

**REGISTERED NUMBER: 08324226 (England and Wales)**

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND  
FINANCIAL STATEMENTS  
FOR THE PERIOD 1ST APRIL 2020 TO 31ST DECEMBER 2020  
FOR  
HILIGHT SEMICONDUCTOR LIMITED**

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FOR THE PERIOD 1ST APRIL 2020 TO 31ST DECEMBER 2020**

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**HILIGHT SEMICONDUCTOR LIMITED**  
**COMPANY INFORMATION**  
**FOR THE PERIOD 1ST APRIL 2020 TO 31ST DECEMBER 2020**

**DIRECTORS:** J G Steele  
B Long

**REGISTERED OFFICE:** 1 Stoke Road  
Guildford  
Surrey  
GU1 4HW

**REGISTERED NUMBER:** 08324226 (England and Wales)

**AUDITORS:** Parkers  
Chartered Accountants and Statutory Auditors  
178-180 Church Road  
Hove, East Sussex  
BN3 2DJ

**STRATEGIC REPORT  
FOR THE PERIOD 1ST APRIL 2020 TO 31ST DECEMBER 2020**

The directors present their strategic report for the period 1st April 2020 to 31st December 2020.

During 2020 the Company's Product Sales grew strongly, more than doubling versus the prior year, despite a shorter, 9-month fiscal year to end December. Sales growth would have been more than three times higher, on a fully annualised basis. The burgeoning roll-out of 5G Cellular, PON/Fiber to the Home infrastructure, plus Data centres/Cloud Computing, providing the anticipated market pull.

The Directors elected to shorten the fiscal year as it became clear that future investment would most likely come from China, where the fiscal year generally aligns with the calendar year. Consolidating HiLight's accounts with a Chinese investor or parent will be made much easier.

Similarly to previous years, HiLight invested heavily in R&D during the 9 months and added to both the Engineering team and the Sales & Marketing team. The R&D spend has recently been supported by a \$2m 'C' round extension by a new investor, publicly listed in China, and over \$6m of Convertible Loans from existing investors.

The Directors are in negotiation with several investors for the new 'D' round, and existing investors have already agreed to participate with up to \$5m of new investment, alongside.

The Company's core technology choice, CMOS, continues to be the correct strategic choice, with the Company able to launch many world's firsts in this technology during the period. Nearly all the relevant optical communications OEMs already use one or more HiLight products, or are actively evaluating the potential of HiLight's technology.

Covid-19 had relatively little impact on the company directly, as a lot of R&D can be continued, working from home. The global need for more digital bandwidth, which our products help provide, continued unabated.

Overall the company is well positioned to substantially grow next-generation product revenues over the next few years and anticipates reaching profitability in 2021.

**ON BEHALF OF THE BOARD:**

J G Steele - Director

27th April 2021

**REPORT OF THE DIRECTORS  
FOR THE PERIOD 1ST APRIL 2020 TO 31ST DECEMBER 2020**

The directors present their report with the financial statements of the company for the period 1st April 2020 to 31st December 2020.

**PRINCIPAL ACTIVITIES**

The principal activities of the company in the period under review were those of research into and design and development of new higher speed Integrated Circuits.

**DIVIDENDS**

No dividends will be distributed for the period ended 31st December 2020.

**RESEARCH AND DEVELOPMENT**

The Company is continuing to develop its 3rd generation of integrated circuit technology to facilitate the roll-out of 5G cellular infrastructure and the latest Data Center requirements.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1st April 2020 to the date of this report.

J G Steele  
B Long

**FINANCIAL INSTRUMENTS**

The company granted options over a further 674,000 A Ordinary Non-Voting shares at £1.00 per share to employees during the year. A further 30,000 A Ordinary Non-Voting shares at £1.60 per share lapsed.

The total number of A Ordinary Non-Voting shares under option as at 31st December 2020, including the as yet unvested options, was 4,375,290 at £0.125 per share, 1,509,800 at £1.00 per share and 735,588 at £1.60 per share.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 judgements and accounting estimates that are reasonable and prudent;
- 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.

**REPORT OF THE DIRECTORS  
FOR THE PERIOD 1ST APRIL 2020 TO 31ST DECEMBER 2020**

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**ON BEHALF OF THE BOARD:**

J G Steele - Director

27th April 2021

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF HILIGHT SEMICONDUCTOR LIMITED

### Opinion

We have audited the financial statements of Hilight Semiconductor Limited (the 'company') for the period ended 31st December 2020 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, Notes to the Financial Statements, 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (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 31st December 2020 and of its loss for the period 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 Auditors' 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 directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

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.

In connection with our audit of the financial statements, 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 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF HILIGHT SEMICONDUCTOR LIMITED

### **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 Report of the Directors.

We have nothing to report in respect of the following matters where 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 Statement of Directors' Responsibilities set out on page three, 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 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.

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF HILIGHT SEMICONDUCTOR LIMITED

### **Auditors' 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 a Report of the Auditors 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.

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK pensions legislation and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to stock and work in progress cut off and realisable values, where there may be incentive for manipulation of profits, which could be achieved through the manipulation of estimates such as stock and work in progress provisions. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Challenging assumptions and judgements made by management in their significant accounting estimates; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations including journal entries which inflated the Company's results for the period with unusual offset entries and journal entries impacting work in progress with unusual offset entries to detect any unusual capitalisation of costs.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Auditors.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
HILIGHT SEMICONDUCTOR LIMITED**

**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 a Report of the Auditors 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.

Annette Watson BSc PhD FCA (Senior Statutory Auditor)  
for and on behalf of Parkers  
Chartered Accountants and Statutory Auditors  
178-180 Church Road  
Hove, East Sussex  
BN3 2DJ

27th April 2021

**INCOME STATEMENT**  
**FOR THE PERIOD 1ST APRIL 2020 TO 31ST DECEMBER 2020**

	Notes	Period 1/4/20 to 31/12/20 £	Year ended 31/3/20 £
<b>TURNOVER</b>	3	<b>1,064,981</b>	447,130
Cost of sales		<u>475,091</u>	<u>303,038</u>
<b>GROSS PROFIT</b>		<b>589,890</b>	144,092
Administrative expenses		<u>6,479,338</u>	<u>9,188,386</u>
		<b>(5,889,448)</b>	<b>(9,044,294)</b>
Other operating income		<u>-</u>	<u>684,123</u>
		<b>(5,889,448)</b>	<b>(8,360,171)</b>
Interest receivable and similar income		<u>8</u>	<u>1,467</u>
		<b>(5,889,440)</b>	<b>(8,358,704)</b>
Interest payable and similar expenses	5	<u>121,580</u>	<u>239,714</u>
<b>LOSS BEFORE TAXATION</b>	6	<b>(6,011,020)</b>	<b>(8,598,418)</b>
Tax on loss	7	<u>(1,379,512)</u>	<u>(1,791,003)</u>
<b>LOSS FOR THE FINANCIAL PERIOD</b>		<b><u>(4,631,508)</u></b>	<b><u>(6,807,415)</u></b>

The notes form part of these financial statements

OTHER COMPREHENSIVE INCOME  
FOR THE PERIOD 1ST APRIL 2020 TO 31ST DECEMBER 2020

Notes	Period 1/4/20 to 31/12/20 £	Year ended 31/3/20 £
LOSS FOR THE PERIOD	(4,631,508)	(6,807,415)
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>(4,631,508)</u>	<u>(6,807,415)</u>

**BALANCE SHEET**  
**31ST DECEMBER 2020**

	Notes	2020 £	£	2020 £	£
<b>FIXED ASSETS</b>					
Tangible assets	8		2,334,607		2,163,061
<b>CURRENT ASSETS</b>					
Stocks	9	1,187,981		1,123,821	
Debtors	10	1,931,332		2,061,981	
Cash at bank		29,085		199,246	
		<u>3,148,398</u>		<u>3,385,048</u>	
<b>CREDITORS</b>					
Amounts falling due within one year	11	<u>14,173,552</u>		<u>9,265,949</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(11,025,154)</u>		<u>(5,880,901)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>(8,690,547)</u>		<u>(3,717,840)</u>
<b>CREDITORS</b>					
Amounts falling due after more than one year	12		554,641		913,907
<b>PROVISIONS FOR LIABILITIES</b>	16		215,067		197,000
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17	2,499,526		2,499,526	
Share premium	18	24,496,588		24,496,588	
Retained earnings	18	<u>(36,456,369)</u>		<u>(31,824,861)</u>	
<b>SHAREHOLDERS' FUNDS</b>			<u>(9,460,255)</u>		<u>(4,828,747)</u>
			<u>(8,690,547)</u>		<u>(3,717,840)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 27th April 2021 and were signed on its behalf by:

J G Steele - Director

HILIGHT SEMICONDUCTOR LIMITED (REGISTERED NUMBER: 08324226)

STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD 1ST APRIL 2020 TO 31ST DECEMBER 2020

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
<b>Balance at 1st April 2019</b>	1,648,766	(25,017,446)	9,120,341	(14,248,339)
<b>Changes in equity</b>				
Issue of share capital	850,760	-	15,376,247	16,227,007
Total comprehensive income	-	(6,807,415)	-	(6,807,415)
<b>Balance at 31st March 2020</b>	<u>2,499,526</u>	<u>(31,824,861)</u>	<u>24,496,588</u>	<u>(4,828,747)</u>
<b>Changes in equity</b>				
Total comprehensive income	-	(4,631,508)	-	(4,631,508)
<b>Balance at 31st December 2020</b>	<u>2,499,526</u>	<u>(36,456,369)</u>	<u>24,496,588</u>	<u>(9,460,255)</u>

The notes form part of these financial statements

**CASH FLOW STATEMENT**  
**FOR THE PERIOD 1ST APRIL 2020 TO 31ST DECEMBER 2020**

	Notes	Period 1/4/20 to 31/12/20 £	Year ended 31/3/20 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	(2,586,861)	(7,770,804)
Interest element of finance lease payments paid		(71,957)	(92,174)
Finance costs paid		(49,623)	(147,540)
Tax paid		<u>1,560,333</u>	<u>1,791,003</u>
Net cash from operating activities		<u>(1,148,108)</u>	<u>(6,219,515)</u>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(731,630)	(422,082)
Interest received		<u>8</u>	<u>1,467</u>
Net cash from investing activities		<u>(731,622)</u>	<u>(420,615)</u>
<b>Cash flows from financing activities</b>			
Capital repayments in year		1,709,569	5,707,884
Share issue		<u>-</u>	<u>850,760</u>
Net cash from financing activities		<u>1,709,569</u>	<u>6,558,644</u>
<b>Decrease in cash and cash equivalents</b>		<u>(170,161)</u>	<u>(81,486)</u>
<b>Cash and cash equivalents at beginning of period</b>	2	<u>199,246</u>	<u>280,732</u>
<b>Cash and cash equivalents at end of period</b>	2	<u><u>29,085</u></u>	<u><u>199,246</u></u>

The notes form part of these financial statements

NOTES TO THE CASH FLOW STATEMENT  
FOR THE PERIOD 1ST APRIL 2020 TO 31ST DECEMBER 2020

1. RECONCILIATION OF LOSS BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	Period 1/4/20 to 31/12/20 £	Year ended 31/3/20 £
Loss before taxation	(6,011,020)	(8,598,418)
Depreciation charges	560,086	682,062
Government grants	-	(440,082)
Finance costs	121,580	239,714
Finance income	(8)	(1,467)
	<u>(5,329,362)</u>	<u>(8,118,191)</u>
Increase in stocks	(64,160)	(216,256)
Decrease in trade and other debtors	1,510,827	352,748
Increase in trade and other creditors	1,295,834	210,895
<b>Cash generated from operations</b>	<u><b>(2,586,861)</b></u>	<u><b>(7,770,804)</b></u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Period ended 31st December 2020

	31/12/20 £	1/4/20 £
Cash and cash equivalents	<u>29,085</u>	<u>199,246</u>

Year ended 31st March 2020

	31/3/20 £	1/4/19 £
Cash and cash equivalents	<u>199,246</u>	<u>280,732</u>

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1/4/20 £	Cash flow £	At 31/12/20 £
<b>Net cash</b>			
Cash at bank	<u>199,246</u>	<u>(170,161)</u>	<u>29,085</u>
	<u>199,246</u>	<u>(170,161)</u>	<u>29,085</u>
<b>Debt</b>			
Finance leases	(1,122,788)	212,200	(910,588)
Debts falling due within 1 year	(8,127,272)	(3,611,771)	(11,739,043)
Debts falling due after 1 year	(185,418)	128,154	(57,264)
	<u>(9,435,478)</u>	<u>(3,271,417)</u>	<u>(12,706,895)</u>
<b>Total</b>	<u><b>(9,236,232)</b></u>	<u><b>(3,441,578)</b></u>	<u><b>(12,677,810)</b></u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD 1ST APRIL 2020 TO 31ST DECEMBER 2020

1. **STATUTORY INFORMATION**

Hilight Semiconductor Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. **ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

The financial statements have been prepared on the going concern basis due to the continuing support of the principal shareholders as evidenced by the provision of loan finance during the year ended 31st December 2020 as required.

In January 2021 the largest shareholders advanced a further \$1,060,000 and in February 2021 the company also issued further Series C shares receiving £1,450,594 of further funding.

The company has also received a letter of support from an existing shareholder who are planning a further investment of \$3-5M in the upcoming Series D round in early May.

**Significant judgements and estimates**

No significant judgements have had to be made by the directors in preparing these financial statements other than as regards the realisable value of the stock.

**Turnover**

Turnover represents net invoiced sales of goods and services, excluding value added tax.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Plant and machinery	- at varying rates on cost
Fixtures and fittings	- 15% on cost
Tooling (masks)	- 10% on cost
Computer equipment	- 33% on cost

The company's own production masks (tooling) are capitalised at their cumulative development cost once the design has been finalised and tested and production has commenced.

**Stocks**

Stocks of finished products ready for sale and product work in progress are valued at original cost, which is expected to continue to be less than realisable value, with no provisions for obsolete or slow moving items.

Cost includes initial purchase and subsequent processing costs at the US\$ rate applicable at the time of purchase and, as all stocks are held at the third party processors, there are no costs in bringing stocks to their present location.

**Financial instruments**

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, asset finance and loans from related parties.

Financial assets that are measured at cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in profit or loss.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and the best estimate, which is an approximation, of the amount that the company would receive for the asset if it were to be sold at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE PERIOD 1ST APRIL 2020 TO 31ST DECEMBER 2020

2. **ACCOUNTING POLICIES - continued**

**Taxation**

Taxation for the period comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

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 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.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**Research and development**

Expenditure on research and development is written off in the year in which it is incurred.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

**Hire purchase and leasing commitments**

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to profit or loss over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Secondary rentals on finance lease assets retained but fully depreciated over the primary rental period are expensed as operating lease rentals with the liability disclosed as a rental commitment.

**Pension costs and other post-retirement benefits**

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

**Grants**

Grants are credited to profit and loss account as the eligible expenditure is incurred except where costs exceed the approved budget and the completion date is uncertain when estimated time to complete is used to time apportion the income over the life of the project.

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE PERIOD 1ST APRIL 2020 TO 31ST DECEMBER 2020

2. ACCOUNTING POLICIES - continued

**Impairment of non-financial assets**

At each reporting date non-financial assets not carried at fair value, like intellectual property, plant, property and equipment, are reviewed to determine whether there is an indication that an asset may be impaired. If there is an indication of possible impairment, the recoverable amount of any asset or group of related assets, which is the higher of value in use and the fair value less cost to sell, is estimated and compared with its carrying amount. If the recoverable amount is lower, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognised immediately in profit or loss.

Stock and work in progress is also assessed for impairment at each reporting date but carried at original cost. If an impairment loss is subsequently reversed, the carrying amount of the asset or group of related assets is increased to the revised estimate of its recoverable amount, but not to exceed the amount that would have been determined had no impairment loss been recognised for the asset or group of related assets.

3. TURNOVER

The turnover and loss before taxation are attributable to the principal activities of the company.

An analysis of turnover by class of business is given below:

	Period 1/4/20 to 31/12/20 £	Year ended 31/3/20 £
Sale of integrated circuits	<u>1,064,981</u>	<u>447,130</u>
	<u>1,064,981</u>	<u>447,130</u>

4. EMPLOYEES AND DIRECTORS

	Period 1/4/20 to 31/12/20 £	Year ended 31/3/20 £
Wages and salaries	2,992,818	3,803,256
Social security costs	308,633	425,380
Other pension costs	46,309	64,195
	<u>3,347,760</u>	<u>4,292,831</u>

The average number of employees during the period was as follows:

	Period 1/4/20 to 31/12/20	Year ended 31/3/20
R&D and support staff	49	47
Overseas sales staff	12	8
UK Directors	1	1
	<u>62</u>	<u>56</u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE PERIOD 1ST APRIL 2020 TO 31ST DECEMBER 2020

4. EMPLOYEES AND DIRECTORS - continued

	Period 1/4/20 to 31/12/20 £	Year ended 31/3/20 £
Directors' remuneration	37,500	50,000
Directors' pension contributions to money purchase schemes	<u>985</u>	<u>6,307</u>

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	Period 1/4/20 to 31/12/20 £	Year ended 31/3/20 £
Finance lease charges	71,957	92,174
Loan interest	<u>49,623</u>	<u>147,540</u>
	<u>121,580</u>	<u>239,714</u>

6. LOSS BEFORE TAXATION

The loss is stated after charging/(crediting):

	Period 1/4/20 to 31/12/20 £	Year ended 31/3/20 £
Hire of plant and machinery	352,868	507,734
Other operating leases	134,100	183,665
Depreciation - owned assets	253,329	283,084
Depreciation - assets on finance leases	306,755	398,981
Auditors' remuneration	8,750	8,700
Foreign exchange differences	<u>(295,544)</u>	<u>464,640</u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE PERIOD 1ST APRIL 2020 TO 31ST DECEMBER 2020

7. TAXATION

**Analysis of the tax credit**

The tax credit on the loss for the period was as follows:

	Period 1/4/20 to 31/12/20 £	Year ended 31/3/20 £
Current tax:		
UK corporation tax	(1,380,179)	(1,480,000)
Above the Line Tax Credit at 12% (2018: 12% & 11%)	-	(100,000)
Corporation tax at 19%	-	19,000
Prior year tax	<u>667</u>	<u>(230,003)</u>
Tax on loss	<u>(1,379,512)</u>	<u>(1,791,003)</u>

UK corporation tax was charged at 19% in 2020.

The UK corporation tax credit for the year arises from the enhanced own qualifying research & development expenditure at 14.5%. The above the line tax credit at 12% arises from the research & development subsidised by third parties, including notified state aid, and is itself net of corporation tax at 19%.

The company has unutilised tax losses of approximately £22 million.

8. TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Tooling (masks) £	Computer equipment £	Totals £
<b>COST</b>					
At 1st April 2020	3,809,731	75,997	917,450	222,889	5,026,067
Additions	<u>705,518</u>	<u>1,696</u>	-	<u>24,416</u>	<u>731,630</u>
At 31st December 2020	<u>4,515,249</u>	<u>77,693</u>	<u>917,450</u>	<u>247,305</u>	<u>5,757,697</u>
<b>DEPRECIATION</b>					
At 1st April 2020	2,376,271	37,482	267,388	181,865	2,863,006
Charge for period	<u>456,602</u>	<u>8,540</u>	<u>68,808</u>	<u>26,134</u>	<u>560,084</u>
At 31st December 2020	<u>2,832,873</u>	<u>46,022</u>	<u>336,196</u>	<u>207,999</u>	<u>3,423,090</u>
<b>NET BOOK VALUE</b>					
At 31st December 2020	<u>1,682,376</u>	<u>31,671</u>	<u>581,254</u>	<u>39,306</u>	<u>2,334,607</u>
At 31st March 2020	<u>1,433,460</u>	<u>38,515</u>	<u>650,062</u>	<u>41,024</u>	<u>2,163,061</u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE PERIOD 1ST APRIL 2020 TO 31ST DECEMBER 2020

8. TANGIBLE FIXED ASSETS - continued

Fixed assets, included in the above, which are held under finance leases are as follows:

	Plant and machinery £
<b>COST</b>	
At 1st April 2020	3,041,014
Additions	94,556
At 31st December 2020	<u>3,135,570</u>
<b>DEPRECIATION</b>	
At 1st April 2020	1,937,977
Charge for period	306,755
At 31st December 2020	<u>2,244,732</u>
<b>NET BOOK VALUE</b>	
At 31st December 2020	<u>890,838</u>
At 31st March 2020	<u>1,103,037</u>

9. STOCKS

	2020 £	2020 £
Work-in-progress	952,356	870,944
Finished goods	235,625	252,877
	<u>1,187,981</u>	<u>1,123,821</u>

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £	2020 £
Trade debtors	138,310	154,668
Other debtors	7,950	7,950
Research & Development Tax Credits	1,380,179	1,561,000
VAT	242,551	125,199
Prepayments	162,342	213,164
	<u>1,931,332</u>	<u>2,061,981</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £	2020 £
Other loans (see note 13)	11,739,043	8,127,272
Finance leases (see note 14)	413,211	394,299
Trade creditors	1,770,680	609,479
Social security and other taxes	221,750	106,380
Other creditors	14,367	14,018
Accrued expenses	14,501	14,501
	<u>14,173,552</u>	<u>9,265,949</u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE PERIOD 1ST APRIL 2020 TO 31ST DECEMBER 2020

12. **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2020 £	2020 £
Other loans (see note 13)	57,264	185,418
Finance leases (see note 14)	<u>497,377</u>	<u>728,489</u>
	<u>554,641</u>	<u>913,907</u>

13. **LOANS**

An analysis of the maturity of loans is given below:

	2020 £	2020 £
Amounts falling due within one year or on demand:		
Shareholder loans (2018: convertible)	11,322,543	7,421,260
Harbert Euro loan	<u>416,500</u>	<u>706,012</u>
	<u>11,739,043</u>	<u>8,127,272</u>
Amounts falling due between one and two years:		
Harbert Euro loan in 1-2 years	<u>57,264</u>	<u>185,418</u>

14. **LEASING AGREEMENTS**

Minimum lease payments fall due as follows:

	Finance leases	
	2020 £	2020 £
Net obligations repayable:		
Within one year	413,211	394,299
Between one and five years	<u>497,377</u>	<u>728,489</u>
	<u>910,588</u>	<u>1,122,788</u>
	Non-cancellable	operating leases
	2020 £	2020 £
Within one year	590,000	750,000
Between one and five years	<u>37,000</u>	<u>193,000</u>
	<u>627,000</u>	<u>943,000</u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE PERIOD 1ST APRIL 2020 TO 31ST DECEMBER 2020

15. SECURED DEBTS

The following secured debts are included within creditors:

	2020 £	2020 £
Finance leases	910,588	1,122,788
Harbert Euro loan	473,763	891,430
	<u>1,384,351</u>	<u>2,014,218</u>

Finance lease liabilities are secured on the finance lease assets and the Harbert loan is secured on the other assets of the company.

16. PROVISIONS FOR LIABILITIES

	2020 £	2020 £
Other provisions	<u>215,067</u>	<u>197,000</u>
		<b>Other provisions</b>
		£
Balance at 1st April 2020		197,000
Provided during period		18,067
Balance at 31st December 2020		<u>215,067</u>

Other provisions comprise the notional value of accrued but untaken holidays for the company's employees as at the end of March each year.

17. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2020 £	2020 £
569,883	Ordinary	12.5p	71,236	71,236
1,009,771	A Ordinary Non-Voting	12.5p	131,470	131,470
4,454,031	B Preferred	12.5p	556,754	556,754
4,520,155	Series A	12.5p	565,019	565,019
2,733,298	Series B	12.5p	341,662	341,662
143,500	C Ordinary	12.5p	17,938	17,938
6,523,570	Series C Convertible Preferred	12.5p	815,447	815,447
			<u>2,499,526</u>	<u>2,499,526</u>

NOTES TO THE FINANCIAL STATEMENTS - continued  
FOR THE PERIOD 1ST APRIL 2020 TO 31ST DECEMBER 2020

17. CALLED UP SHARE CAPITAL - continued

Options:

As at 1st April 2020 the company had granted options over 4,375,290 A Ordinary Non-Voting shares at £0.125 per share, 835,800 at £1.00 per share and 765,588 at £1.60 per share.

The unvested balance over 30,000 A Ordinary Non-Voting shares at £1.60 per share lapsed.

The company granted options over a further 674,000 A Ordinary Non-Voting shares at £1.00 per share.

As at 31st December 2020, the company had options in force over 6,620,678 A Ordinary Non-Voting shares, 4,375,290 at £0.125 (4,375,290 vested), 1,509,800 at £1.00 (931,227 vested) and 735,588 at £1.60 (721,215 vested).

Warrants and Convertible Loans:

Harbert European Growth Capital Fund has a warrant to subscribe for new shares to the value of US\$200,000 at the issue price at the next equity funding round.

18. RESERVES

	Retained earnings £	Share premium £	Totals £
At 1st April 2020	(31,824,861)	24,496,588	(7,328,273)
Deficit for the period	(4,631,508)		(4,631,508)
At 31st December 2020	<u>(36,456,369)</u>	<u>24,496,588</u>	<u>(11,959,781)</u>

19. RELATED PARTY DISCLOSURES

At the year end the company owed £6,238,858 (31st March 2020: £6,831,890) to Roundhurst Holdings Limited, a company controlled by Mr J G Steele. The loan is interest free, designated in GBP and repayable on demand. The company also owed \$3,000,000 (31st March 2020: \$Nil) to Roundhurst Holdings Limited. Interest is charged on the loan at 6% per annum but not accrued as it will be waived on conversion into Series C shares at the lenders discretion. The loan is designated in USD.

At the year end the company also owed \$3,000,000 (31st March 2020: \$Nil) to Atlantic Bridge III Limited Partnership, a shareholder of the company. Interest is charged on the loan at 6% per annum but not accrued as it will be waived on conversion into Series C shares at the lenders discretion. The loan is designated in USD.

At the year end the company also owed £589,370 (31st March 2020: £589,370) to J G Steele, a shareholder and director of the company. The loan is interest free, designated in GBP and repayable on demand.

20. SHARE-BASED PAYMENT TRANSACTIONS

The company granted options over a further 674,000 A Ordinary Non-Voting shares at £1.00 per share.

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