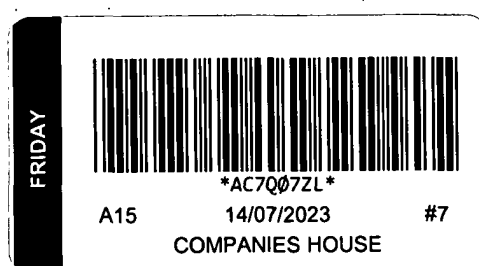


Celoxica Holdings plc
Report and Accounts
Year ended 31 December 2022



CELOXICA HOLDINGS PLC

OFFICERS AND PROFESSIONAL ADVISERS

Year ended 31 December 2022

Directors

L Staines
J-M Bouhelier
J C W Oddie
S P Hampson
M Tudoran
Y Salkinde

Company Secretary

A Rescourio

Registered Office

21a Conduit Place
London
W2 1HS

Auditor

Blick Rothenberg Audit LLP
Chartered Accountants & Statutory Auditor
16 Great Queen Street
Covent Garden
London
WC2B 5AH

Registered Number

03870674

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Principal activities

Celoxica's principal activity is the provision of solutions utilizing FPGA-based architectures to support growing demands for ultra-low latency and efficient footprint solutions in the financial services industry and, to the advanced, electronic trading community.

Business review and future development

In 2022, We have experienced further growth in the business, while delivering new products, new markets to our customers. The fundamentals of our business remain very strong with our LTV large customers reaching 10 years and our churn remaining below 1%. Our sales cycles/contract negotiations with large customers continue to be long (12 to 18 months).

Our revenue for 2022 was £7.25m (or \$9.235m), which represents 49.5% growth year on year. In 2022, we continued to expand our business and signed more contracts with our existing clients, positioning us to increase our top line in 2023.

In 2023, our aim is to reach between £9.5 and £10.5 million of revenue, with a net profit around £1.0 million. We will focus on the deployment of the contracts signed in late 2022 and allocate resources to secure the implementation of 2 new MAG client in the US. Our target is to reach \$20 million (i.e £16 million of ARR) sometime in 2024.

In 2022, we opened an office in Sydney to support the development of our presence in Asia for Global Futures with two of our existing customers. We are now in production in Sydney, Singapore and Taiwan and will be in production in Tokyo in the summer of 2023. We will also open an office in New York in January 2023, to provide closer support to our expanding client base in the US.

In 2022, we started to invest significantly to raise our information security standards, and to protect us and our clients against, different form of intrusion and cyber security threats. We expect to continue this investment in 2023 and reach ISO 27001 standard by the end of the year.

Finally, our churn remains very low and is a sign of the quality of our product and services and the value we create for our clients. We expect 2023, to show no churn and significant revenue increase from existing clients.

Principal risks and uncertainties

Technology risk

As we use FPGA technology as a key differentiator for our offer in the market, we run the risk of seeing the arrival of a new technology that could compete more effectively with us. Celoxica will continue to monitor the evolution of new, competitive technologies to ensure that we do not miss any significant developments.

Economic risk

Post-pandemic and Brexit, the current economic environment is in a period of uncertainty with comparably high inflation and interest rate rises. To manage these risks the group closely monitors market trends and maintains an on-going focus on its working capital, cashflows and potential impact from wider economic conditions.

Financial results

The group's revenue for 2022 was £7,253k (2021: £4,847k) with cash-funds generated by operating activities of £2,901k (2021: £2,365k) after receipt of tax credits of £716k (2021: £732k) and before capitalised development costs of £1,913k (2021: £2,003k) with continued focus on controlling overheads.

Key Performance Indicators

The business measures itself in a number of different ways using key performance indicators (KPIs) at various levels in the group. Two key KPIs used by the business are those in relation to revenue and gross margin, as noted in the table below. Group revenue increased by 50% in 2022 as a result of expansion of the business with existing and new clients and gross margin for 2022 was 59.1% (2021: 63.9%).

	2022	2021	2020	2019	2018	2017
Revenue	£7,253k	£4,847k	£4,056k	£4,076k	£3,492k	£3,622k
Gross Margin	59.1%	63.9%	70.0%	78.4%	91.6%	89.2%

Non-financial key performance indicators include reaching key milestones for technological development and enhancement, growing customer contracts and relationships, and maintaining high levels of customer service and satisfaction.

Section 172 reporting*The Directors' Duties*

Directors of the company, as those of all UK companies, must act in accordance with a set of general duties.

These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows: 'a director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to:

- the likely consequences of any decisions in the long-term
- the interests of the company's employees
- the need to foster the company's business relationships with suppliers, customers and others
- the impact of the company's operations on the community and environment
- the desirability of the company maintaining a reputation for high standards of business conduct and
- the need to act fairly as between shareholders of the company.

Risk management

We provide business-critical services to our clients, often in highly regulated environments. As we grow, our business and our risk environment also become more complex. It is therefore vital that we effectively identify, evaluate, manage and mitigate the risks we face, and that we continue to evolve our approach to risk management.

Managing risk effectively is fundamental to delivering our strategy and to us operating successfully. We believe that a robust risk management culture is vital for sustainable growth and must be at the centre of everything we do.

Outside of the strategic business risk, related to our ability to continue to develop competitive products and services, we have classified 3 types of risks:

- Operational
- Financial Risk
- Compliance and Regulatory

Our approach to risk is supported by a policy and control framework, which guides and informs our colleagues' work behaviours and the decisions they make. Our risk culture and risk appetites support

effective decision-making and enable us to deliver against our strategic priorities.

Operational risk – On a daily basis we monitor our business operations to adjust and correct inefficiencies or weakness in our internal process from a product development, quality assurance and support service perspective. A serious business disruption could potentially damage our reputation, probably resulting in losing clients and impacting potential new business.

Financial risk – We have in place an Executive Management monthly review of the company management accounts to ensure our ability to fulfil our financial obligations and meet short-term to medium term financial demand to execute our business transactions such as salaries, rent and production/development costs. The group consolidated financial statements, prepared in accordance with International Financial Reporting Standards, are audited annually.

Compliance and Regulatory risk – We are dealing with two factors; the first one is related to the trading solutions and services that we are offering to our clients – we monitor all regulatory changes, stock exchanges and market place changes in law or rules that could potentially impact our customers. The second factor is related to our company where rules and obligations are monitored to remain compliant with our customer's agreement as well as ensuring the best practices are adopted for hardware and software development, data protection and confidentiality.

Our people

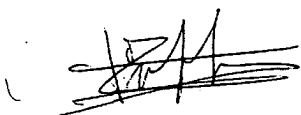
The company is committed to being a responsible business. Our behaviour is aligned with the expectations of our people, clients and investors. People are at the heart of our product development and associated services. For our business to succeed we need to manage our people's performance and develop and bring through talent while ensuring we operate as efficiently as possible. We must also ensure we share common values that inform and guide our behaviour, so we achieve our goals in the right way.

Shareholders

The Board is committed to openly engaging with our shareholders, as we recognise the importance of a continuing effective dialogue, whether with major institutional investors, private or employee shareholders. It is important to us that shareholders understand our strategy and objectives, so these must be explained clearly, feedback heard, and any issues or questions raised carefully considered.

Business development and financial results are reviewed during each Board Meeting by the Board of Directors.

ON BEHALF OF THE BOARD



J-M Bouhelier
Director

Date: 11 July 2023

CELOXICA HOLDINGS PLC

DIRECTORS' REPORT

Year ended 31 December 2022

The directors present the annual report and accounts of Celoxica Holdings plc for the year to 31 December 2022.

Dividends

The Directors do not recommend the payment of a dividend for the year ended 31 December 2022 (2021: £nil).

Future developments

Likely future developments of the group are discussed in the Strategic Report.

Research and development

The group continues to develop its products for the emerging accelerated computing market. Total research and development spend in 2022 was £1,913k (2021: £2,003k).

Financial instruments and Financial Risk management

Details regarding the Group's use of financial instruments and financial risk management objectives and policies are given in note 16 to the financial statements.

Matters covered in the Strategic Report

As permitted by s414c(11) of the Companies Act 2006, the directors have elected to disclose information, required to be in the directors' report by Schedule 7 of the 'Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008', in the strategic report.

Directors

The following directors have held office during the year:

L Staines
J-M Bouhelier
J C W Oddie
S P Hampson
M Tudoran
Y Salkinde

Directors' and Officers' Liability Insurance

The group has, as permitted by the Companies Act 2006, maintained insurance cover on behalf of the Directors and Company Secretary indemnifying them against certain liabilities which may be incurred by them in relation to the group.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom and have elected to prepare company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws).

Directors' responsibilities statement (continued)

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 group and the company and of the profit or loss of the group and the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; 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.

Information to auditor

In so far as each of the persons who is a director at the date of signing this report is aware:

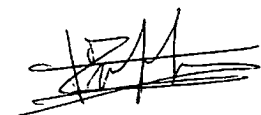
- there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

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

Auditor

Under section 487(2) of the Companies Act 2006, Blick Rothenberg Audit LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

ON BEHALF OF THE BOARD



J-M Bouhelier
Director

Date: 11 July 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CELOXICA HOLDINGS PLC

Opinion

We have audited the group financial statements of Celoxica Holdings plc (the 'group') for the year ended 31 December 2022 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the notes to the group financial statements, including a summary of the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

In our opinion the group financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the group financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the group financial statements in the United Kingdom, including the Financial Reporting Council'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 ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion 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 group financial statements are prepared is consistent with the group financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CELOXICA HOLDINGS PLC (CONTINUED)

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on pages 6 to 7, the directors are responsible for the preparation of the group 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 group financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group financial statements, the directors are responsible for assessing the group'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 to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the group financial statements

Our objectives are to obtain reasonable assurance about whether the group 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 group 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:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the group through discussions with directors and other management, and from our commercial knowledge and experience of the company's sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the group including the Companies Act 2006 and taxation legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the group's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CELOXICA HOLDINGS PLC (CONTINUED)

Auditor's responsibilities for the audit of the group financial statements (continued)

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance; and
- enquiring of management as to actual and potential litigation and claims.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

We have reported separately on the parent company financial statements of Celoxica Holdings plc for the year ended 31st December 2022.

Blick Rothenberg Audit LLP

Jaykishan Shah (senior statutory auditor)

for and on behalf of

Blick Rothenberg Audit LLP

Chartered Accountants
Statutory Auditor
16 Great Queen Street
Covent Garden
London
WC2B 5AH

Date: 12 July 2023

FINANCIAL STATEMENTS
Year ended 31 December 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2022 £	2021 £
Continuing operations			
Revenue	3	7,253,386	4,846,804
Cost of sales		(2,965,514)	(1,759,618)
Gross profit		4,287,872	3,087,186
Administrative expenses		(4,724,329)	(3,830,266)
Operating (loss)	4	(436,457)	(743,080)
Finance costs	7	(7,223)	(16,258)
(Loss) on ordinary activities before tax		(443,680)	(759,338)
Tax on profit/(loss) on ordinary activities	8	592,958	721,987
Profit/(loss) for the year		149,277	(37,351)
Other comprehensive income			
<i>Items that may be subsequently reclassified to profit and loss</i>			
Exchange differences on translating foreign operations		(38,034)	(36,705)
Other comprehensive income/(loss) for the year		(38,034)	(36,705)
Total comprehensive income/(loss) for the year attributable to owners of the parent		111,243	(74,056)

FINANCIAL STATEMENTS
Year ended 31 December 2022


CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	£	2022 £	2021 £
Non-current assets				
Intangible assets	9		1,980,151	2,146,757
Property, plant and equipment	10		138,056	44,426
Right of use assets	11		377,910	166,891
Other debtors			-	-
			<u>2,496,117</u>	<u>2,358,074</u>
Current assets				
Inventories	12	61,036		130,013
Corporation tax credit		603,471		708,790
Trade and other receivables	13	1,528,574		1,147,786
Cash and cash equivalents	14	1,905,819		970,878
			<u>4,098,900</u>	<u>2,957,467</u>
Total Assets			<u>6,595,017</u>	<u>5,315,541</u>
Equity				
Share capital	18	21,284,844		21,284,844
Share premium		6,938,120		6,938,120
Share option reserve		1,090,345		843,962
Translation reserve		129,985		168,019
Retained earnings		(26,904,471)		(27,053,748)
Total equity			<u>2,538,823</u>	<u>2,181,197</u>

FINANCIAL STATEMENTS
Year ended 31 December 2022

	Note	£	2022 £	2021 £
Non-current liabilities				
Lease liabilities	11	235,240		86,319
Financial liabilities – borrowings	16	72,608		181,517
			307,848	267,836
Current liabilities				
Financial liabilities – borrowings	16	202,629		154,335
Trade and other payables	15	3,403,326		2,620,054
Lease liabilities	11	142,390		92,119
			3,748,346	2,866,508
Total liabilities			4,056,194	3,134,344
Total Equity and Liabilities			6,595,017	5,315,541

The financial statements were approved and authorised for issue by the Board on 11 July 2023 and were signed on its behalf by


J-M Bouhelier
Director

FINANCIAL STATEMENTS
Year ended 31 December 2022

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Share option reserve	Translation reserve	Retained earnings	Total
At 1 January 2021	21,284,844	6,938,120	746,729	204,724	(27,016,397)	2,158,020
Loss for the year	—	—	—	—	(37,351)	(37,351)
Share-based payments charge	—	—	97,233	—	—	97,233
Other comprehensive income	—	—	—	(36,705)	—	(36,705)
Total comprehensive income	21,284,844	6,938,120	843,962	168,019	(27,053,748)	2,181,197
At 31 December 2021	21,284,844	6,938,120	843,962	168,019	(27,053,748)	2,181,197
Profit for the year	—	—	—	—	149,277	149,277
Share-based payments charge	—	—	246,383	—	—	246,383
Other comprehensive income	—	—	—	(38,034)	—	(38,034)
Total comprehensive income	—	—	246,383	(38,034)	149,277	357,626
At 31 December 2022	21,284,844	6,938,120	1,090,345	129,985	(26,904,471)	2,538,823

FINANCIAL STATEMENTS
Year ended 31 December 2022

CONSOLIDATED CASH FLOW STATEMENT

	Note	£	2022 £	2021 £
Cash flows from operating activities				
Net cash from operating activities	21	2,185,427		1,632,716
R&D tax credit received		716,559		732,427
Net cash from operating activities			2,901,986	2,365,143
Cash flows from investing activities				
Interest paid		(7,223)		(1,236)
Purchases of property, plant and equipment	10	(114,469)		(4,935)
Purchases of intangible assets	11	(1,681,270)		(2,002,623)
Net cash used in investing activities			(1,802,962)	(2,008,794)
Cash flow from financing activities				
Loans advanced		-		-
Loans repaid		(60,615)		(23,925)
Lease payments		(107,979)		(102,923)
Net cash from/(used in) financing activities			(168,594)	(126,848)
Net increase in cash and cash equivalents			930,430	229,501
Opening cash and cash equivalents			970,878	757,824
Exchange gains/(losses) on cash and cash equivalents			4,511	(16,448)
Closing cash and cash equivalents			1,905,819	970,878

FINANCIAL STATEMENTS
Year ended 31 December 2022

RECONCILIATION OF NET DEBT

	31 Dec 2021 £	Cash movement £	Non-cash movement £	31 Dec 2022 £
Cash	970,878	930,430	4,511	1,905,819
Current other borrowings	(154,335)	60,615	(108,909)	(202,629)
Non-current other borrowings	(181,517)	-	108,909	(72,608)
Current lease liabilities	(92,119)	118,804	(169,075)	(142,390)
Non-current lease liabilities	(86,319)	-	(148,921)	(235,240)
Total borrowings	(514,290)	179,419	(317,996)	(652,867)
Net cash	456,588	1,109,848	(313,485)	1,252,952

Non-cash movements arise from exchange rate movements arising from leases and the group's borrowings being denominated in Euros and certain cash balances being denominated in Euros and US dollars.

1. PRINCIPAL ACCOUNTING POLICIES

Celoxica Holdings plc is a public company limited by shares incorporated in the United Kingdom under the Companies Act 2006. The nature of the group's operations and its principal activities are set out in the group Strategic Report. The registered office of the company, and its principal place of business, is 21a Conduit Place, London, England, W2 1HS.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates. Foreign operations are included in accordance with the policies set out below.

The group financial statements consolidate those of the company and its subsidiaries (together referred to as the "group"). The parent company financial statements present information about the company as a separate entity and not about its group.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements.

Basis of preparation

These financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with International Financial Reporting Standards as adopted in the United Kingdom and the Companies Act 2006.

As a result of the UK leaving the EU, the International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019 (SI 2019/685) require all companies with accounting periods beginning on or after 1 January 2021 to apply UK-adopted IAS.

Going concern

The financial statements have been prepared on a going concern basis. The group generated a profit in the year of £149,277 (2021: loss of £74,056), has cash in hand of £1,905,819 (2021: £970,878) and has positive net assets of £2,538,823 (2021: £2,181,197).

The directors have assessed the ability of the group to settle liabilities as they fall due. This includes assessing the impact of COVID-19 on results and operations of the group in the post year-end period, as well as considering sales orderbook, timing of creditor repayments and forecasts for the foreseeable future. Group performance has improved in the post year-end period, with revenue growth and positive cash inflows during 2022 to date, and group performance and financial position is in line with the directors' expectations. The directors are expecting this growth to continue through 2023 and 2024.

Therefore, after making enquiries and considering possible uncertainties described above, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future, being not less than twelve months from the date of approval of these financial statements. Consequently, they continue to adopt the going concern assumption in preparing the financial statements.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the group

There have been no new or amended standards adopted by the group in the year ended 31 December 2022 with any impact on the financial statements.

(b) Issued standards not yet adopted

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the group's accounting periods beginning on or after 1 January 2023 or later periods but which the group has not adopted early. None of these is expected to be relevant to the financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) made up to 31 December each year. Control is achieved where Celoxica Holdings plc has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition below the fair values of the identifiable net assets acquired (ie. discount on acquisition) is credited to profit or loss in the period of acquisition.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal (as appropriate).

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. Intra-group sales and profits are eliminated fully on consolidation.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)***Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets less any residual value over their estimated useful lives, using the straight-line method, on the following bases:

Short term leasehold improvements	5 years
Plant and other equipment	3 years
Right of use asset	3 years

The residual value and the useful life of each asset are reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) are accounted for prospectively as a change in an accounting estimate.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Internally generated intangible assets – Research & Development

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the group's development expenditure is recognised only if all of the following conditions are met:

- An asset is created that can be identified;
- It is probable that the asset created will generate future economic benefits; and
- The development cost of the asset can be measured reliably.

Internally generated intangible assets are directly attributable employees' and consultant costs and are amortised on a straight-line basis over their estimated useful economic life of three years, from the date at which they are available for use, using the straight-line method.

Where no internally generated intangible assets can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Impairment of non-financial assets

At each balance sheet date, the group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and 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.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets *(continued)*

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.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is recognised in income immediately.

Inventory

Inventory is stated at the lower of cost and net realisable value. Cost comprises direct costs of purchase. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computations of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or any discount on acquisition) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Pension costs

The group operates a number of defined contribution plans, whereby the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid.

The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. Amounts due but not paid by the year end date are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the group in independently administered funds.

Short-term employee benefit costs

The undiscounted amount of short-term benefits, attributable to services that have been rendered in the period are recognised as an expense, unless specifically required or permitted within the scope of IFRS reporting to be included in the cost of an asset.

Any difference between the amount of cost recognised and cash payments made is treated as a liability or prepayment as appropriate.

Leases

The group as a lessee

The group assesses whether a contract is or contains a lease, at inception of a contract. The group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentives.

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

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

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Revenue recognition

Turnover (excluding value added tax) comprises the fair value of sales of licenses, revenue from support, maintenance, training and consulting contracts and the sale of hardware boards provided in the normal course of business, net of discounts and other sales related taxes.

Due to the fast-moving environment in which the group operates, licences typically include an embedded agreement to supply on-going maintenance services. A key judgement is whether the initial licence and the on-going maintenance are separable performance conditions. As is explained in note 2, management is of the opinion that, due to the specialised nature of the product and the maintenance being critical to the on-going utility of the underlying product, the licence and maintenance are not separable performance conditions. Accordingly, both the licence and the maintenance services are recognised on a straight-line basis over the contractual period.

Additionally, contracts may include on-going support services, which are delivered by both e-mail and telephonic support, and may include initial training services. The revenue from support services is recognised over the contractual term; with revenue from training being recognised as the training is delivered. The attribution of revenue to support and training is based on the underlying cost of delivery plus an estimated profit margin. To date the amount of revenue attributable to such services has not been significant and, as it does not alter the revenue profile of the underlying contracts, is not separately disclosed.

Revenue is typically invoiced either monthly or quarterly in advance for amounts agreed in contracts at the start of the service period. The contracts have no significant financing components. The excess of fees invoiced over revenue recognised in respect of such fees is recorded as deferred income. Cancellation terms are set out in the contracts and vary by customer however refunds are typically not permitted once the service period has commenced.

Revenue from hardware development boards is recognised when obligations under the relevant purchase agreement have been met and delivery has taken place.

Foreign currencies

Transactions in currencies other than the functional currency of the reporting entity are recorded at the rates of exchange prevailing on the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Gains and losses arising on retranslation are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the group's overseas operations are translated at exchange rates prevailing on the balance sheet date.

Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and transferred to the group's translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Financial liabilities

Financial liabilities are obligations to pay cash or other financial instruments and are recognised when the group becomes a party to the contractual provisions of the instrument. Financial liabilities are classified according to the substance of the contractual arrangements entered into. All interest-related charges are recognised as an expense in the income statement.

Loans raised for support of long term funding of the group's operations are recognised at fair value, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, and direct issue costs are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arose.

Trade payables are non-interest bearing and are recorded initially at fair value net of transactions costs and thereafter at amortised cost using the effective interest rate method.

Dividends

Dividends are recognised as a liability in the period in which they are approved.

Financial assets

Financial assets are recognised in the consolidated balance sheet when the group becomes a party to the contractual provisions of the instrument and are recognised in the consolidated balance sheet at the lower of cost and net realisable value.

Provision is made for diminution in value where appropriate.

Income and expenditure arising on financial instruments is recognised on the accruals basis, and credited or charged to the consolidated statement of comprehensive income in the financial period to which it relates.

Trade receivables do not carry any interest and are initially recognised at fair value, subsequently reduced by appropriate allowances for estimated irrecoverable amounts.

Share-based payments

The group issues share options to its employees. The group has applied the requirements of IFRS 2 Share-based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

The group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value 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.

Fair value of the equity-settled share-based payments is measured by use of a Black-Scholes model.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Provisions

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term bank deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Accounting estimates and judgements

The preparation of financial statements in conforming with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and assumptions are based on historical experience and other factors considered reasonable at the time, but actual results may differ from those estimates. Revisions to these estimates are made in the period in which they are recognised. The key judgements and estimates exercised by management in applying the group's accounting policies are set out in note 2.

2. KEY JUDGEMENTS AND ESTIMATES

The principal judgements and estimates that have been exercised by the Board in the preparation of these financial statements are in respect of:

- Revenue recognition – a typical service contract includes a licence fee, maintenance provision and on-going support services. Due to the bespoke nature of the product, maintenance services cannot be obtained from other providers and neither the licence nor the maintenance are sold on a stand-alone basis. On this basis, the Board consider that the licence fee and maintenance provision do not represent separate performance obligations.

Additionally, in the opinion of the Board the rights conferred by the licence fee are transferred over time rather than at the licence activation date. For the duration of the licence the group undertakes such updates as are required to maintain compatibility and compliance of the product with the Exchanges with which it communicates, and in many instances these changes are both frequent and significant. In the absence of this on-going improvement, the IP conferred by the licence would not perform the task for which it had been purchased.

As a result of the above, both the licence/maintenance and on-going support services are recognised over the period of time to which the contract relates. As neither licences nor on-going support are sold as stand-alone items, allocating the transaction price between the

2. KEY JUDGEMENTS AND ESTIMATES (continued)

performance obligations is a matter of judgement. The Board consider that the amount of revenue attributable to on-going support is immaterial since substantially all support services in substance relate to the on-going software development and improvements required for the continued operation of the product;

- Capitalisation of development costs – the Board has determined that, since it is probable that an asset will be created that will generate future economic benefit, it is appropriate to capitalise development costs.
- Share-based payments - The group awards equity settled share options to certain employees. The fair value determined at the grant date is expensed on a straight line basis over the vesting period. The fair value is calculated using a Black Scholes fair value model with the estimated level of vesting reviewed annually by management. The valuation is inherently judgemental and has a number of assumptions, including value per share, volatility, time to maturity and risk-free rate. The expense recorded in the year-end in relation to share-based payments is £246,383 (2021: £97,233).

3. REVENUE

An analysis of the group's revenue is as follows:

	2022 £	2021 £
Continuing Operations		
Sales of hardware	266,725	156,485
Sales of services	6,986,661	4,690,319
	7,253,386	4,846,804

Analysis of revenue by location of services or goods delivered:

	2022 £	2021 £
United Kingdom	3,119,058	2,139,296
Rest of Europe	408,057	426,015
Rest of the world	3,725,811	2,281,493
	7,253,386	4,846,804

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

3. REVENUE (CONTINUED)

Analysis of revenue by timing of revenue recognition:

	2022 £	2021 £
Goods and services transferred over time	6,986,661	4,690,319
Goods and services transferred at a point in time	266,725	156,485
	<u>7,253,386</u>	<u>4,846,804</u>

The amount of deferred revenue attributable to performance obligations that are unsatisfied as at the end of the reporting period is disclosed in note 15. All deferred revenue as at 31 December 2022 will be recognised as revenue in 2023.

4. OPERATING LOSS

	2022 £	2021 £
Operating loss is stated after charging/(crediting):		
Depreciation of property, plant and equipment	25,184	17,415
Depreciation of right of use asset	96,152	91,032
Amortisation of research and development expenditure	1,847,876	1,884,312
Cost of inventories recognised as expense	525,475	163,125
Staff costs (see note 5)	3,166,572	3,006,169
Consultancy costs	237,723	314,040
Capitalised staff and consultancy costs	(1,681,270)	(1,913,067)
Rentals under operating leases	34,277	44,672
Auditor's remuneration for audit services	25,000	23,480
Auditor's remuneration for tax compliance services	5,000	4,750
Auditor's remuneration for other services	12,440	12,440
Net loss on foreign exchange translation	(45,987)	(22,754)

Research and development is expenditure incurred by the group in the development of its products including its range of software, hardware development boards and consulting services.

The company's audit fees are borne by a subsidiary undertaking.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

5. PARTICULARS OF EMPLOYEES**Number of employees**

The average number of people (including directors) employed by the group during the financial period was:

	2022	2021
Engineering	25	25
Selling and distribution	2	2
Administration	2	2
	<u>29</u>	<u>29</u>

The aggregate payroll costs of staff (including directors) were:

	2022 £	2021 £
Employment costs		
Wages and salaries	2,434,944	2,237,864
Social security costs	767,763	737,501
Defined contribution pensions	28,874	30,804
	<u>3,231,582</u>	<u>3,006,169</u>

During the year, employee costs of £1,447,466 (2021: £1,846,184) included within employments costs above were capitalised in relation to development works and are included within Note 9 of the accounts.

6. DIRECTORS' EMOLUMENTS

The aggregate emoluments of the directors were:

	2022 £	2021 £
Employment costs		
Salaries and consultancy costs	350,083	346,500
Defined contribution pensions	6,000	6,000
	<u>356,083</u>	<u>352,500</u>

Total emoluments relating to the highest paid director for qualifying services were £198,083 (2021: £173,250). The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £6,000 (2021: £6,000).

During the year retirement benefits were accruing to 1 (2021 - 1) directors in respect of defined contribution pension schemes.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

7. FINANCE COSTS

	2022 £	2021 £
Interest expense on lease liabilities	(7,223)	(16,258)

8. TAXATION ON ORDINARY ACTIVITIES

	2022 £	2021 £
Analysis of tax charge in the year		
Taxation credit for the period – UK	104,856	131,322
Taxation credit for the period – France	488,102	590,665
Tax on loss on ordinary activities	592,958	721,987

Factors affecting the tax charge for the period

The tax assessed differs from the standard rate of corporation tax in the UK of 19% (2021 – 19%).

The differences are explained below:

	2022 £	2021 £
Loss on ordinary activities before taxation	(443,680)	(759,338)
Effects of:		
Loss on ordinary activities multiplied by 19% (2020 – 19%)	(84,299)	(144,274)
Expenses not deductible for tax purposes	908	-
Other differences and losses carried forward	134,646	273,217
Adjustment in respect of research and development	(687,169)	(856,220)
Tax in respect of profit/loss of foreign group companies	42,956	5,280
Total tax	(592,958)	(721,987)

At the balance sheet date, the group has unused tax losses of £56.1m (2021: £56.1m) available for offset against future profits subject to HM Customs and Revenue approval. No deferred tax asset has been recognised due to the unpredictability of future profit streams. All losses may be carried forward indefinitely but a cap will exist on the utilisation of the losses in any one year if profits for that year exceed £5 million.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

9. INTANGIBLE ASSETS

	Internally developed software £
Cost	
At 1 January 2021	13,360,074
Additions	1,913,067
	<u>15,273,141</u>
At 31 December 2021	<u>15,273,141</u>
Accumulated amortisation	
At 1 January 2021	11,242,072
Charge for the year	1,884,312
	<u>13,126,384</u>
At 31 December 2021	<u>13,126,384</u>
Net book value	
At 31 December 2021	<u>2,146,757</u>
At 31 December 2020	<u>2,118,002</u>
	Internally developed software £
Cost	
At 1 January 2022	15,273,141
Additions	1,681,270
	<u>16,954,411</u>
At 31 December 2022	<u>16,954,411</u>
Accumulated amortisation	
At 1 January 2022	13,126,384
Charge for the year	1,847,876
	<u>14,974,260</u>
At 31 December 2022	<u>14,974,260</u>
Net book value	
At 31 December 2022	<u>1,980,151</u>
At 31 December 2021	<u>2,146,757</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

10. PROPERTY PLANT AND EQUIPMENT

	Short-term leasehold improvements £	Plant and other equipment £	Total £
Cost			
At 1 January 2021	27,476	851,710	874,258
Additions		4,935	4,935
Exchange rate movement	–	(5,261)	(5,261)
At 31 December 2021	27,476	846,456	873,932
Depreciation and impairment			
At 1 January 2021	27,476	787,583	815,059
Charge for the year	185	17,415	17,415
Exchange rate movement	–	(2,968)	(2,968)
At 31 December 2021	27,661	802,030	829,506
Net book value			
At 31 December 2021	–	44,426	44,426
At 31 December 2020	–	59,199	59,199
	Short-term leasehold improvements £	Plant and other equipment £	Total £
Cost			
At 1 January 2022	27,476	851,710	874,258
Additions	11,107	103,362	114,469
Exchange rate movement	–	3,669	3,669
At 31 December 2022	38,583	958,741	997,324
Depreciation and impairment			
At 1 January 2021	27,476	804,998	832,474
Charge for the year	185	24,999	25,184
Exchange rate movement	–	1,610	1,610
At 31 December 2022	27,661	831,607	859,268
Net book value			
At 31 December 2022	10,922	127,134	138,056
At 31 December 2021	–	44,426	44,426

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

11. LEASES (GROUP AS LESSEE)

The balance sheet shows the following amounts relating to leases:

	2022 £	2021 £
Right of use assets		
Office premises	377,910	166,891
	<u>377,910</u>	<u>166,891</u>
Lease liabilities		
Current	142,390	92,119
Non-current	235,240	86,319
	<u>377,630</u>	<u>178,438</u>

Additions to the right-of-use assets during the 2022 financial year were £307,171 (2021: £Nil).

The statement of comprehensive income includes the following amounts relating to leases:

	2022 £	2021 £
Depreciation charge of right-of-use assets	96,152	91,032
Interest expense (included in finance cost)	15,324	15,022
Expense relating to short-term leases (included in administrative expenses)	-	44,672
	<u>-</u>	<u>44,672</u>

The total cash outflow for leases in 2022 was £118,804 (2021: £117,106)

12. INVENTORIES

	2022 £	2021 £
Goods for sale	61,036	130,013
	<u>61,036</u>	<u>130,013</u>

13. TRADE AND OTHER RECEIVABLES

	2022	2021
	£	£
Trade receivables	1,408,239	1,049,372
Other receivables	48,263	47,572
Prepayments	71,372	50,843
Accrued income	-	-
	<u>1,528,574</u>	<u>1,147,787</u>

Trade and other receivables at the balance sheet date comprise amounts receivable from the sale of goods and services.

Given their short-term nature, the directors consider that the carrying amount of trade and other receivables approximates their fair value.

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash held by the company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

	2022	2021
	£	£
Cash and cash equivalents	<u>1,905,819</u>	<u>970,878</u>

15. TRADE AND OTHER PAYABLES

Amounts falling due within one year:

	2022	2021
	£	£
Trade payables	927,218	366,354
Other taxation and social security	167,162	218,560
Other payables	399,695	339,104
Deferred income	1,818,749	1,642,365
Accrued expenses	90,503	53,671
	<u>3,403,327</u>	<u>2,620,054</u>

Given their short-term nature, the carrying amount of these payables approximates to their fair value.

16. BORROWINGS

	2022	2021
	£	£
Current		
Other borrowings	202,629	154,335
Non-current		
Other borrowings	72,608	181,517
Total borrowings	<u>275,237</u>	<u>335,852</u>

Other borrowings comprises a €400,000 government-backed loan secured to assist with liquidity during the period of COVID uncertainty. The loan is interest-free and is repayable by instalments by June 2024.

17. FINANCIAL RISK MANAGEMENT

Financial assets and liabilities included in the balance sheet relate to the following categories:

- Liabilities, including borrowings, relate to other financial liabilities held at amortised cost.
- Assets relate to loans and receivables.

Credit risk

Credit risk is the risk that the counterparty will fail to discharge their obligation.

The group's principal financial assets are bank balances, cash and trade and other receivables, which represent the group's maximum exposure to credit risk in relation to financial assets. No collateral is held.

The group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the group's management if there is doubt over their collectability.

New customers are subject to an initial credit assessment, in some cases, using external credit reference agencies and trade references are confirmed. These credit limits are reviewed on an on-going basis and are subject to senior management oversight. The payment position of past due trade receivables is monitored daily and actively managed. Trade receivables includes £600,825 (2021: £172,588) which is past due but not deemed to be impaired at the balance sheet date.

The group's short-term cash and cash equivalents are deposited with high credit rated commercial banks. The credit risk on such funds is therefore limited because the counterparties have high credit-ratings assigned by international credit rating agencies.

17. FINANCIAL RISK MANAGEMENT (continued)**Liquidity risk**

Cash flow forecasting is performed by central group management. Group management monitors liquidity requirements on an on-going basis to ensure the group has sufficient cash to meet its operational needs at all times and to ensure that the group does not breach borrowing covenants. The principal risk in forecasting cash flows arises from uncertainties over the conversion of sales pipeline to cash inflows. Surplus cash is kept on instant access deposit to ensure sufficient working capital is available at all times.

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contracted undiscounted cash flows.

	Less than one year £	Between one and two years £	Between two and five years £
31 December 2022			
Borrowings	202,629	72,608	-
Lease liability	132,468	69,703	175,458
Trade and other payables and accrued expenses	1,417,416	-	-

	Less than one year £	Between one and two years £	Between two and five years £
31 December 2021			
Borrowings	154,335	139,438	42,079
Lease Liability	104,263	92,119	-
Trade and other payables and accrued expenses	759,129	-	-

17. FINANCIAL RISK MANAGEMENT *(continued)*

The amounts above reconcile to current carrying values as follows:

	31 December 2022			31 December 2021		
	Trade, other payables and expense accruals £	Lease liability £	Borrowing s £	Trade, other payables and expense accruals £	Lease liability £	Borrowing s £
Undiscounted cash flow	1,417,416	377,630	275,237	759,129	178,438	335,852
Less: Future interest costs	–	(56,562)	–	–	(9,094)	–
Current value	1,417,416	321,068	275,237	759,129	169,344	335,852
Falling due within one year	1,417,416	132,468	202,629	759,129	92,119	154,335

Fair value interest rate risk

The group borrowing facility is interest-free and so does not expose the group to fair value interest rate risk. The group had no other fixed rate financial liabilities as at 31 December 2022.

The nominal value less impairment provision of trade and other receivables (see note 13) approximates to their fair value.

As cash is held at floating interest rates, its carrying value approximates to fair value.

The group's trade and other payables have short maturity profiles and management is of the opinion that their carrying value equates to fair value.

Foreign currency risk

The group operates in overseas markets by selling directly from the UK. It is therefore subject to currency exposures on transactions, primarily in respect of US dollars and Euros. Foreign exchange risk arises from recognised assets and liabilities and net investments in foreign operations. The group does not utilise derivative contracts to manage its foreign exchange risk.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

17. FINANCIAL RISK MANAGEMENT (continued)

Foreign currency risk (continued)

Excluding borrowings and lease liabilities, all of which are denominated in Euros (see notes 11 and 16), the currency profile of the group's recognised financial assets and liabilities is as follows:

	GBP £	EUR £	USD £	Total £
31 December 2021				
<i>Financial assets</i>				
Trade receivables	-	-	1,049,372	1,049,372
Cash and cash equivalents	151,071	123,122	696,685	970,878
Other receivables	762	46,809	-	47,571
	<u>151,833</u>	<u>169,931</u>	<u>1,746,057</u>	<u>2,067,821</u>
<i>Financial liabilities</i>				
Trade payables	350,170	16,184	-	366,354
Accruals	53,671	-	-	53,671
Other payables	4,032	335,072	-	339,104
	<u>407,873</u>	<u>351,256</u>	<u>-</u>	<u>759,129</u>
	GBP £	EUR £	USD £	Total £
31 December 2022				
<i>Financial assets</i>				
Trade receivables	-	-	1,408,239	1,408,239
Cash and cash equivalents	102,984	148,765	1,654,070	1,905,819
Other receivables	762	48,201	-	48,963
	<u>103,746</u>	<u>196,966</u>	<u>3,062,309</u>	<u>3,363,021</u>
<i>Financial liabilities</i>				
Trade payables	897,850	29,368	-	927,218
Accruals	90,503	-	-	90,503
Other payables	2,224	397,471	-	399,695
	<u>990,577</u>	<u>426,839</u>	<u>-</u>	<u>1,417,416</u>

The group's exposure to net investments in foreign operations is as follows: -

	31 December 2022		31 December 2021	
	USD	EUR	USD	EUR
	\$	€	\$	€
At 31 December	353	1,872,679	(14,157)	2,212,886

18. SHARE CAPITAL (continued)

The Deferred Shares have:

- a. no right to receive notice or to attend or vote at any general meeting of the company, and;
- b. no right to participate in the profits of the company whether by way of dividend, distribution, return of capital (whether or not upon a winding-up) or otherwise, save that upon a return of capital upon a winding-up, the holders of Deferred Shares shall be entitled to the return of the nominal value of each Deferred Share held after £10,000,000 has been returned on each Ordinary Share.

Following the authority given by the passing of the resolution at the General Meeting held on 1 February 2007, the company has irrevocable authority to execute a transfer of the Deferred Ordinary Shares to a custodian and to retain the certificate(s) for those Shares.

The rights attached to the Deferred Shares shall not be deemed to be varied or abrogated by the creation or issue of any new shares ranking in priority to or *pari passu* with or subsequent to the Deferred Shares.

19. SHARE BASED PAYMENTS

Equity-settled share option plans

Options

The Board has authority to grant share options over up to 15% of the number of shares in issue.

During the year, the group awarded 83,000,000 options to employees. The total number of outstanding options at 31 December 2022 is 246,781,184 (2021: 163,781,184), with an exercise price of 0.3p per options prior to 31 December 2020, 0.625p per options granted in the year ended 31 December 2021 and 1.5p per options granted in the year ended 31 December 2022.

The expense recorded in the year in relation to share-based payments is £246,383 (2021: £97,233).

No options were forfeited or lapsed during the year and no options were exercised. The options noted above vested in equal tranches over three years unless the group was acquired, in which case all options become exercisable immediately.

20. CONTINGENT LIABILITIES

At 31 December 2022 and 31 December 2021, the group had no contingent liabilities.

21. RECONCILIATION OF LOSS ON ORDINARY ACTIVITIES TO CASH USED IN OPERATIONS

	2022 £	2021 £
Loss before tax	(443,680)	(759,338)
Depreciation on plant and machinery	25,184	17,415
Depreciation on right of use asset	96,152	91,032
Amortisation	1,847,876	1,884,312
Share based payment expense	246,383	97,233
Net interest	7,223	16,258
Operating cash flows before changes in working capital	1,779,138	1,346,912
Decrease/(increase) in stock	68,977	(60,013)
(Increase) in receivables	(381,614)	(636,380)
Increase in payables	718,926	982,197
Cash flow from operating activities	2,185,427	1,632,716

22. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2022 £	2021 £
Borrowings brought forward	335,852	359,777
Cash flows from new borrowings	-	-
Cash flows from debt repayment	(60,615)	(30,421)
Non-cash changes: amortised loan fees	-	6,496
Total liabilities from financing activities carried forward	275,237	335,852

23. RELATED PARTY TRANSACTIONS

The aggregate remuneration for the year attributable to key management personnel was £515,771 (2021: £492,363), which includes pension contributions of £13,604 (2021: £13,363).

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
CELOXICA HOLDINGS PLC**

Opinion

We have audited the financial statements of Celoxica Holdings Plc (the 'parent company') for the year ended 31 December 2022, set out on pages 43 to 47 which comprise the company balance sheet, the company statement of changes in equity and the notes to the parent company 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 (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

In our opinion the parent company financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
CELOXICA HOLDINGS PLC (CONTINUED)**

Opinion 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 parent company financial statements are prepared is consistent with the parent company financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept 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.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on pages 6 to 7, the directors are responsible for the preparation of the parent company 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 parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, the directors are responsible for assessing 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 parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the parent company financial statements

Our objectives are to obtain reasonable assurance about whether the parent company's 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 group 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:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the company's sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006 and taxation legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
CELOXICA HOLDINGS PLC (CONTINUED)

Auditor's responsibilities for the audit of the group financial statements (continued)

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance; and
- enquiring of management as to actual and potential litigation and claims.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Blick Rothenberg Audit LLP

Jaykishan Shah (Senior Statutory Auditor)

for and on behalf of

Blick Rothenberg Audit LLP

Chartered Accountants

Statutory Auditor

16 Great Queen Street

Covent Garden

London

WC2B 5AH

Date: 12 July 2023

COMPANY BALANCE SHEET
Year ended 31 December 2022

	Note	£	2022 £	2021 £
Non-current assets				
Investments	4		120,230	120,230
Current assets				
Trade and other receivables	5	763		763
Cash and cash equivalents		28,000		28,000
			28,763	28,763
Net current assets			148,993	148,993
Capital and reserves				
Called up share capital	6	21,284,844		21,284,844
Share premium account	6	6,938,120		6,938,120
Retained earnings	6	(28,073,971)		(28,073,971)
Total equity			148,993	148,993

The profit after tax of the parent company for the year ended 31 December 2022 was £nil (2021: £nil).

The company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements.

The financial statements were approved and authorised for issue by the Board on 11 July 2023 and were signed on its behalf by


J-M Bouhelier
Director

The accompanying accounting policies and notes form an integral part of these financial statements

CELOXICA HOLDINGS PLC

Company registration number: 03870674

COMPANY FINANCIAL STATEMENTS

Year ended 31 December 2022

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 January 2021	21,284,844	6,938,120	(28,073,971)	148,993
Total comprehensive income	—	—	—	—
At 31 December 2021	21,284,844	6,938,120	(28,073,971)	148,993

	Share capital	Share premium	Retained earnings	Total
At 1 January 2022	21,284,844	6,938,120	(28,073,971)	148,993
Total comprehensive income	—	—	—	—
At 31 December 2022	21,284,844	6,938,120	(28,073,971)	148,993

The accompanying accounting policies and notes form an integral part of these financial statements

NOTES TO THE COMPANY FINANCIAL STATEMENTS
Year ended 31 December 2022

1. PRINCIPAL ACCOUNTING POLICIES

The company's legal structure, place of incorporation and principal activities are disclosed in the consolidated financial statements.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. Management do not consider there are any key accounting estimates or assumptions made that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Management are also required to exercise judgment in applying the company's accounting policies. Due to the straightforward nature of the business management consider that no critical judgements have been made in applying the company's accounting policies.

Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence and meet its liabilities as they fall due for the foreseeable future, being a period of at least twelve months from the date these financial statements were approved. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Cash flow statement

The company had no accounting transactions and no movement in cash during the year so a company cash flow statement is not presented.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
Year ended 31 December 2022.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Investments

Investments in subsidiaries are stated at cost less provision for any impairment in value. Where merger relief has been taken advantage of, the cost represents the nominal value of the shares issued in exchange for the interest in the subsidiary.

Related party transactions

FRS 102 requires the disclosure of the details of material transactions between the reporting entity and any related parties. However, transactions between the company and its wholly owned subsidiaries have not been disclosed in accordance with the exemption in FRS 102 Section 33.1A

Financial instruments

Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for diminution in value where appropriate. Income and expenditure arising on financial instruments is recognised on the accrual basis, and credited or charged to the profit and loss account in the financial period to which it relates.

Share-based payments

The company issues share options to its employees. In accordance with FRS102, the payments are measured at fair value at the date of grant, using the Black Scholes pricing model. The fair value is then expensed on a straight line basis over the vesting period, based on the company's estimate of the number of shares that will eventually vest, updated at each balance sheet date.

Details of options issued are included in note 19 of the consolidated accounts.

2. PROFIT/LOSS FOR THE FINANCIAL YEAR

The audit fee of the company was borne by a subsidiary undertaking.

3. DIVIDENDS

The directors do not propose payment of a dividend (2021: £nil)

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Year ended 31 December 2021

4. FIXED ASSET INVESTMENTS

	Shares in subsidiary undertakings £
Cost	
At 1 January 2021, 31 December 2021 and 31 December 2022	120,230
Net book value	
At 31 December 2022	120,230
At 31 December 2021	120,230

Interests in subsidiaries:

Company name	Country of incorporation	% equity held	Class of share	Nature of business
Celoxica Limited	United Kingdom	100%	Ordinary shares of 1p Convertible deferred shares of 1p	Provision of hardware design automation tools, development boards, IP cores and design services.
Celoxica International Inc	USA	100%	Common stock of US\$0.001	Client support
Celoxica SARL	France	100%	Ordinary share of €1	R&D

The registered office address of Celoxica Limited is the same as Celoxica Holdings plc. Celoxica International Inc is registered at 200 East 66th Street New York, New York 10065 Unit B 1602. Celoxia SARL is registered at 133 Bis Rue de l'Université, 75007 Paris.

5. DEBTORS

	2022 £	2021 £
Accrued interest	763	763

6. SHARE CAPITAL

All details are as per note 18 in the consolidated accounts.

Options and warrants

The information required in accordance with FRS102 is identical to that required for IFRS2 and supplied in note 19 in the consolidated accounts.