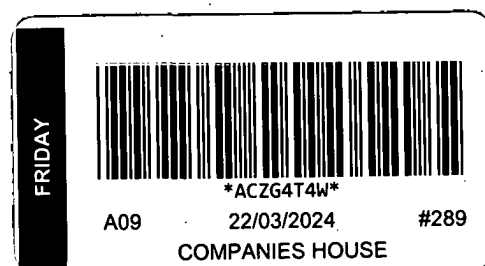


Cambridge Mechatronics Limited

Annual report and financial statements

Year ended 31 December 2023

Registered number: 3071231



Cambridge Mechatronics Limited

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Cambridge Mechatronics Limited

Annual report and financial statements
For the year ended 31 December 2023

Officers and professional advisers

Directors

J Lantto (Chairman)
A Osmand
A Bickley
S Newton
G M Harbour
Dr R Talluri
Dr M P Knight (Resigned 15 November 2023)
N Lerner (Resigned 13 December 2023)
G McFarland (Resigned 13 December 2023)
O Kent (Appointed 13 December 2023)
R Saleur (Appointed 13 December 2023)
A Guefor (Appointed 13 December 2023)

Company Secretary

J Cooke

Auditor

Deloitte LLP
Statutory Auditor
Cambridge
United Kingdom

Registered Office

The Westbrook Centre
Milton Road
Cambridge
CB4 1YG

Bankers

HSBC UK PLC
63-64 St. Andrews Street
Cambridge
CB2 3BZ

Legal Advisors

Mayer Brown International LLP
201 Bishopsgate
London
EC2M 3AF

Mishcon de Reya
First Floor and Ground Floor
4 Station Square, Cambridge
CB1 2GE

Mills & Reeve LLP
Botanic House
100 Hills Road, Cambridge
CB2 1PH

Cambridge Mechatronics Limited

Chairman's statement

2023 has been a year of significant progress for Cambridge Mechatronics (CML). We realised substantial growth in our smartphone camera market share, qualified our first 8-channel Shape Memory Alloy (SMA) driver chip and held a very successful funding round on the backdrop of a non-favourable market.

Brands such as Huawei, Honor and Xiaomi shipped a total of 14 new smartphones with CML's SMA technology in 2023. Our highly competitive 8-wire technology that enables Autofocus and Optical Image Stabilization with a single SMA actuator helped CML to achieve a volume of over 22 million units, up from 5 million in 2022. We expect further growth from this product throughout 2024.

CML raised £31.8m in new equity during 2023, including from a funding round closed in December welcoming highly reputable investors including Atlantic Bridge, Intel Capital, Supernova Invest and Sony Innovation Fund.. The funds will enable CML to accelerate its transition to a fully fabless semiconductor business model where it can maximise its revenues from each smartphone camera shipped. Our first 8-channel SMA driver chip, CM824 is now qualified and ready for mass production in 2024. The investment also means that CML can expand its horizons into new markets such as Medical where we have an exciting early-stage development with potential to revolutionise disposable drug delivery devices.

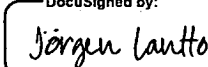
Alongside the new capital raised, changes to the Board of Directors have also been implemented. During November, my predecessor Martin Knight stepped down as non-executive director. Upon closing of the fundraising, Geoff McFarland and Neil Lerner also stepped down as non-executive directors. I would like to extend my sincere thanks to Martin, Geoff and Neil for their years of contribution to CML.

I am very pleased to welcome our new non-executive directors Abdul Guefor, Osman Kent and Regis Saleur to CML's Board. They will bring valuable experience to the Board, in particular as we transition further towards becoming a full fabless semiconductor supplier. For CML, becoming a fabless semiconductor supplier is essential in order to better monetize the contributions CML brings to our customers, as they integrate our SMA technology into their consumer devices.

Revenues for 2023 were £7.2 million (2022 - £10.0 million) and gross profit £7.0 million (2022 - £9.5 million). This translates into a loss of £9.4 million. Cash at year end stood at £25.8 million, reflecting the successful outcome of the fundraising.

Jorgen Lantto
Chairman

Date:

DocuSigned by:

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Cambridge Mechatronics Limited

Strategic report

Principal activities

The group leverages its extensive intellectual property portfolio and the expertise of its multidisciplinary engineering team to develop systems and products which utilise smart materials, specifically shape memory alloy (SMA), for use in electronic devices. The group's patented, platform technology enables it to develop products that are particularly suited to applications that require high levels of precision and force, in a compact and lightweight design. The group has developed algorithms and silicon solutions to drive the SMA actuators to deliver industry leading performance.

The principal activities of the group are that of research and development of SMA actuators and their associated electronics and control software; the licensing of intellectual property created by such work to international manufacturers; and the supply of drive chips that incorporate the group's proprietary firmware to control its product designs. The group generates its revenues from a combination of royalty income from units sold by its manufacturing licensees, licence fees, sales of SMA driver chips and engineering support fees.

Business review

Royalty income increased in the year from £3.2 million in 2022 to £3.6 million in 2023. This increase does not fully reflect the growth in the business, as the 2022 royalty figure was significantly boosted by a one-off minimum royalty payment associated with an exclusivity agreement. A better indicator of growth in the year is the group's licensees' shipments which reached 22 million units in 2023 compared to 5 million units in 2022. The group's licensees also increased manufacturing capacity in the latter part of 2023, which enables our licensees for further volume growth in 2024.

The group's overall loss for the year was £9.4 million compared to £5.6 million in 2022. This increase reflects CML's ongoing investment in next generation products, which resulted in an increase in headcount in the year and additional external engineering costs resulting from the development of next generation silicon products. Research and development expenditure increased as a result from £10.2 million in 2022 to £13.1 million in 2023.

To seek to capture a larger share of the monetary value from its designs, the group has developed its own driver chips to accompany its SMA actuator products. By selling driver chips as a package with its firmware, the group expects to be able to increase the per unit revenue it generates from its technology by a significant multiple. The first chip capable of driving the group's 8-wire products is currently going through qualification processes with Chinese smartphone manufacturers. It is anticipated that this major investment will lead to revenue generation in 2024.

A high-force and compact actuator technology like SMA, combined with the group's precision control technology, has countless potential applications beyond smartphones. The group is also working on commercialisation of its technology in new markets such as AR and Medical, in close collaboration with industry leaders who are willing to fund engineering developments to help resolve product hardware challenges.

The group received £31.8 million of new equity investment in 2023, mostly from highly reputable new Venture Capital investors. A further £4 million was received in January 2024. This investment provides the business with funds to:

- (a) increase the scale of activity contemplated by the group's objectives, including the recruitment of additional engineering, sales and customer support resource in Cambridge, China and other customer territories, as well as building out the company's infrastructure
- (b) develop more actuator products to seek to outperform competing products in the Smartphone camera market and to meet the requirements of new markets;
- (c) allocate resources to address efficiency improvements so that new products could be brought forward at scale; and
- (d) accelerate the transition to become a fully fabless semiconductor supplier by investing in drive chip development and supply chain, and further strengthen CML's control system firmware and algorithm

Key performance indicators

Under its historic licensing business model, the directors considered the principal key performance indicators to be the additions made to the group's extensive portfolio of patents; and the number of royalty-bearing actuators sold. Going forward from 2024, the number of driver chips sold and the margin achieved on driver chip sales will become key factors as the group transitions to a fabless silicon supply business model.

Cambridge Mechatronics Limited

Strategic report (continue)

The group protects its intellectual property rights through its extensive portfolio of patents, trade secrets and know-how. CML has an ongoing programme to increase the size of its patent portfolio. Over the course of the year, CML has had 57 patents granted, giving a portfolio at 31 December 2023 of 260 granted and pending patents of 484. The increase in patent filing is an indicator of the heightened level of product development undertaken by CML in 2023 and the inventiveness of its talented workforce.

New shipments during the year took the groups cumulative actuator sales volumes to approximately 70 million units, an increase of 22 million units in the year.

Principal risks and uncertainties

The directors maintain a risk register that is formally reviewed at meetings of the Audit and Risk Committee. The Audit and Risk Committee regularly reports to the Board of Directors on the principal risks faced by the group. The principal risks faced by the group, and the steps taken to mitigate these are as follows:

Commercial risks

There is a risk that the group's SMA technology does not penetrate new markets and is not adopted by new customers. The group has carefully selected the markets it operates in and has developed a product roadmap which it believes highlights compelling advantages for its SMA technology relative to alternatives available to its target markets and customers. These advantages include a low bill of materials, low power consumption, a smaller, slimmer design and higher force actuation to move heavier payloads.

CML has historically relied on a small number of customers within a market subjected to restrictions from governments and technology giants. CML has strategic partners in Europe, US and Asia which it is leveraging to broaden its customer base and spread of applications for its platform technology.

Intellectual property risk

As a licensor of intellectual property, it is crucial that the group maintains and adds to its robust intellectual property portfolio in order to generate sustainable revenues. The group protects its intellectual property rights through its extensive portfolio of patents, trade secrets and know-how. The group has a team of in-house patent attorneys, supplemented by external advisers, who are dedicated to filing patents and protecting the group's patent portfolio.

Financial Risk Management Objectives

Cash flow risk

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. To limit the exchange rate exposure receipts and payments denominated in foreign currencies are matched as far as is possible. In 2023, 68% of CML's revenue was denominated in GBP with the remainder in USD.

Credit risk

The group's principal financial assets are bank balances and trade debtors. The group's credit risk is primarily attributable to its trade debtors, which is concentrated to a few customers. CML reviews the financial strength of its customers prior to entering a licence agreement, and continually monitors the outstanding trade debtors.

Liquidity risk

Liquidity risk is managed through day to day monitoring of the future cash flow requirements to ensure that the group has sufficient resources available for ongoing operations and future developments. The group continually evaluates the amount of capital required and takes the appropriate actions, such as capital raising to mitigate the risk.

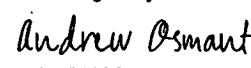
Future developments

CML has raised £31.8 million of new equity in 2023. The funds raised will be used to accelerate new product development and commercialisation and to fund the development of the next generation CML chip designs.

Approved by the Board and signed on its behalf by:

A Osmant
Managing Director

Date:

DocuSigned by:

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Cambridge Mechatronics Limited

Directors' report

The directors present their annual report on the affairs of the group, together with the financial statements and auditor's report, for the year ended 31 December 2023.

In preparing the Directors' Report, the directors have complied with s414C(11) of the Companies Act 2006 by including certain disclosures required by s416(4) within the Strategic Report which are a review of business, key performance indicators, principal risks and uncertainties and future developments.

Directors

The directors who served throughout the year and to the date of this report, unless otherwise stated, were:

J Lantto (Chairman)
A Osmant
A Bickley
S Newton
G M Harbour
Dr R Talluri
Dr M P Knight (Resigned 15 November 2023)
N Lerner (Resigned 13 December 2023)
G McFarland (Resigned 13 December 2023)
O Kent (Appointed 13 December 2023)
R Saleur (Appointed 13 December 2023)
A Guefor (Appointed 13 December 2023)

Directors' responsibilities statement

The directors are responsible 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), including FRS 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 the group and of the profit or loss of the group 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; 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.

Going concern

During the year under review, the group experienced a net cash outflow from operating activities. The group has met its working capital requirements by utilising cash from revenue receipts, proceeds from shareholder equity funding and through the receipt of the research and development tax credit available to small and medium sized enterprises. At 31 December 2023, the group held cash of £25,905,582 (2022: £4,165,396). The group's cash position has improved further since year end following the completion of an additional £4m equity raise in January 2024.

Cambridge Mechatronics Limited

Directors' report (continue)

The directors have considered the financing requirements of the group for a period of at least 12 months from the date of approval of these financial statements. The directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

Research and development

The group undertakes research and development in respect of systems which utilise shape memory alloy and their associated electronics and control software. Research and development expenditure is written off to the profit and loss account in the year in which it is incurred.

Existence of branches outside the UK

The company has a branch operation, as defined in section 1046(3) of the Companies Act 2006, based in Taiwan.

Events after the balance sheet date

In January 2024 the company issued 2,173,912 B1 Preferred Ordinary shares for total subscription proceeds of £3,999,998.

Dividends

The directors are unable to recommend the payment of a dividend (2022 - £nil).

Directors' indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Directors' remuneration

The non-executive directors measure the performance of the executive directors and key members of senior management as a prelude to recommending their annual remuneration, bonus awards and awards of share options to the Remuneration Committee for final determination.

Auditor

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:

A Guefor
Director

Date

DocuSigned by:
Abdul Guefor
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29/02/2024

Cambridge Mechatronics Limited

Independent auditor's report

To the members of Cambridge Mechatronics Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Cambridge Mechatronics Limited (the 'parent company') and its subsidiary companies (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2023 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 23.

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).

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 group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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 group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

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

Cambridge Mechatronics Limited

Independent auditor's report (continue)

To the members of Cambridge Mechatronics Limited (continue)

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

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the group's business sector.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we have identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are summarised below:

- Revenue recognition – We identified the recording of revenue for new and amended contracts as a fraud risk. In addressing the risk we obtained copies of the new and amended agreements during the year and agreed these to the revenue recognition policy memos and accounting guidance to ensure that the amounts had been appropriately recorded in the financial statements

Cambridge Mechatronics Limited

Independent auditor's report (continue)

To the members of Cambridge Mechatronics Limited (continue)

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

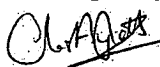
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors'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

We have nothing to report in respect of these matters.

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.

Christopher Aylott FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Cambridge, United Kingdom
Date: 01/03/2024

DocuSigned by:

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Cambridge Mechatronics Limited

Consolidated profit and loss account For the year ended 31 December 2023

	Note	2023 £	2022 £
Turnover	3	7,243,429	10,010,245
Cost of sales		(212,610)	(549,751)
Gross profit		<u>7,030,819</u>	<u>9,460,494</u>
Other Income	4	154,697	109,803
Distribution costs	5	(1,743,539)	(1,674,435)
Research and development expenditure	5	(13,104,690)	(10,243,535)
Administrative expenses	5	(2,836,528)	(4,245,875)
Operating loss		<u>(10,499,241)</u>	<u>(6,593,548)</u>
Bank interest receivable		104,349	9,250
Loss before taxation	5&8	<u>(10,394,892)</u>	<u>(6,584,298)</u>
Tax on loss	8	960,524	983,929
Loss for the financial year		<u>(9,434,368)</u>	<u>(5,600,369)</u>

All activities derive from continuing operations.

Consolidated statement of comprehensive income For the year ended 31 December 2023

	Note	2023 £	2022 £
Loss for the financial year		(9,434,368)	(5,600,369)
Currency translation difference on overseas subsidiaries and branch		7,051	(20,830)
Total comprehensive expense		<u>(9,427,317)</u>	<u>(5,621,199)</u>

Cambridge Mechatronics Limited

Consolidated balance sheet At 31 December 2023

	Note	2023 £	2022 £
Fixed assets			
Goodwill	10	-	6,251
Tangible assets	11	458,378	273,439
		<u>458,378</u>	<u>279,690</u>
Current assets			
Stocks	13	974,189	230,336
Debtors	14	5,583,926	6,858,313
Cash at bank and in hand		25,905,582	4,165,396
		<u>32,463,697</u>	<u>11,254,045</u>
Creditors: amounts falling due within one year	15	(2,465,006)	(2,217,173)
		<u>29,998,691</u>	<u>9,036,872</u>
Net current assets			
		<u>30,457,069</u>	<u>9,316,562</u>
Total assets less current liabilities			
		<u>30,457,069</u>	<u>9,316,562</u>
Net assets			
		<u>30,457,069</u>	<u>9,316,562</u>
Capital and reserves			
Called up share capital	16	102,955	51,237
Share premium account	16	91,373,097	61,901,792
Profit and loss account	16	(61,018,983)	(52,636,467)
		<u>30,457,069</u>	<u>9,316,562</u>
Shareholders' funds			
		<u>30,457,069</u>	<u>9,316,562</u>

The financial statements of Cambridge Mechatronics Limited, registered number 3071231, were approved by the Board of Directors and authorised for issue on

Signed on behalf of the Board of Directors by:

A Guefor
Director
Date:

DocuSigned by:
A Guefor
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Cambridge Mechatronics Limited

Company balance sheet At 31 December 2023

	Note	2023 £	2022 £
Fixed assets			
Goodwill	10	-	6,251
Tangible assets	11	432,529	249,057
Investments	12	79,418	79,418
		<u>511,947</u>	<u>334,726</u>
Current assets			
Stocks	13	974,189	230,336
Debtors	14	5,612,970	6,888,720
Cash at bank and in hand		25,806,840	4,082,951
		<u>32,393,999</u>	<u>11,202,007</u>
Creditors: amounts falling due within one year	15	<u>(2,547,786)</u>	<u>(2,283,749)</u>
Net current assets		<u>29,846,213</u>	<u>8,918,258</u>
Total assets less current liabilities		<u>30,358,160</u>	<u>9,252,984</u>
Net assets		<u>30,358,160</u>	<u>9,252,984</u>
Capital and reserves			
Called up share capital	16	102,955	51,237
Share premium account	16	91,373,097	61,901,792
Profit and loss account	16	(61,117,892)	(52,700,045)
Shareholders' funds		<u>30,358,160</u>	<u>9,252,984</u>

As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the parent company. The loss for the financial year dealt with in the financial statements of the parent company was £9,484,808 (2022 - £5,629,207).

The financial statements of Cambridge Mechatronics Limited, registered number 3071231, were approved by the Board of Directors and authorised for issue on

Signed on behalf of the Board of Directors by:

A Guefor
Director
Date:

DocuSigned by:
Abdul Guefor
1BD74D40C64C4D0...
29/02/2024

Cambridge Mechatronics Limited

Consolidated statement of changes in equity At 31 December 2023

	Called up share capital £	Share premium account £	Profit and loss account £	Total £
At 1 January 2022	49,514	55,132,285	(48,126,297)	7,055,502
Issue of share capital (note 17)	1,723	6,769,507	-	6,771,230
Credit to equity for equity settled share based payment	-	-	1,111,029	1,111,029
Currency translation difference on overseas subsidiaries and overseas branch	-	-	(20,830)	(20,830)
Loss for the year and total comprehensive expenses	-	-	(5,600,369)	(5,600,369)
At 31 December 2022	51,237	61,901,792	(52,636,467)	9,316,562
Issue of share capital (note 17)	51,718	29,471,305	-	29,523,023
Credit to equity for equity settled share based payment	-	-	1,044,801	1,044,801
Currency translation difference on overseas subsidiaries and overseas branch	-	-	7,051	7,051
Loss for the year and total comprehensive expenses	-	-	(9,434,368)	(9,434,368)
At 31 December 2023	102,955	91,373,097	(61,018,983)	30,457,069

Company statement of changes in equity At 31 December 2023

	Called up share capital £	Share premium account £	Profit and loss account £	Total £
At 1 January 2022	49,514	55,132,285	(48,157,744)	7,024,055
Issue of share capital (note 17)	1,723	6,769,507	-	6,771,230
Credit to equity for equity settled share based payment	-	-	1,111,029	1,111,029
Currency translation difference on overseas subsidiaries and overseas branch	-	-	(24,123)	(24,123)
Loss for the year and total comprehensive expenses	-	-	(5,629,207)	(5,629,207)
At 31 December 2022	51,237	61,901,792	(52,700,045)	9,252,984
Issue of share capital (note 17)	51,718	29,471,305	-	29,523,023
Credit to equity for equity settled share based payment	-	-	1,044,801	1,044,801
Currency translation difference on overseas subsidiaries and overseas branch	-	-	22,160	22,160
Loss for the year and total comprehensive expenses	-	-	(9,484,808)	(9,484,808)
At 31 December 2023	102,955	91,373,097	(61,117,892)	30,358,160

Cambridge Mechatronics Limited

Consolidated cash flow statement For the year ended 31 December 2023

	Note	2023 £	2022 £
Net cash flow from operating activities	18	(7,583,122)	(7,628,229)
Cash flow from investing activities			
Purchase of tangible fixed assets		(379,367)	(193,264)
Disposal of tangible fixed assets		752	24,348
Interest received		104,349	9,250
Net cash flows from investing activities		(274,266)	(159,666)
Cash flows from financing activities			
Proceeds on issue of shares		31,819,803	6,873,875
Legal and commission costs of share issues		(2,229,279)	(102,645)
Net cash flows from financing activities		29,590,524	6,771,230
Net increase / (decrease) in cash and cash equivalents		21,733,136	(1,016,665)
Effect of foreign exchange rate changes		7,050	(20,830)
Cash and cash equivalents at beginning of year		4,165,396	5,202,891
Cash and cash equivalents at end of year		25,905,582	4,165,396

Cambridge Mechatronics Limited

Notes to the financial statements For the year ended 31 December 2023

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

General information and basis of accounting

Cambridge Mechatronics Limited is a company incorporated in the United Kingdom under the Companies Act 2006.

The company is a private company limited by shares and is registered in England and Wales. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the Strategic report on page 3.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102). "The Financial Reporting Standard applicable in the UK and Republic of Ireland" issued by the Financial Reporting Council.

The functional currency of Cambridge Mechatronics Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the group operates.

Cambridge Mechatronics Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements.

Going concern

During the year under review, the group experienced a net cash outflow from operating activities. The group has met its working capital requirements by utilising cash from revenue receipts, proceeds from shareholder equity funding and through the receipt of the research and development tax credit available to small and medium sized enterprises. At 31 December 2023, the group held cash of £25,905,582 (2022: £4,165,396). The group's cash position has improved since year end following the completion of £3,999,996 of the group's fund raising in January 2024.

The directors have considered the financing requirements of the group for a period of at least 12 months from the date of approval of these financial statements. In performing this analysis, the directors have not identified any material uncertainties that cast significant doubt upon the group's ability to continue as a going concern for a period of at least twelve months from the date of approval of these financial statements. Consequently, the directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Goodwill

Goodwill arising on the acquisition of businesses combinations, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 2 years. Provision is made for any impairment.

Cambridge Mechatronics Limited

Notes to the financial statements For the year ended 31 December 2023

1. Accounting policies (continue)

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Plant and machinery	33% per annum
Office equipment	33% per annum
Computers and software	33% per annum
Leasehold improvements	the unexpired minimum lease term

Residual value is calculated on prices prevailing at the date of acquisition.

Research and development and intangible fixed assets

Research and development expenditure is not capitalised on the balance sheet but is written off in the year in which it is incurred. Plant and equipment acquired for research and development activities is written off on a straight line basis at the rate of 33% per annum.

Investments

Investments in subsidiaries held as fixed assets are stated at cost less provision for any impairment in value.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using standard cost. Provision is made for obsolete, slow-moving or defective items where appropriate.

Financial instruments

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Cambridge Mechatronics Limited

Notes to the financial statements For the year ended 31 December 2023

1. Accounting policies (continue)

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

The group does not deal in complex financial instruments.

Share-based payments

The company has issued share options to certain employees with the group with non-market based vesting conditions. Equity settled share-based payments are measured at the fair value (excluding the effect of non-market based vesting conditions) at the date of grant.

The fair value determined at the grant date of the equity settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest and adjusted for the effect on non-market vesting conditions. Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Goodwill

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units of which the goodwill is a part. Any impairment loss in respect of a cash-generating unit is allocated first to the goodwill attached to that unit, and then to other assets within that unit on a pro-rata basis.

Where indicators exist for a decrease in impairment loss previously recognised for assets other than goodwill, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a cash-generating unit, the reversal is applied first to the assets of that unit, except for goodwill, on a pro-rata basis. Impairment of goodwill is never reversed.

Other assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable value of an asset is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value 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 which the estimates of future cash flows have not been adjusted.

Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Cambridge Mechatronics Limited

Notes to the financial statements For the year ended 31 December 2023

1. Accounting policies (continue)

If the recoverable value of an asset, or cash-generating unit, is estimated to be less than its carrying amount, the carrying amount of the asset, or cash-generating unit, is reduced to its recoverable value. An impairment loss is recognised immediately in the profit and loss account.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Turnover

Turnover is derived from contractual agreements with licensees which can comprise a number of separately identifiable components. Where a contract has multiple distinctly identifiable components, revenue for each component is recognised separately in accordance with the policies set out below. Turnover is stated net of VAT, rebates and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer.

Non-refundable licence fees in respect of perpetual licences are recognised when all obligations relating to the grant of the licence are met. In contrast, where a licence is granted for a specified period of time, the licence fee received is recognised on a straight-line basis over the stated term.

Royalty revenue is recognised on an accruals basis in accordance with the terms of the relevant agreement.

Turnover from the sale of SMA driver chips is recognised when the goods are physically delivered by the group's distributor. Turnover from the sale of all other goods is recognised when the goods are dispatched to customers.

Other turnover includes fees received for engineering services and customer support, which are recognised as the services are rendered based on the stage of completion.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. All exchange differences are included in the profit and loss account.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Pensions

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the group and the amount of income can be measured reliably. Interest income is recognised on an accruals basis.

Cambridge Mechatronics Limited

Notes to the financial statements For the year ended 31 December 2023

1. Accounting policies (continue)

Other Income

Other income relating to the RDEC R&D tax credits scheme are recognised on an accruals basis.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The group claims the research and development tax credit available to small and medium sized enterprises.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is regarded as more likely than not that there will be suitable future taxable profits to recover these assets against.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The critical accounting judgements and key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are detailed below.

Critical judgement in applying the group's and company accounting policies

The group undertakes research and development activity and therefore the assessment of research and development expenditure is critical in order to determine whether or not it is appropriate to capitalise it onto the balance sheet in accordance with FRS 102 Section 18 "Intangible Assets other than Goodwill". Research and development expenditure is not capitalised on the group's balance sheet but is written off in the year in which it is incurred.

Key source of estimation uncertainty

The fair value of share options granted in respect of the group's share option scheme is calculated using the Black Scholes model, which inherently makes use of significant estimates and assumptions concerning the expected volatility, expected life and the number of employees that will achieve the vesting conditions. Expected volatility was determined by reference to businesses that are in a similar industry sector to the group. The expected life and the number of

Cambridge Mechatronics Limited

Notes to the financial statements For the year ended 31 December 2023

2. Critical accounting judgements and key sources of estimation uncertainty (continue)

employees that will achieve the vesting conditions used in the model was estimated using management's knowledge of probable exercise events and behavioural considerations (note 17).

3. Turnover

An analysis of the group's turnover by class of business is set out below.

	2023 £	2022 £
Licence fees	888,889	2,720,336
Royalties	3,578,851	3,189,207
Engineering services	2,117,201	3,693,633
Sale of goods	652,274	403,088
Other turnover	6,214	3,981
	<u>7,243,429</u>	<u>10,010,245</u>

An analysis of the group's turnover by geographical market is set out below.

	2023 £	2022 £
Asia	5,306,569	7,954,060
Europe	837,155	396,589
Rest of the world	1,099,705	1,659,596
	<u>7,243,429</u>	<u>10,010,245</u>

4. Other Income

	2023 £	2022 £
Other Income (RDEC Credit)	154,697	109,803
	<u>154,697</u>	<u>109,803</u>

Cambridge Mechatronics Limited

Notes to the financial statements For the year ended 31 December 2023

5. Loss before taxation

	2023	2022
	£	£
Loss before taxation is stated after charging/(crediting):		
Amortisation of goodwill (note 10)	6,251	74,999
Depreciation of tangible fixed assets (note 11)	192,543	198,763
Research and development	13,104,690	10,243,535
Land and buildings operating lease rentals	416,447	402,960
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	58,400	55,125
Fees payable to the company's auditor and its associates for other services to the group:		
Taxation compliance services	8,871	8,000
Other taxation advisory services	10,667	22,570
Foreign exchange (gain) loss	105,070	(127,735)

The Company reassessed its classification of certain expenses in 2023 which were recorded in 2022 in administrative expenses. Specifically, in 2022 Research and Development (R&D) costs of £1,267,970 and distribution costs of £624,728, were classified within administrative expenses in 2022.

It is important to note that this classification does not impact the financial position, results of operations, or cash flows for the prior periods. Consequently, 2022 financial statements have not been restated.

The decision to reclassify these expenses in 2023 was made to align with the nature of the costs. The 2022 operating expenses totaling £16,163,845 remain unchanged. However, if a reclassification occurred in 2022, distribution costs, research and development costs would increase to £2,299,163 and £11,511,505 respectively and administrative expenses would decrease to £2,353,177.

6. Staff numbers and cost

	Group		Company	
	2023	2022	2023	2022
	Number	Number	Number	Number
Research and development	101	97	89	87
Sales and marketing	9	8	9	8
Administration	24	19	22	17
	134	124	120	112

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
The aggregate remuneration comprised:				
Wages and salaries	8,422,430	8,338,322	7,701,025	7,623,732
Social security costs	872,289	887,907	839,495	861,543
Pension costs (note 20)	353,870	373,397	272,233	299,013
	9,648,589	9,599,626	8,812,753	8,784,288

Cambridge Mechatronics Limited

Notes to the financial statements For the year ended 31 December 2023

7. Directors' remuneration

	2023	2022
	£	£
Emoluments	640,966	418,193
Sums paid to third parties in respect of directors' services	80,400	50,475
Company contributions to money purchase pension schemes	13,759	6,919
	<u>735,125</u>	<u>475,587</u>

	2023	2022
	Number	Number
The number of directors who:		
Are members of a money purchase pension scheme	2	2
Exercised options over shares in the company	-	-
Had awards receivable in the form of shares under a long-term incentive scheme	1	4

Remuneration of highest paid director:

	2023	2022
	£	£
Emoluments	255,933	166,178
Company contributions to money purchase pension schemes	6,457	6,100
	<u>262,390</u>	<u>172,278</u>

The highest paid director did not exercise options over Ordinary shares during the current or previous year.

8. Tax on loss

	2023	2022
	£	£
Current taxation		
Research and development expenditure tax credit	(1,384,059)	(1,659,564)
Foreign tax	423,535	675,635
Tax on loss	<u>(960,524)</u>	<u>(983,929)</u>

Cambridge Mechatronics Limited

Notes to the financial statements For the year ended 31 December 2023

8. Tax on loss (continue)

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 23.52% (2022 - 19%). The actual tax charge for the current and the previous year differs from the standard tax rate for the reasons set out in the following reconciliation:

	2023	2022
	£	£
Loss before tax	(10,394,892)	(6,584,298)
Tax on loss at standard rate UK corporation tax rate of 23.52% (2022: 19%)	(2,444,879)	(1,251,018)
Factors affecting charge for the year:		
Expenses not deductible for tax purposes	119,962	278,728
Capital allowances in deficit of depreciation	-	51,335
Research and development expenditure tax credit	41,411	(710,145)
Higher tax rates on overseas earnings	210,659	542,209
Adjustment in respect of prior year	-	18,468
Deferred tax not provided	1,112,323	-
Tax losses carried forward	-	86,495
Total tax on loss	(960,524)	(983,929)

The main corporate tax rate changed on the 1st of April 2023 from 19% to 25% (2022: 19%). The closing deferred tax assets and liabilities have been calculated at 25%, on the basis that this is the rate at which those assets and liabilities are expected to unwind. At 31 December 2023, the parent company had unutilised tax losses of £22,371,878 (2022 - £17,968,742) for which no deferred tax asset has been recognised.

9. Profit attributable to the company

As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the parent company. The profit attributable to the company is disclosed in the footnote to the company's balance sheet.

Cambridge Mechatronics Limited

Notes to the financial statements For the year ended 31 December 2023

10. Goodwill

Group and Company	Goodwill £
Cost	
At 1 January 2023	149,999
Additions	-
At 31 December 2023	<u>149,999</u>
Depreciation	
At 1 January 2023	143,748
Charge for the year	6,251
At 31 December 2023	<u>149,999</u>
Net book value	
At 31 December 2023	-
At 31 December 2022	<u>6,251</u>

On 1 February 2021, the company acquired certain trade and assets from UNITEQ Corporation Limited, a subcontractor that provided technology support to the company's customers in Greater China, for consideration comprising the issue of 7,987 Ordinary shares of 0.25p each, at a fair value of £6.26, in the company and cash consideration of £100,000. The fair value of the total consideration was £149,999. The book value and fair value of the identifiable assets and liabilities acquired were immaterial and have not been recognised separately from goodwill.

Cambridge Mechatronics Limited

Notes to the financial statements For the year ended 31 December 2023

11. Tangible fixed assets

Group	Leasehold improvements £	Plant and machinery £	Office equipment £	Computers and software £	Assets under construction £	Total £
Cost						
At 1 January 2023	219,541	335,134	84,322	638,541	-	1,277,538
Additions	-	147,929	18,666	186,000	26,772	379,367
Disposals	-	-	-	(3,416)	-	(3,416)
At 31 December 2023	219,541	483,063	102,988	821,125	26,772	1,653,489
Depreciation						
At 1 January 2023	181,279	307,569	39,441	475,810	-	1,004,099
Charge for the year	36,876	19,403	31,185	105,079	-	192,543
Disposals	-	-	-	(1,531)	-	(1,531)
At 31 December 2023	218,155	326,972	70,626	579,358	-	1,195,111
Net book value						
At 31 December 2023	1,386	156,091	32,362	241,767	26,772	458,378
At 31 December 2022	38,262	27,565	44,881	162,731	-	273,439

Company	Leasehold improvements £	Plant and machinery £	Office equipment £	Computers and software £	Assets under construction £	Total £
Cost						
At 1 January 2023	219,542	313,066	84,321	632,129	-	1,249,058
Additions	-	143,887	13,031	184,273	26,772	367,963
Disposals	-	-	-	(3,416)	-	(3,416)
At 31 December 2023	219,542	456,953	97,352	812,986	26,772	1,613,605
Depreciation						
At 1 January 2023	181,279	304,075	39,441	475,194	-	999,989
Charge for the year	36,876	12,701	30,165	102,876	-	182,618
Disposals	-	-	-	(1,531)	-	(1,531)
At 31 December 2023	218,155	316,776	69,606	576,539	-	1,181,076
Net book value						
At 31 December 2023	1,387	140,177	27,746	236,447	26,772	432,529
At 31 December 2022	38,262	8,991	44,881	156,923	-	249,057

Cambridge Mechatronics Limited

Notes to the financial statements
For the year ended 31 December 2023

12. Investments

Company

Subsidiary
undertakings
£

At 1 January 2023 and 31 December 2023

79,418

The parent company and the group have investments in the following subsidiary undertakings, associates, and other significant investments.

Subsidiary undertaking	Principal activity	Country of incorporation	Holding	%
Cambridge Mechatronics (Hong Kong) Co. Limited ¹	Technical support	Hong Kong	Ordinary shares *	100%
Cambridge Mechatronics (Shenzhen) Co., Ltd. ²	Technical support	People's Republic of China	Ordinary shares	100%

* Held directly by Cambridge Mechatronics Limited

The registered office of the subsidiary undertakings are as follows:

¹ Suite 2111, 21st Floor Prudential Tower, The Gateway, Harbour City, 21 Canton Road, Tsim Sha Tsui, Kowloon Hong Kong

² Room 1003.1004B, Excellence Century Center, Fuhua 3rd Road, Jintian Road, Futian Street, Futian District, Shenzhen, Guangdong

13. Stocks

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Finished goods, raw materials and semi-finished goods	974,189	230,336	974,189	230,336

The cost of stocks recognised as an expense during the year was £212,610 (2022 - £550,875)

14. Debtors: Amounts falling due within one year

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Trade debtors	3,156,804	3,794,266	3,163,264	3,794,266
Corporation tax recoverable	1,538,755	1,787,834	1,538,755	1,787,834
Called up and unpaid share capital	5,413	5,413	5,413	5,413
Other debtors	489,647	380,453	475,647	377,788
Amounts owed by group companies	-	-	46,000	38,885
Prepayments	393,307	890,347	383,891	884,534
	5,583,926	6,858,313	5,612,970	6,888,720

The amounts owed by group companies are repayable on demand and no interest is charged on these balances.

Cambridge Mechatronics Limited

Notes to the financial statements For the year ended 31 December 2023

15. Creditors: Amounts falling due within one year

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Trade creditors	579,651	1,269,639	524,948	1,216,239
Other taxation and social security	537,643	529,719	520,512	506,569
Other creditors	-	11,720	-	11,720
Accruals	1,292,069	272,090	1,280,486	265,699
Amounts owed to group companies	-	-	166,197	149,517
Deferred income	55,643	134,005	55,643	134,005
	<u>2,465,006</u>	<u>2,217,173</u>	<u>2,547,786</u>	<u>2,283,749</u>

The amounts owed to group companies are payable 30 days from the date of the invoice. No interest is charged on these balances.

16. Called up share capital and reserves

	2023	2022
	£	£
Allotted, called up and fully paid		
14,809,769 (2022: Nil) B1 Preferred shares of 0.25p each	37,024	-
5,304,055 (2022: 4,135,391) Preferred Ordinary shares of 0.25p each	13,260	10,338
18,703,928 (2022: 13,998,016) Ordinary shares of 0.25p each	46,761	34,995
160,050 (2022: Nil) A Ordinary shares of 0.25p each	400	-
Nil (2022: 157,050) A1 Ordinary shares of 0.25p each	-	393
38,896 Deferred shares of 0.25p each	97	97
	<u>97,542</u>	<u>45,823</u>
Allotted, called up and unpaid		
Nil (2022: 120,349) A2 Ordinary shares of 0.25p each	-	301
Nil (2022: 826,000) A3 Ordinary shares of 0.25p each	-	2,065
756,349 (2022: Nil) A Ordinary shares of 0.25p each	1,891	-
1,218,907 (2022: 1,218,907) Common shares of 0.25p each	3,047	3,047
190,000 (2022: Nil) Deferred shares of 0.25p each	475	-
	<u>102,955</u>	<u>51,236</u>

Cambridge Mechatronics Limited

Notes to the financial statements For the year ended 31 December 2023

16. Called up share capital and reserves (continue)

Share issues

The aggregate nominal value of shares issued during the year was £51,719. The total consideration received for shares issued in the year was £31,819,803

In January 2023, the company issued 475,000 Preferred Ordinary shares at a subscription price of £10 per share.

In December 2023, as part of the financing round, the company issued 14,809,769 B1 Preferred shares at a subscription price of £1.84 per share.

As part of the fundraising, the existing issued share capital of the company was reorganised. This involved the bonus issue of 4,705,912 Ordinary shares in lieu of the removal of the 8% Preferred Ordinary cumulative dividend, 693,664 Preferred Ordinary shares for the Preferred Ordinary shareholders who invested in 2022 and 2023 at £10 per share, and 3,000 A Ordinary shares for the A1 shareholder transferring their A1 shares to the uniform threshold value of £1.84, up from £1.20. Bonus shares were issued fully paid-up at the nominal value of 0.25p.

The A1 Ordinary, A2 Ordinary, and A3 Ordinary share classes were consolidated into the new A Ordinary share class with a uniform threshold value of £1.84. Furthermore, 60,000 A3 Ordinary shares held by ex-employees were converted into Deferred shares in lieu of the reduced threshold value from £4.50 to £1.84.

Other reserves

The company's other reserves are as follows:

The share premium reserve contains the premium arising on issue of equity shares net of issue expenses

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

Voting rights

Each B1 Preferred shareholder, Preferred Ordinary shareholder, Ordinary shareholder, and Common shareholder is entitled to one vote for each share of each such class of which they are the holder.

Each A Ordinary shareholder is entitled to one vote for every hundred A Ordinary Shares of which they are the holder. An A Ordinary shareholder has no vote in respect of any balance of A Ordinary Shares held.

Deferred shareholders have no right to vote.

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Notes to the financial statements For the year ended 31 December 2023

16. Called up share capital and reserves (continue)

Dividend rights

The holders of the B1 Preferred shares will be entitled to receive, in priority to the rights of the holders of any other class of shares in the capital of the company to receive any dividend or other distribution, a fixed non-cumulative preferential dividend at the rate of 8 per cent.

Dividends declared on the Preferred Ordinary shares, Ordinary shares and A Ordinary shares are at the discretion of the directors. No dividend may be declared or paid by the company on the Preferred Ordinary shares, Ordinary Shares or A Ordinary Shares unless: (a) the preferred dividend in respect of that Financial Year or other period has been paid to the holders of the B1 Preferred shares; or (b) each of the Lead Investors has consented in writing to or sanctioned the declaration or payment of such dividend.

Common shares and Deferred shares do not participate in any dividends.

Distribution of capital

On a liquidation or other return of capital, the assets available for distribution will be applied:

- (a) first, in paying to the B1 Preferred Shareholders the greater of (i) the B1 Preference amount and (ii) the amount that would be received if the B1 Preferred Shares had been converted into Ordinary shares immediately prior to such event at the then applicable B1 conversion rate;
- (b) secondly, in paying to the Preferred Ordinary shareholders the greater of (i) the Preferred Ordinary preference amount and (ii) the amount that would be received if the Preferred Ordinary shares had been converted into Ordinary shares immediately prior to such event at the then applicable Preferred Ordinary conversion rate; and
- (c) thereafter, any balance of the surplus assets shall be paid among the Ordinary shareholders, the A Ordinary shareholders and the holders of Common and Deferred shares as follows:
 - (i) as to the realisation value of the A Ordinary shares, to the holders of those Shares respectively pro rata to their respective holdings of A Ordinary Shares;
 - (ii) to the holders of Common shares and Deferred shares, pro rata to their respective holdings of Common Shares and Deferred Shares, an amount of £1 in aggregate; and
 - (iii) as to the remainder, to the holders of Ordinary shares pro rata to their respective holdings of Ordinary shares.

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Notes to the financial statements For the year ended 31 December 2023

17. Share based payments

Equity-settled share option schemes

The company has a share option scheme for all employees of the group. Options are forfeited if the employee leaves the group before the options vest.

Details of the share options outstanding during the year are as follows:

	2023		2022	
	Number of share options	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)
Outstanding at beginning of year	898,578	4.899	783,578	5.618
Granted during the year	2,052,434	2.749	276,000	10.00
Forfeited during the year	(87,750)	5.658	(158,150)	7.883
Exercised during the year	-	-	(2,850)	4.500
Expired during the year	-	-	-	-
Outstanding at the end of the year	2,863,262	2.544	898,578	4.899
Exercisable at the end of the year	2,246,595	2.860	532,745	5.463

The fair value of the share options at the grant date was calculated using the Black Scholes model, which is considered to be the most appropriate generally accepted valuation method of measuring fair value.

The group recognised total expenses of £1,044,801 in 2023 (2022 - £1,111,029) relating to equity-settled share-based payment transactions.

The annual inputs into the Black-Scholes model are as follows:

	2023	2022
Weighted Average Exercise Price	£3.066	£7.704
Expected Volatility	36%	41%
Expected Life	3.2 years	7.7 years
Risk free rate	4.64%	2.49%

Expected volatility was determined by reference to businesses that are in a similar industry sector to the group. The expected life used in the model was estimated using management's knowledge of probable exercise events and behavioural considerations.

Cambridge Mechatronics Limited

Notes to the financial statements For the year ended 31 December 2023

17. Share based payments (continue)

At 31 December 2023 employees held options for 1,232,828 unissued Ordinary shares (2022 – 898,578) as follows:

Issue date	At 1 January 2023	Issued	Exercised	Lapsed	At 31 December 2023	Option price per share £	Exercise Period
23/03/2016	224,000	-	-	(30,000)	194,000	4.50	10 years
16/05/2018	140,578	-	-	(2,500)	138,078	6.26	5 years
18/12/2018	59,500	-	-	(2,500)	57,000	6.26	5 years
20/12/2019	150,500	-	-	(11,750)	138,750	6.26	5 years
04/03/2020	25,000	-	-	-	25,000	2.60	2 years
16/08/2021	95,000	-	-	-	95,000	6.26	10 years
07/01/2022	204,000	-	-	(41,000)	163,000	6.26	10 years
26/04/2023	-	422,000	-	-	422,000	6.26	10 years
	898,578	422,000	-	(87,750)	1,232,828		

On 31 December 2023, Stewart Newton held options for 1,630,434 unissued B1 Preferred shares as follows:

Issue date	At 1 January 2023	Issued	Exercised	Lapsed	At 31 December 2023	Option price per share £	Exercise Period
13/12/2023	-	1,630,434	-	-	1,630,434	1.84	9 months
	-	1,630,434	-	-	1,630,434		

The options outstanding at 31 December 2023 had a weighted average exercise price of £2.860 (2022 - £4.899) and a weighted average remaining contractual life of 39 months (2022 – 41.4 months). The share options vest over a period of three years from the date of grant, with the exception of the Ordinary share options issued on 4 March 2020 and B1 Preferred Ordinary options issued on 13 December 2023, which vested on the date of grant.

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Notes to the financial statements For the year ended 31 December 2023

18. Cash flow statement

	2023 £	2022 £
Operating loss	(10,499,241)	(6,593,548)
Adjustment for:		
Depreciation and amortization	198,794	273,762
Add back loss on disposal	1,133	
Share based payment expense	1,044,801	1,111,029
Operating cash flows before working capital	(9,254,513)	(5,208,757)
(Increase)/Decrease in stocks	(743,853)	72,317
Decrease/(Increase) in debtors	1,025,308	(2,941,126)
Increase/(Decrease) in creditors	247,291	(938,890)
Cash utilised in operations	(8,725,767)	(9,016,456)
Net income taxes received	1,142,645	1,388,227
Net cash flow from operating activities	(7,583,122)	(7,628,229)

19. Financial commitments

Total future minimum lease payments under operating leases are as follows:

	Group		Company	
	2023 Land and buildings £	2022 Land and buildings £	2023 Land and buildings £	2022 Land and buildings £
Within 1 year	275,729	377,199	178,875	348,082
Between 1 and 5 years	53,920	87,021	-	87,021
	329,649	464,220	178,875	435,103

20. Defined contribution schemes

The group operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to profit or loss in the year ended 31 December 2023 was £353,870 (2022 - £373,397).

21. Subsequent events

In accordance with IAS 10, Events After the Reporting Period, the Company is required to disclose significant events occurring after the balance sheet date that may impact users' understanding of the financial statements.

Cambridge Mechatronics Limited

Notes to the financial statements For the year ended 31 December 2023

21. Subsequent events (continue)

Subsequent to the balance sheet date, the company issued 2,445,651 number of B1 Preferred Shares for a total subscription proceeds of £4,499,998.

During the month of January 2024, the company cancelled 1,218,907 common shares of 0.25p each.

22. Related party transactions

Bromma Tech Consulting AB, a company for which J Lanto is also a director, invoiced £80,400 for consultancy services provided by J Lanto during the year (2022 - £55,454). The balance due to Bromma Tech Consulting AB in respect of these services at 31 December 2023 was £nil (2022 - £nil).

Including the fees invoiced by Bromma Tech Consulting AB, the group paid £735,125 (2022 - £475,587) as key management personnel compensation to the directors during the year. There are no other key management personnel other than the directors.

All transactions with related parties have been conducted at arm's length value. The balances due to related parties at 31 December 2023 are not secured on the group's assets (2022 – unsecured).

23. Controlling party

In the view of the directors there is no single ultimate controlling party.