 1 January 2019 to 30 June 2020

	Called up share capital	Share premium account	Share option reserve	Capital contribution reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000
At 1 January 2019	-	69,833	9	41,132	(110,790)	184
Profit for the financial period	-	-	-	-	27,227	27,227
Share based payment plan	-	-	120	-	-	120
Total comprehensive income for the period	-	-	120	-	27,227	27,347
At 30 June 2020	-	69,833	129	41,132	(83,563)	27,531

The notes on pages 13 to 35 form part of these financial statements.

Plessey Semiconductors Limited

Notes to the financial statements for the year ended 30 June 2021

1. General information

Plessey Semiconductors Limited (the 'company') is a private company, limited by shares, incorporated in and domiciled in England and Wales, the United Kingdom. The address of its registered office is Tamerton Road, Roborough, Plymouth, Devon, PL6 7BQ.

The principal activity of the company is the development of micro LED process technologies and production of product demonstrators for micro LED displays.

2. Statement of compliance

These financial statements were prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Basis of preparation of financial statements

These financial statements have been prepared on a going concern basis under the historical cost convention, unless otherwise specified within these accounting policies.

Unless otherwise stated, the financial statements have been presented in thousands ('£000').

The comparative results are for an 18 month period from 1 January 2019 to 30 June 2020.

3.2 Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. These exemptions are:

- the requirement to prepare a statement of cash flow;
- certain financial instrument disclosures; and
- the non-disclosure of key management personnel compensation.

The company has taken advantage of these exemptions on the basis that it is a qualifying entity and its ultimate parent company, Plessey Group Holdings Limited, includes the related disclosures in its own consolidated financial statements.

3.3 Group accounts not prepared

Plessey Semiconductors Limited has taken advantage of the exemption of preparing group financial statements on the basis that they are included in the consolidated group accounts of Plessey Group Holdings Limited.

Plessey Semiconductors Limited

Notes to the financial statements for the year ended 30 June 2021

3. Summary of significant accounting policies (continued)

3.4 Going concern

The company made an operating profit of £6.3m (period from 1 January 2019 to 30 June 2020: £15.6m) and a profit before tax of £7.8m (period from 1 January 2019 to 30 June 2020: £16.1m). The company has net assets of £25.2m (2020: £27.5m).

The directors have evaluated the relevant conditions and events that are known and reasonably knowable at the date that the financial statements are approved, including the current outbreak of a novel strain of coronavirus ('COVID-19') which has continued to spread and cause disruption to businesses. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least 12 months from when these financial statements are approved by the company directors, and that the spread of COVID-19 is not expected to have a material adverse impact on the company's ability to continue as a going concern. The company therefore continues to adopt the going concern basis in preparing its financial statements.

3.5 Turnover

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and the provision of services in the ordinary course of the company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company. Turnover on the sale of goods is recognised when goods are dispatched. Turnover on the provision of services is recognised when the service is provided.

3.6 Interest receivable and similar income

Interest income is recognised using the effective interest method.

3.7 Interest payable and similar expenses

Interest payable is charged to the profit and loss account 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.

3.8 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is pound sterling.

Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate on the date when the fair value is re-measured.

Transactions in foreign currencies are translated into pound sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

Plessey Semiconductors Limited

Notes to the financial statements for the year ended 30 June 2021

3. Summary of significant accounting policies (continued)

3.9 Employee benefits

The company provides a range of benefits to employees, including paid holiday arrangements, and defined contribution pension plans.

Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Defined contribution pension plan

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 payments 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 balance sheet. The assets of the plan are held separately from the company in independently administered funds.

3.10 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, tax is also recognised directly in equity.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the period or prior periods. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Plessey Semiconductors Limited

Notes to the financial statements for the year ended 30 June 2021

3. Summary of significant accounting policies (continued)

3.11 Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the profit and loss account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

3.12 Government grants

Grants relating to the expenditure on tangible fixed assets are credited to deferred income and released to the profit and loss account at the same rate as the depreciation on the assets to which the grant relates. The amount shown in the balance sheet in respect of grants consists of total grants receivable to date, less the amounts to be credited to the profit and loss account. Grants of revenue nature are credited to the income so as to match them with the expenditure to which they relate.

3.13 Research expenditure

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.

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.

Research and development expenditure is written off in the year in which it is incurred.

Plessey Semiconductors Limited

Notes to the financial statements for the year ended 30 June 2021

3. Summary of significant accounting policies (continued)

3.14 Intangible assets

Separately acquired trademarks and licences are shown at historical cost.

Trademarks, licences and customer-related intangible assets have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

<i>Asset class</i>	<i>Amortisation method and rate</i>
Intellectual property	1 year straight line
Other intangibles	3 - 7 years straight line

3.15 Tangible fixed assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Assets are recognised when risks and rewards of ownership are substantially transferred from the vendor and are considered to be "under construction" until process qualification or acceptance is complete at which point they are transferred to a depreciating asset class.

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Building	- 16 - 40 years straight line
Land	- Not depreciated
Plant and machinery	- 2 - 7 years straight line
Fixtures and fittings	- 3 years straight line
In progress	- Not depreciated

Plessey Semiconductors Limited

Notes to the financial statements for the year ended 30 June 2021

3. Summary of significant accounting policies (continued)

3.16 Impairment of non-financial assets

An impairment loss is recognised in the statement of comprehensive income.

Non-financial assets are reviewed for impairment at the end of each reporting period or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 of disposal and value in use. Fair value less costs of disposal is determined by the amount that would be received to sell an asset in an orderly transaction between market participants. For the purposes of determining value in use, cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An assessment is made at each reporting date as to whether there is any indication that an impairment recognised in prior periods for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. An impairment recognised in prior periods is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment was recognised. An impairment in value is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of any depreciation/amortisation, if no impairment in value had been recognised. Reversals of impairment in value are recognised in profit or loss. After such a reversal, the depreciation/amortisation is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

3.17 Fixed asset investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of comprehensive income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

3.18 Stocks

Stocks have been valued at the lower of cost and estimated selling price less cost to sell. In respect of finished goods, costs include a relevant proportion of overheads according to the level of work performed. Work in progress is valued on the basis of direct costs plus attributable overheads based on normal levels of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

3.19 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held with banks. Bank overdrafts are shown within borrowings in current liabilities.

Plessey Semiconductors Limited

Notes to the financial statements for the year ended 30 June 2021

3. Summary of significant accounting policies (continued)

3.20 Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other debtors, amounts owed by group undertakings and cash and bank balances are initially recognised at transaction price.

Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of comprehensive income.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Statement of comprehensive income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors and amounts owed to group undertakings, that are classed as debt are initially recognised at transaction price.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Plessey Semiconductors Limited

Notes to the financial statements for the year ended 30 June 2021

3. Summary of significant accounting policies (continued)

3.21 Provisions for liabilities

Provisions are recognised when the company has an obligation at the reporting date as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

3.22 Share based payments

The share options programme allows employees to acquire shares of the parent company Plessey Group Holdings Limited. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The share options can be exercised during the vesting period. The fair value is measured at grant date and spread over the estimated time to exit as determined by the company directors. This is reviewed and changed if necessary at the end of each accounting period. The fair value of the options granted is measured based on market values at the date of grant, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of options that are vesting.

Where the company's parent grants rights to its equity instruments to the company's employees, which are accounted for as equity-settled in the accounts of the parent, the company accounts for these share-based payments as equity-settled.

3.23 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.24 Related party transactions

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

3.25 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable. These amounts are recognised in the statement of changes in equity.

Plessey Semiconductors Limited

Notes to the financial statements for the year ended 30 June 2021

4. Judgements in applying accounting policies and key sources of estimation uncertainty

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 16 for the carrying amount of the tangibles and note 3.16 for the useful economic lives for each class of assets.

In the previous financial period the company signed a significant new customer contract. Under the terms of the contract the company agreed to provide a number of different services for a single aggregated fee. Management have assessed the fair value of each service provided so that revenue can be recognised for each component of the contract in line with FRS 102. The process of valuing each income stream included a number of key judgements based on estimates and included a degree of uncertainty. The following elements of income were recognised:

- Margin on operating costs - fair valued based on the average margin of the industry in which the company operates and managements' estimate of future costs under the contract.
- Grant of intellectual property licence - fair valued based on present value of historical research and development costs incurred to develop background intellectual property.
- Right of first refusal - fair valued based on assessment of current market value of company and estimate of the likelihood of option being enacted.

5. Turnover

The analysis of the company's revenue for the year/period from continuing operations is as follows:

	Year ended 30 June 2021 £000	Period from 1 January 2019 to 30 June 2020 £000
Sale of goods	164	4,490
Rendering of services	34,813	46,949
	<u>34,977</u>	<u>51,439</u>

The analysis of the company's turnover for the year/period by market is as follows:

	Year ended 30 June 2021 £000	Period from 1 January 2019 to 30 June 2020 £000
United Kingdom	-	92
Europe	57	986
Rest of the world	34,920	50,361
	<u>34,977</u>	<u>51,439</u>

Plessey Semiconductors Limited

Notes to the financial statements for the year ended 30 June 2021

6. Other operating income

	Year ended 30 June 2021 £000	Period from 1 January 2019 to 30 June 2020 £000
Release of government grants	635	872
Reversal of government grant release	-	(607)
Research and development scheme	1,426	-
Investment support	533	-
Sub lease rental income	6	70
Miscellaneous other operating income	981	995
	<u>3,581</u>	<u>1,330</u>

7. Government grants and contingent liabilities

The company has received government grants for which it must meet targets based on the number of full time equivalent employees over a monitoring period to 31 March 2024.

The amount of grants recognised in the profit and loss account was £634,687 (period from 1 January 2019 to 30 June 2020: £872,230).

During the prior year the company recognised a provision of £1m to reflect the likely settlement value of a grant at the end of its monitoring period. In order to account for this provision £607,000 of previously recognised income was reversed.

8. Operating profit

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

	Year ended 30 June 2021 £000	Period from 1 January 2019 to 30 June 2020 £000
Depreciation of tangible fixed assets (note 16)	2,799	3,749
Amortisation of intangible assets (note 15)	57	52
Research and development cost	8,467	10,941
Foreign exchange losses/(gains)	2,746	(273)
Operating lease expense	614	820
Loss on disposal of tangible fixed assets	4	98
	<u>4</u>	<u>98</u>

Plessey Semiconductors Limited

Notes to the financial statements for the year ended 30 June 2021

9. Auditors' remuneration

	Year ended 30 June 2021 £000	Period from 1 January 2019 to 30 June 2020 £000
Audit of the financial statements	61	22

10. Employees

Staff costs, including directors' remuneration, were as follows:

	Year ended 30 June 2021 £000	Period from 1 January 2019 to 30 June 2020 £000
Wages and salaries	10,334	10,231
Social security costs	1,088	1,081
Pension costs, defined contribution scheme	508	641
Redundancy costs	10	338
	<u>11,940</u>	<u>12,291</u>

Included in wages and salaries is a total expense of share-based payments of £67,981 (period from 31 January 2019 to 30 June 2020: £120,767).

The average monthly number of employees, including the directors, during the year/period was as follows:

	Year ended 30 June 2021 No.	Period from 1 January 2019 to 30 June 2020 No.
Production	100	104
Administration and support	16	13
Research and development	69	21
Sales	-	7
	<u>185</u>	<u>145</u>

Plessey Semiconductors Limited

Notes to the financial statements for the year ended 30 June 2021

11. Directors' remuneration

The directors' remuneration for the year/period was as follows:

	Year ended 30 June 2021 £000	Period from 1 January 2019 to 30 June 2020 £000
Remuneration	382	406
Contributions paid to money purchase schemes	23	27
	<u>405</u>	<u>433</u>

During the year retirement benefits were accruing to 2 directors (period from 1 January 2019 to 30 June 2020: 2) in respect of money purchase pension schemes.

The highest paid director received remuneration of £265,000 (period from 1 January 2019 to 30 June 2020: £266,000). The value of the company's contributions paid to a money purchase pension scheme in respect of the highest paid director amounted to £14,000 (period from 1 January 2019 to 30 June 2020: £17,000).

12. Interest receivable and similar income

	Year ended 30 June 2021 £000	Period from 1 January 2019 to 30 June 2020 £000
Interest income on bank deposits	2	9
Other finance income	1,613	522
	<u>1,615</u>	<u>531</u>

13. Interest payable and similar expenses

	Year ended 30 June 2021 £000	Period from 1 January 2019 to 30 June 2020 £000
Interest on obligations under finance leases and hire purchase contracts	33	29
Other finance expenses	59	-
	<u>92</u>	<u>29</u>

Plessey Semiconductors Limited

Notes to the financial statements for the year ended 30 June 2021

14. Taxation

	Year ended 30 June 2021 £000	Period from 1 January 2019 to 30 June 2020 £000
Corporation tax		
Current year corporation tax charge for the year/period	289	1,541
Adjustments in respect of previous periods	31	(2,841)
Total current tax	320	(1,300)
Deferred tax		
Origination and reversal of timing differences	1,726	(9,835)
Changes to tax rates	(1,776)	-
Adjustment in respect of previous periods	(43)	-
Total deferred tax	(93)	(9,835)
Taxation on profit on ordinary activities	227	(11,135)

Factors affecting tax charge for the year/period

The tax assessed for the year is lower than (period from 1 January 2019 to 30 June 2020: lower than) the standard rate of corporation tax in the UK of 19% (period from 1 January 2019 to 30 June 2020: 19%). The differences are explained below:

	Year ended 30 June 2021 £000	Period from 1 January 2019 to 30 June 2020 £000
Profit on ordinary activities before tax	7,819	16,092
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (period from 1 January 2019 to 30 June 2020: 19%)	1,486	3,057
Effects of:		
Effect of revenues exempt from taxation	(182)	(50)
Effect of expense not deductible in determining taxable profit	2	181
Deferred tax credit from unrecognised temporary difference from a prior period	709	(11,401)
Decrease in UK and foreign current tax from adjustment for prior periods	(12)	(2,922)
Changes to tax rates	(1,776)	-
Total tax charge for the year/period	227	(11,135)

Plessey Semiconductors Limited

Notes to the financial statements for the year ended 30 June 2021

14. Taxation (continued)

Factors that may affect future tax charges

Changes to UK corporation tax rates were substantively enacted by the Finance Bill 2021 (on 24 May 2021). These included an increase in the corporation tax rate from 19% to 25% from 1 April 2023. Deferred tax balances have been remeasured accordingly where appropriate.

15. Intangible assets

	Other intangibles £000
Cost	
At 1 July 2020	108
Additions	81
At 30 June 2021	<u>189</u>
Amortisation	
At 1 July 2020	55
Amortisation charge	57
At 30 June 2021	<u>112</u>
Net book value	
At 30 June 2021	<u>77</u>
At 30 June 2020	<u>52</u>

Amortisation of intangible assets is included within administrative expenses in the profit and loss account.

Plessey Semiconductors Limited

Notes to the financial statements for the year ended 30 June 2021

16. Tangible fixed assets

	Land and buildings £000	Fixtures and fittings £000	In progress £000	Plant and machinery £000	Total £000
Cost or valuation					
At 1 July 2020 - restated*	2,151	1,565	3,405	17,279	24,400
Additions	-	274	19,127	5,446	24,847
Disposals	-	(23)	(95)	(65)	(183)
Transfers between classes	-	58	(3,166)	3,108	-
At 30 June 2021	<u>2,151</u>	<u>1,874</u>	<u>19,271</u>	<u>25,768</u>	<u>49,064</u>
Depreciation					
At 1 July 2020 - restated*	723	1,249	-	9,474	11,446
Charge for the year on owned assets	142	205	-	2,452	2,799
Disposals	-	(23)	-	(11)	(34)
At 30 June 2021	<u>865</u>	<u>1,431</u>	<u>-</u>	<u>11,915</u>	<u>14,211</u>
Net book value					
At 30 June 2021	<u>1,286</u>	<u>443</u>	<u>19,271</u>	<u>13,853</u>	<u>34,853</u>
At 30 June 2020	<u>1,428</u>	<u>317</u>	<u>3,405</u>	<u>7,805</u>	<u>12,955</u>

*Cost and depreciation at 1 July 2020 on plant and machinery has been recalculated after distributing prior year acquisition adjustments, previously applied at an entity level, to individual assets. Net book values brought forward are unchanged.

Included within the net book value of land and buildings above is £1,286,257 (2020: £1,428,438) in respect of freehold land and buildings.

The asset in progress relates to the purchase and installation of plant and machinery not completed and therefore not available for use at year end.

Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2021 £000	2020 £000
Plant and machinery	<u>313</u>	<u>552</u>

Plessey Semiconductors Limited

Notes to the financial statements for the year ended 30 June 2021

17. Fixed asset investments

	Investments in subsidiaries £000
Cost	
At 1 July 2020	787
Additions	9
At 30 June 2021	<u>796</u>
Accumulated impairment	
At 1 July 2020	784
Charge for the year	9
At 30 June 2021	<u>793</u>
Carrying amount	
At 30 June 2021	<u><u>3</u></u>
At 30 June 2020	<u><u>3</u></u>

Subsidiary undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 100% of the ordinary share capital are as follows:

Name	Registered address	Country of incorporation	Principal activity
Plessey Semiconductors Incorporated	600 California Street, San Francisco, CA 94108	USA	Sales support centre
Plessey Lighting Limited	Tamerton Road, Roborough Plymouth, PL6 7BQ	England and Wales	Dormant company
JFSM Tamerton Limited	Tamerton Road, Roborough, Plymouth, PL6 7BQ	England and Wales	Dormant company

Plessey Semiconductors Limited

Notes to the financial statements for the year ended 30 June 2021

18. Stocks

	2021 £000	2020 £000
Raw materials and consumables	621	440

The amount of impairment loss included in profit or loss is £327,608 (period from 1 January 2019 to 30 June 2020: £107,971). The impairment loss is included in cost of sales.

19. Debtors

	2021 £000	2020 £000
Trade debtors	13,232	10,794
Amounts owed by group undertakings	26	30
Other debtors	1,464	17,641
Prepayments and accrued income	3,185	2,227
Deferred taxation (note 22)	9,929	9,835
	<u>27,836</u>	<u>40,527</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

The amount of bad debt expense recognised in the year was £36,082 (2020: £9,934), this is included within administrative expenses in the profit and loss account.

Plessey Semiconductors Limited

Notes to the financial statements for the year ended 30 June 2021

20. Creditors: Amounts falling due within one year

	2021 £000	2020 £000
Finance leases	60	199
Trade creditors	2,785	1,698
Amounts owed to group undertakings	-	19,573
Other taxation and social security	253	212
Other creditors	283	-
Accruals and deferred income	15,290	1,906
Outstanding defined contribution pension costs	84	71
	<u>18,755</u>	<u>23,659</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

Deferred income relates to grants and other similar income that have been received by the company. The grants are for the purchase of capital items and are being released to the profit and loss in line with the depreciation policy of the associated asset (predominantly seven years straight line). The balance due within one year at the year end was £4,294,188 (2020: £407,542)

21. Creditors: Amounts falling due after more than one year

	2021 £000	2020 £000
Finance leases	195	267
Other creditors	377	-
Accruals and deferred income	29,265	7,797
	<u>29,837</u>	<u>8,064</u>

Deferred income relates to grants and other similar income that have been received by the company. The grants are for the purchase of capital items and are being released to the profit and loss in line with the depreciation policy of the associated asset (predominantly seven years straight line). The balance due in more than one year at the year end was £29,264,869 (2020: £7,797,184).

Plessey Semiconductors Limited

Notes to the financial statements for the year ended 30 June 2021

22. Loans and borrowings

	2021 £000	2020 £000
Maturity of debt		
Finance lease liabilities due within one year	60	199
Finance lease liabilities between 2-5 years	195	267
	<u>255</u>	<u>466</u>

Agreement over specific credit balances dated 30 November 2010 and a group set off is held.

Finance lease assets are secured against the associated asset.

23. Operating lease commitments

	2021 £000	2020 £000
Operating leases		
The total of future minimum lease payments is as follows:		
Not later than one year	600	545
Later than one year and not later than five years	2,094	1,436
	<u>2,694</u>	<u>1,981</u>

Plessey Semiconductors Limited

Notes to the financial statements for the year ended 30 June 2021

24. Deferred taxation

	Year ended 30 June 2021 £000	Period from 1 January 2019 to 30 June 2020 £000
Deferred tax asset		
At beginning of year/period	9,835	-
Charged to profit or loss	93	9,835
At end of year/period	9,928	9,835

The deferred tax asset is made up as follows:

	Year ended 30 June 2021 £000	Period from 1 January 2019 to 30 June 2020 £000
Unused recoverable tax losses carried forward	7,956	8,175
Timing differences between accounting and tax depreciation	(3,948)	1,660
Short term timing differences	5,712	-
R&D expenditure credit	209	-
	9,929	9,835

There are £35,557,686 of unused tax losses (2020: £32,073,291) for which no deferred tax asset is recognised in the balance sheet.

The deferred tax asset in relation to R&D expenditure credit expected to reverse in the next 12 months is £209,123.

Plessey Semiconductors Limited

Notes to the financial statements for the year ended 30 June 2021

25. Provisions for liabilities

	Warranties £000	Other provisions £000	Total £000
At 1 July 2020	74	1,000	1,074
Charged to profit or loss	-	(175)	(175)
Amount utilised	(9)	(825)	(834)
Increase in existing provisions	4	-	4
At 30 June 2021	69	-	69

The company provides a 7 year manufacturers' warranty on one of its product lines. The company has provided for the estimated future cost of repairing all units sold with this associated warranty.

In the prior year, the company recognised a provision for the claw-back of the previously awarded RGF3 grant due to the failure to meet the required headcount set out under the terms of the funding agreement. As at 30 June 2021 the provision was settled.

26. Share capital

	2021	2020
	£	£
Allotted, called up and fully paid		
6 (2020: 6) Ordinary shares of £1 each	6	6

Ordinary shares have the following rights, preferences and restrictions:

Ordinary shares carry the right to receive notice of, attend, speak and vote at general meetings of the company. Each share carries one vote. All shares have dividend rights and rank pari passu in all respects.

Plessey Semiconductors Limited

Notes to the financial statements for the year ended 30 June 2021

27. Share based payments

The Plessey Group Holdings Unapproved Share Option Plan

Employees in the company participate in a share incentive scheme operated by the parent company Plessey Group Holdings Limited, providing shares in the parent company.

The terms and conditions of the grants are as follows, all options will be settled in the future by the physical delivery of shares:

	Number of instruments granted	Number of instruments outstanding at year end	Vesting status	Contractual life of options
Share options issued under unapproved scheme	2,868,400	2,141,459	Vesting	10 years

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price (pence) 2021	Number 2021	Weighted average exercise price (pence) 2020	Number Period from 1 January 2019 to 30 June 2020
Outstanding at the beginning of the year/period	0.20	2,180,459	0.20	2,690,200
Granted during the year/period		-	0.20	178,200
Forfeited during the year/period	0.20	(39,000)	0.20	(687,691)
Exercised during the year/period		-	0.20	(250)
Outstanding at the end of the year/period	0.20	2,141,459	0.20	2,180,459

The total expense recognised for the year arising from share based payments are:

	Year ended 30 June 2021 £000	Period from 1 January 2019 to 30 June 2020 £000
Share based payment expenses	68	121
Group contribution of equity	68	121

The fair value of the options is calculated based on the Black Scholes valuation model and assumptions as determined by management at the date of grant of the share options.

Plessey Semiconductors Limited

Notes to the financial statements for the year ended 30 June 2021

28. Pension commitments

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £508,058 (period from 31 January 2019 to 30 June 2020: £640,821).

Contributions totalling £83,903 (period from 31 January 2019 to 30 June 2020: £71,391) were payable to the scheme at the end of the year and are included in creditors.

29. Capital commitments

As at the period end the company had committed to the purchase of plant and machinery related to the production of LEDs.

The total amount contracted for but not provided in the financial statements was £2,329,664 (2020: £7,916,805).

30. Financial guarantee

As at the year end the company has entered into an import duty deferment guarantee dated 17 August 2010 in favour of HM Revenue & Customs.

The amount of the financial guarantee is £100,000.

31. Related party transactions

	2021 £000	2020 £000
Amounts payable to related party	-	231

During the year, the company purchased goods from a related party amounting to £208,777 (period from 1 January 2019 to 30 June 2020: £524,000).

32. Parent and ultimate parent undertaking

The company has taken advantage of the exemption in FRS102.33 "Related Party Disclosures" from disclosing transactions with other wholly owned members of the group.

The company's immediate parent is Plessey Group Holdings Limited, incorporated in England & Wales.

The ultimate parent is The Dapore Trust, incorporated in Cyprus as an International Discretionary Trust.

The parent of the smallest group in which these financial statements are consolidated is Plessey Group Holdings Limited, incorporated in England and Wales.

The address of Plessey Group Holdings Limited is:
Tamerton Road, Roborough, Plymouth, Devon, PL6 7BQ.