

**DISPLAYLINK (UK) LIMITED**  
**ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 26 SEPTEMBER 2020**

Registered in England & Wales Number 04811048



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DISPLAYLINK (UK) LIMITED  
REGISTERED NUMBER: 04811048

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FOR THE PERIOD ENDED 26 SEPTEMBER 2020

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**DISPLAYLINK (UK) LIMITED**  
**REGISTERED NUMBER: 04811048**

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**COMPANY INFORMATION**  
**FOR THE PERIOD ENDED 26 SEPTEMBER 2020**

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<b>DIRECTORS</b>	David Hargreaves Dean Butler John McFarland
<b>COMPANY SECRETARY</b>	John McFarland
<b>REGISTERED OFFICE</b>	22 Cambridge Science Park Milton Road Cambridge CB4 0GH
<b>INDEPENDENT AUDITOR</b>	KPMG LLP Botanic House 100 Hills Road Cambridge CB2 1AR
<b>BANKERS</b>	Clydesdale Bank Plc 30 St Vincent Place Glasgow G1 2HL

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**DISPLAYLINK (UK) LIMITED**  
**REGISTERED NUMBER: 04811048**

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**DIRECTORS' REPORT**  
**FOR THE PERIOD ENDED 26 SEPTEMBER 2020**

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The Directors present their annual report and the audited consolidated financial statements of DisplayLink (UK) Limited (the "Company") and its subsidiary undertaking (together the "Group") for the period ended 26 September 2020.

**PRINCIPAL ACTIVITIES**

DisplayLink (UK) Limited ("DisplayLink") is a leading fabless semiconductor and software provider whose products enable any device (mobile, tablet, PC) to connect to any display using standard interfaces such as USB, Wi-Fi and Ethernet. The Group's solutions benefit from changing trends in the enterprise IT market such as the growth of mobile devices, the consumerisation of IT, the emergence of bring your own device (BYOD) and the increasing use of multi-screen computing.

**ACQUISITION AND RESTRUCTURING**

On 31 July 2020, Synaptics Incorporated completed the acquisition of DisplayLink Corp., the immediate parent of DisplayLink (UK) Limited by way of merger to become part of the Synaptics Inc. Group ("Synaptics Group").

In the period from 31 July 2020 to 26 September 2020, DisplayLink underwent the process of integrating with Synaptics and aligning policies. No significant changes to accounting policies were made in this period.

DisplayLink (UK) Limited opted to shorten the reporting period to 26 September 2020 to align with Synaptics reporting calendar. Historically, DisplayLink has prepared accounts to 31 December each year, meaning prior year figures quoted are not entirely comparable.

Post acquisition, Synaptics commenced a restructuring programme with the aim of achieving synergies within the Synaptics Group. This has resulted in a reduction in headcount in the UK and Poland. The restructuring programme was announced on 17 August 2020 with \$4.0m recognised in the income statement during the period related to restructuring and with \$1.4m accrued at the balance sheet date. All restructuring costs were paid by 31 July 2021.

DisplayLink has always been a fabless semiconductor manufacturer, relying on test and fabrication partners in Asia to manufacture its products. Post acquisition, Synaptics leveraged the internal Hong Kong based operations of Synaptics to directly manage customers and the manufacturing supply chain. Synaptics share many of the same customers, therefore billing functions were consolidated to Hong Kong. Whilst the underlying nature of DisplayLink's trade has not changed, following the organisational restructure, Synaptics now hold both the external relationship with customers and manage the COGS function centrally. Gross profit is now entirely driven by Synaptics, with a quarterly intercompany royalty. The royalty is equivalent to the gross margin if DisplayLink were to have made the external sale, less a management charge. During the period, Synaptics purchased the carrying value of DisplayLink's stock. DisplayLink no longer have trade receivable balances with third parties.

**FUTURE DEVELOPMENTS**

See disclosure in the strategic report.

**GOING CONCERN**

The directors of DisplayLink (UK) Limited have a reasonable expectation that the Company and the Group have adequate resources for the foreseeable future, and therefore they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**DIVIDENDS**

On 18 September 2020 the directors declared and approved a dividend of \$113,289,805. \$42,999,980 was used to settle intercompany loan agreements during the period to 26 September 2020 with the remainder expected to settle in cash. The dividend is expected to be fully paid within one year from the declaration date.

**DIRECTORS**

The directors who were in office during the year and up to the date of signing the financial statements were:

David Hargreaves (appointed 31 July 2020)  
Dean Butler (appointed 31 July 2020)  
John McFarland (appointed 31 July 2020)

Graham O'Keeffe (resigned 31 July 2020)  
Alan Duncan (resigned 31 July 2020)  
Mark Evans (resigned 31 July 2020)  
Henry Happel III (resigned 31 July 2020)  
Martin Jackson (resigned 31 July 2020)  
David Mooring (resigned 31 July 2020)  
Hans-Dieter Koch (resigned 31 July 2020)

**DIRECTORS' REPORT (CONTINUED)**  
**FOR THE PERIOD ENDED 26 SEPTEMBER 2020**

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**DIRECTORS' INDEMNITIES**

In July 2020, new qualifying third party indemnity agreements were entered into between the Group and each of its directors and officers which remained in force during the financial year and remain in force at the date of signing the financial statements.

**RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's activities could expose it to a number of risks including, adequacy of resources (primarily people), competition risk, cash flow risk, credit risk, interest rate risk and foreign exchange risk. The Group does not use derivative financial instruments for speculative purposes. The Group's activities and development expose it to the risk that the Group and wider group, incorporating its parent company, will encounter difficulty in meeting its liabilities as they fall due. This risk is managed through monitoring of future cash flow requirements. The key risks affecting the business including financial risks are set out below.

**RECRUITMENT AND RETENTION OF SUITABLY QUALIFIED STAFF**

Over the last two years, the Group has increased its internal and outsourced headcount by 30%. Following the acquisition, a restructuring programme was initiated to ensure the roles within the enlarged group reflected the Synaptics strategy. The Group continues to prioritise retention in order to realise its ambition and deliver goals. The Group has visibility of its future needs, via a regularly reviewed annual operating plan. The Group offers competitive employment packages, including healthcare, income protection, pension, gym and cycling incentives. In addition, the Group continues to use outsourcing for a substantial portion of its software development. The implications, on hiring and retention, of Brexit is a concern and the Group continues to monitor the situation closely. The Group provides an exciting career path for its employees and it continues to invest in training and leadership development. It has refurbished its facilities in the UK and Poland over the last 18 months, with each providing a highly attractive operating environment. Once a year, the Group explains its strategy, goals and objectives to all its employees and subsequently provides full and confidential updates to such employees on a regular basis.

**CYBER SECURITY**

Two aspects of cyber security are relevant to our business.

Firstly, with respect to the Group's IT systems, a breach of security could take many forms and could significantly impact the business. The cyber security landscape is also continuously evolving with threats becoming more sophisticated and aggressive. Because a cyber attack may remain undetected for a period of time and because the techniques used by criminal hackers and other third parties change frequently, the Group may be unable to anticipate these techniques or implement adequate preventative measures. Deliberate or accidental loss of data, either from an external attack or an internal control weakness could lead to reputational damage, regulatory and compliance issues and a loss of confidence. The Group does not deal directly with consumers and the main repository of data relates to its employees and service providers.

The Group has implemented cyber-security policies, processes, technologies and tools intended to secure its data and systems to prevent and detect unauthorised access to, or loss of data, or the data of customers, partners, vendors and employees. The Group now harness Synaptics internally resourced, in-house IT team and used third parties to test for vulnerabilities, from which, no significant issues were found. The Group also has a Security Team (SecCom) which provides the appropriate governance to security processes, covering development using secure debug keys (dongles) and managing the provisioning of encryption keys to its products from secure repositories held within our facility. The Group is an active founder member of the IoT Security Foundation, and in line with industry best practices, has a Security Vulnerability Disclosure policy and process.

The Group's products are designed with in-built security protecting IP and third-party encryption keys for industry-standard protocols such as HDCP (High Definition Content Protection). The Group's customers rely on the integrity of its components to protect their overall product security.

**MARKET DISRUPTION**

The Group operates in a fast-moving industry where competitive products, larger competitors, new market trends or disruptive technology may emerge which reduce the ability of the Group to compete and execute its strategy and achieve goals and objectives. The Group regularly tracks market share of its products against data from such publications. The Group continues to invest heavily in intellectual property, which it believes will create the greatest long-term value for the Group.

**DISABLED EMPLOYEES**

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

DIRECTORS' REPORT (CONTINUED)  
FOR THE PERIOD ENDED 26 SEPTEMBER 2020

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#### GLOBAL AND POLITICAL LANDSCAPE

The global political landscape continues to shift with ongoing uncertainty surrounding Brexit, the US:China trading relationship, and emerging trade tension which has increased the volatility of this risk.

Since the UK's vote to leave the European Union in June 2016, the uncertainty surrounding Brexit resulted in a stronger US dollar relative to GBP. All of the Group's gross margin is US dollar denominated and much of the Group's overhead base is GBP denominated. The Group also employs a large number of skilled personnel who are EU citizens, who have been offered support on their particular situations. Brexit is, however, adversely affecting the Group's ability to hire EU citizens and this is expected to continue. The Group is partly able to mitigate this by using an outsourcing partner for software development employing engineering teams based in Eastern Europe, including Serbia and Romania.

Although the Group's trading relationships are almost exclusively in Asia, much of the resulting finished products are exported to the USA and therefore directly impacted by the imposition of import tariffs. The US:China relationship has had an impact on the Group's revenues in the past, it is difficult to predict the outcome of current negotiations, but the Group is aware that a number of ODM customers are moving production from China and into areas which do not attract tariffs when sold into the US.

Continued uncertainty, whether related to US:China trade, Brexit uncertainty, or sudden economics shocks such as the Covid-19 pandemic may result in an economic recession to which the Group will be exposed, as it will likely reduce end-user demand for finished products using the Group's components.

#### CREDIT RISK

The Group's principal financial assets are bank balances and intercompany debtors. Since the acquisition the Group no longer carries the trade debtor risk, as this is borne by Synaptics. Prior to the acquisition, the Group's credit risk is primarily attributable to its trade debtors. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

DisplayLink are reliant on the receipt of income by way of intercompany royalty. Each period end an assessment is done on that intercompany balance to confirm recoverability.

#### INTEREST RATE RISK

The Group no longer has third party debt, and thus the group considers risk of rising interest rates to be low. Due to the size of the Group's cash and treasury balances, the recent reduction in global interest rates will significantly reduce the Group's income from treasury deposits.

#### FOREIGN EXCHANGE RISK

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, mainly because its revenues are USD denominated whereas most of the operating expenses are GBP denominated. Please see note on Global and Political Landscape.

#### STREAMLINED ENERGY AND CARBON REPORTING (SECR)

The SECR disclosure presents the Group's carbon footprint within the United Kingdom for Scope 1, 2 and 3 emissions based on SECR Legislation, an appropriate intensity metric and the total energy use of electricity, gas and transport fuel for the period ended 26 September 2020. This is the first year that SECR has applied, and comparative data is not available.

	Metric	2020
Scope 1 – Combustion of fuel from direct operation of facilities	tCO <sub>2</sub> e	127.35
Scope 2 – Electricity, heat, steam and cooling purchased for own use	tCO <sub>2</sub> e	0.76
Total	tCO <sub>2</sub> e	<u>128.11</u>
Intensity measurement	tCO <sub>2</sub> e/\$m revenue	1.41
Energy consumption – energy used to calculate emissions	mWh	550.35

The Group continues to achieve direct savings in energy and associated carbon emissions, through operational and technological improvements, including:

- increasing investment in training staff about energy efficiency; and
- continuous monitoring and central control of heating, ventilation and air conditioning.
- offering and encouraging the uptake of the Cycle to Work scheme, incentivising employees to reduce emissions from their commute.

**DIRECTORS' REPORT (CONTINUED)  
FOR THE PERIOD ENDED 26 SEPTEMBER 2020**

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**Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual Report and the group and parent financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 group's profit or loss for that period. In preparing the group and parent financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are also responsible for articulating how they have had regard to the matters set out in Sections 172(i) (a) to (f) when performing their duties under Section 172 of the Companies Act 2006. Such statement appears in the Strategic Report.

**DISCLOSURE OF INFORMATION TO AUDITORS**

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

- so far as the directors are aware, there is no relevant audit information of which the group and parent company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and parent company's auditor is aware of that information.

**INDEPENDENT AUDITOR**

PricewaterhouseCoopers LLP resigned as auditor during the period and KPMG LLP have been appointed as the Group's auditor. A resolution to reappoint them as auditor will be proposed at the forthcoming Annual General Meeting.

Signed on behalf of the Board



**David Hargreaves**  
**Director**

*Approved by the directors on 1 November 2021*

STRATEGIC REPORT  
FOR THE PERIOD ENDED 26 SEPTEMBER 2020

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The directors present their strategic report for the Group for the period ended 26 September 2020.

**BUSINESS REVIEW**

The Group has had another very successful year with turnover proportionally increasing from \$93.7 million for the 12 months of 2019 to \$91.4 million for the shorter period in 2020 to 26 September 2020. The Group's continued success is due to the increasing adoption of low cost 4K ultra HD displays and the unexpected increase in sales as a result of the COVID 19 pandemic with increased working from home increasing demand for docks.

The Group set itself five key goals which are as follows:

- (i) be a world leader in display connectivity
- (ii) grow revenues in Enterprise docking
- (iii) diversify into new markets with high margins & value
- (iv) deliver high quality solutions that are valued by end users
- (v) deliver business value in a stimulating, purposeful and supportive working environment, including making DisplayLink a great place to work.

The Group is in the process of aligning these goals with Synaptics goals and values.

The value of the business' technology and business model is demonstrated by product gross margins, which increased from 76.8% in 2019 to 78.4% in the period to 31 July 2020 and remain leading in the industry. The date of 31 July 2020 is used as a comparative as significant organisational restructure took place as of 1 August 2020.

The Group made an operating profit in 2020 of \$21.2 million before exceptional items, as compared with \$27.2m in 2019. The exceptional costs in 2020 of \$4.0m related to the significant organisational restructure. The exceptional costs in 2019 of \$29m related to modification of certain share options during the year, further information can be found in Note 4.

The significant organisational restructuring cost has been segregated by classification to "exceptional items".

The Group is expected to continue to make profits in 2021 and beyond. The Group plans to continue its strong investment in the business to drive growth.

Group net funds (cash and short-term deposits) decreased from \$102.1 million at 31 December 2019 to \$84.9m at 26 September 2020, a net funds outflow of \$17.2 million. This was largely due to cash outflows from financing activities.

The average number of employees within the Group increased from 229 in 2019 to 251 in 2020.

**SECTION 172(1) STATEMENT AND STAKEHOLDER ENGAGEMENT WITH EMPLOYEES AND OTHER STAKEHOLDERS**

The Directors of the Company are required to act in accordance with a set of general duties, such duties being defined by Section 172 of the UK Companies Act 2006, which are summarised below:

A director of a company must act in the way he or she considers, in good faith, would be most likely to promote the success of the company (i.e. short, medium and long term value creation) for the benefit of its members as a whole and, in doing so, have regard (amongst other matters) to the:

- (a) likely consequences of any decision in the long term
- (b) interests of the company's employees
- (c) need to foster the company's business relationships with suppliers, customers & others
- (d) impact of the company's operations on the community and the environment
- (e) desirability of the company maintaining a reputation for high standards of business conduct; and
- (f) the need to act fairly as between members of the company

The Section 172 duty needs to be applied along with the other duties of a director including the duty to exercise independent judgement (§173), reasonable care, skill and diligence (§174). In addition, each director must act within his/her powers (§171) and within the various conflict avoidance duties (§175-177).

The directors are reminded of their duties under Section 172 at each meeting of the directors. Those responsible for preparing board papers are required to ensure that any relevant factors (including, but not limited to, the six s172 factors) are properly considered and if necessary, relevant factors can be included in the paper, or in any presentation made to the board. Responsibility for considering relevant factors can be delegated to the members of the management team preparing the relevant Board paper.



STRATEGIC REPORT (CONTINUED)  
FOR THE PERIOD ENDED 26 SEPTEMBER 2020

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**SECTION 172(1) STATEMENT AND STAKEHOLDER ENGAGEMENT WITH EMPLOYEES AND OTHER STAKEHOLDERS (CONTINUED)**

As is typical of a venture capital backed technology business, prior to the acquisition a significant majority of the voting shares and the economic interest in the business were in the hands of such venture capital funds, who were all represented on the Board of the Company and its parent, DisplayLink Corp., through the combination of Board and Observer seats. In addition, a number of employees were shareholders through the exercise of share options. During the year the shareholders were asked to approve certain resolutions relating to capital structure, share options and the acquisition.

Post acquisition, Synaptics Inc (the ultimate parent of the DisplayLink Group) provide an attractive stock offering package to all employees. These packages typically vest over three to four years and are designed to align the interests of the employees with that of the Company's.

For the period to 26 September 2020, the important decisions made by the Directors of the Company have included (i) the approval of the annual budget for Financial Year 2020 along with a discussion about a five-year plan to 2025, (ii) approval of audited financial statements for the year ended December 2019, (iii) approval of the acquisition by way of merger by Synaptics Incorporated.

In addition, a review of business operations, most of which are carried on by the Company, takes place monthly.

The Group regularly updates all of its employees on the performance of the business, in particular against corporate goals and objectives as well as sharing new plans and developments, which is followed by a Q&A session. These updates also include sharing information that is both sensitive and confidential. Such updates take place in close proximity to Board meetings, so that the updates reflect the latest news.

The Group also conducts annual staff surveys, with the results shared with all employees. Through the sales and operations teams, the Company keeps in very close contact with its direct (and indirect) customers as well as its supply chain partners.

This Section 172(1) statement can also be read on the Company's website [www.displaylink.com](http://www.displaylink.com).

**PRINCIPAL RISKS AND UNCERTAINTIES**

The Group's principal risks and uncertainties are discussed in the Directors' report under the section "Risk Management Objectives and Policies".

**KEY PERFORMANCE INDICATORS**

To support the Group's strategy and to monitor performance, the directors use a number of financial and non-financial key performance indicators (KPIs). These KPIs are selected as being important to the success of the Group in delivering its strategic objectives and include revenue, operating costs, EBITDA, cash, headcount, book-to-bill metrics, average selling prices and product costs. Progress is assessed by comparison with the Group's strategy, goals and objectives, its budget for the year and against historical performance. Executive management use a range of further benchmarks and other KPIs as part of their planning and performance review processes. The list of KPIs selected is reviewed and updated to ensure it remains important and relevant to the success of the group. In general, the Group has performed well against all of its KPIs. Post year end, a number of these metrics and drivers have changed due to the acquisition.

**FUTURE OUTLOOK**

The directors expect revenues to continue to grow. Increased investment is expected to take place in new products and new markets. The Group derives its revenue from four distinct chip platforms (G2, G3, G4 and G5) serving different customers and segments. The G6 chip is been developed through to risk production and will target applications in the network display market. A G7 chip is currently in development. In addition to its core enterprise docking market, the Group's technology is also being applied to a number of other applications such as mobile phones, network displays and meeting room solutions.

The Group has strong cash position and no debt, and it is therefore confident that its growth can be funded from existing resources.

Signed on behalf of the Board



David Hargreaves  
Director

Approved by the directors on 1 November 2021

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DISPLAYLINK (UK) LIMITED**

### **Opinion**

We have audited the financial statements of DisplayLink (UK) Limited ("the company") for the period ended 26 September 2020 which comprise the consolidated profit and loss account, consolidated statement of comprehensive income, consolidated balance sheet, company balance sheet, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 26 September 2020 and of the group's profit for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 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.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group or the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the group or the company will continue in operation.

### **Fraud and breaches of laws and regulations – ability to detect**

#### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Group's high-level policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are no significant third-party revenues as at period end.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group-wide fraud risk management controls

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts in relation to revenue, cash and borrowings.

*Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Group is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements

*Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and 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 they 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**

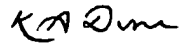
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

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.



**Kelly Dunn (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
Botanic House  
100 Hills Road  
Cambridge  
CB2 1AR

Date: 1 November 2021

DISPLAYLINK (UK) LIMITED  
REGISTERED NUMBER: 04811048

**CONSOLIDATED PROFIT AND LOSS ACCOUNT / CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 26 SEPTEMBER 2020**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

	Note	For the period ended			For the year ended		
		26-Sep-20	26-Sep-20	26-Sep-20	31-Dec-19	31-Dec-19	31-Dec-19
		\$	\$	\$	\$	\$	\$
		Before exceptional items	Exceptional items (Note 4)	Total	Before exceptional items	Exceptional items (Note 4)	Total
Turnover	5	91,157,185	-	91,157,185	93,664,289	-	93,664,289
Cost of sales		(22,825,092)	-	(22,825,092)	(21,751,419)	-	(21,751,419)
<b>GROSS PROFIT</b>		68,332,093	-	68,332,093	71,912,870	-	71,912,870
Administrative expenses		(47,142,841)	(4,032,423)	(51,175,264)	(44,758,194)	(28,966,646)	(73,724,840)
<b>OPERATING PROFIT</b>	6	21,189,252	(4,032,423)	17,156,829	27,154,676	(28,966,646)	(1,811,970)
Interest receivable and similar income	8	1,206,902	-	1,206,902	2,075,076	-	2,075,076
<b>PROFIT BEFORE TAXATION</b>		22,396,154	(4,032,423)	18,363,731	29,229,752	(28,966,646)	263,106
Tax on profit	10	956,951	-	956,951	1,605,796	3,050,971	4,656,767
<b>PROFIT FOR THE FINANCIAL YEAR</b>		23,353,105	(4,032,423)	19,320,682	30,835,548	(25,915,675)	4,919,873

All activities derive from continuing operations.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	26-Sep-20	26-Sep-20	26-Sep-20	31-Dec-19	31-Dec-19	31-Dec-19
	\$	\$	\$	\$	\$	\$
	Before exceptional items	Exceptional items (Note 4)	Total	Before exceptional items	Exceptional items (Note 4)	Total
Currency translation difference on overseas subsidiary	(20,709)	-	(20,709)	(8,943)	-	(8,943)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	23,332,396	-	19,299,973	30,826,605	(25,915,675)	4,910,930

DISPLAYLINK (UK) LIMITED  
REGISTERED NUMBER: 04811048

CONSOLIDATED BALANCE SHEET  
FOR THE PERIOD ENDED 26 SEPTEMBER 2020

	Note	For the period ended 26-Sep-20 \$	For the period ended 26-Sep-20 \$	For the year ended 31-Dec-19 \$	For the year ended 31-Dec-19 \$
<b>FIXED ASSETS</b>					
Intangible assets	11		2,634,641		4,410,152
Tangible assets	12		6,326,062		8,068,512
			<u>8,960,703</u>		<u>12,478,664</u>
<b>CURRENT ASSETS</b>					
Stocks	14	-		5,347,269	
Debtors (\$7,764,547 due after more than one year)	15	33,661,813		25,974,541	
Short term deposits		63,989,174		92,199,545	
Cash at bank and in hand		20,871,533		9,883,822	
		<u>118,522,520</u>		<u>133,405,177</u>	
Creditors: amounts falling due within one year	16	(15,535,989)		(12,822,622)	
<b>NET CURRENT ASSETS</b>			<u>102,986,531</u>		<u>120,582,555</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>111,947,234</u>		<u>133,061,219</u>
Creditors: amounts falling due after more than one year	17		-		(1,423,009)
<b>NET ASSETS</b>			<u>111,947,234</u>		<u>131,638,210</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	20		17,166,021		17,166,021
Capital contribution reserve			53,300,000		53,300,000
Foreign currency translation reserve			(2,873,635)		(2,873,635)
Other reserves			25,994		25,994
Profit and loss account			44,328,854		64,019,830
<b>TOTAL EQUITY</b>			<u>111,947,234</u>		<u>131,638,210</u>

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



David Hargreaves  
Director  
Approved by the directors on 1 November 2021

**DISPLAYLINK (UK) LIMITED**  
**REGISTERED NUMBER: 04811048**

**COMPANY BALANCE SHEET**  
**FOR THE PERIOD ENDED 26 SEPTEMBER 2020**

	Note	For the period ended 26-Sep-20 \$	26-Sep-20 \$	For the year ended 31-Dec-19 \$	31-Dec-19 \$
<b>FIXED ASSETS</b>					
Intangible assets	11		2,634,641		4,410,152
Tangible assets	12		6,064,871		7,667,597
Investments	13		19,258		19,258
			<u>8,718,770</u>		<u>12,097,007</u>
<b>CURRENT ASSETS</b>					
Stocks	14		-	5,347,269	
Debtors (\$7,764,547 due after more than one year)	15	33,475,166		25,550,256	
Investments		63,989,174		92,199,545	
Cash at bank and in hand		20,456,000		9,837,199	
		<u>117,920,340</u>		<u>132,934,269</u>	
Creditors: amounts falling due within one year	16	(15,410,941)		(12,965,907)	
<b>NET CURRENT ASSETS</b>			<b>102,509,399</b>		<b>119,968,362</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>111,228,169</b>		<b>132,065,369</b>
Creditors: amounts falling due after more than one year	17		-		(1,423,009)
<b>NET ASSETS</b>			<b>111,228,169</b>		<b>130,642,360</b>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	20		17,166,021		17,166,021
Capital contribution reserve			53,300,000		53,300,000
Foreign currency translation reserve			(2,890,431)		(2,890,431)
Other reserves			25,994		25,994
Profit and loss account			43,626,585		63,040,776
<b>TOTAL EQUITY</b>			<b>111,228,169</b>		<b>130,642,360</b>

As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent company.

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



**David Hargreaves**  
**Director**  
*Approved by the directors on 1 November 2021*



DISPLAYLINK (UK) LIMITED  
REGISTERED NUMBER: 04811048

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 26 SEPTEMBER 2020

GROUP	Called up share capital \$	Capital contribution reserve \$	Foreign currency translation reserve \$	Other reserves \$	Profit and loss account \$	Total equity \$
<b>BALANCE AS AT 1 JANUARY 2020</b>	<u>17,166,021</u>	<u>53,300,000</u>	<u>(2,873,635)</u>	<u>25,994</u>	<u>64,019,830</u>	<u>131,638,210</u>
Profit for the financial period	-	-	-	-	19,320,682	19,320,682
Other comprehensive expense for the period	-	-	-	-	(20,709)	(20,709)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,299,973</u>	<u>19,299,973</u>
Credit for equity settled share-based payments	-	-	-	-	4,009,031	4,009,031
Dividends	-	-	-	-	(42,999,980)	(42,999,980)
<b>BALANCE AS AT 26 SEPTEMBER 2020</b>	<u>17,166,021</u>	<u>53,300,000</u>	<u>(2,873,635)</u>	<u>25,994</u>	<u>44,328,854</u>	<u>111,947,234</u>
<b>BALANCE AS AT 1 JANUARY 2019</b>	<u>17,166,021</u>	<u>53,300,000</u>	<u>(2,873,635)</u>	<u>25,994</u>	<u>30,142,254</u>	<u>97,760,634</u>
Profit for the financial year	-	-	-	-	4,919,873	4,919,873
Other comprehensive expense for the year	-	-	-	-	(8,943)	(8,943)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,910,930</u>	<u>4,910,930</u>
Credit for equity settled share-based payments	-	-	-	-	28,966,646	28,966,646
<b>BALANCE AS AT 31 DECEMBER 2019</b>	<u>17,166,021</u>	<u>53,300,000</u>	<u>(2,873,635)</u>	<u>25,994</u>	<u>64,019,830</u>	<u>131,638,210</u>

DISPLAYLINK (UK) LIMITED  
REGISTERED NUMBER: 04811048

COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 26 SEPTEMBER 2020

COMPANY	Called up share capital \$	Capital contribution reserve \$	Foreign currency translation reserve \$	Other reserves \$	Profit and loss account \$	Total equity \$
<b>BALANCE AS AT 1 JANUARY 2020</b>	<u>17,166,021</u>	<u>53,300,000</u>	<u>(2,890,431)</u>	<u>25,994</u>	<u>63,040,776</u>	<u>130,642,360</u>
Profit for the financial period	-	-	-	-	19,576,756	19,576,756
Other comprehensive expense for the period	-	-	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,576,756</u>	<u>19,576,756</u>
Credit for equity settled share-based payments	-	-	-	-	4,009,033	4,009,033
Dividends					(42,999,980)	(42,999,980)
<b>BALANCE AS AT 26 SEPTEMBER 2020</b>	<u>17,166,021</u>	<u>53,300,000</u>	<u>(2,890,431)</u>	<u>25,994</u>	<u>43,626,585</u>	<u>111,228,169</u>
<b>BALANCE AS AT 1 JANUARY 2019</b>	<u>17,166,021</u>	<u>53,300,000</u>	<u>(2,890,431)</u>	<u>25,994</u>	<u>29,369,147</u>	<u>96,970,731</u>
Profit for the financial year	-	-	-	-	4,704,983	4,704,983
Other comprehensive expense for the year	-	-	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,704,983</u>	<u>4,704,983</u>
Credit for equity settled share-based payments	-	-	-	-	28,966,646	28,966,646
<b>BALANCE AS AT 31 DECEMBER 2019</b>	<u>17,166,021</u>	<u>53,300,000</u>	<u>(2,890,431)</u>	<u>25,994</u>	<u>63,040,776</u>	<u>130,642,360</u>

**DISPLAYLINK (UK) LIMITED**  
**REGISTERED NUMBER: 04811048**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 26 SEPTEMBER 2020**

	Note	For the period ended 26-Sep-20 \$	For the year ended 31-Dec-19 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net cash from operating activities	21	23,650,809	22,711,316
Tax received (net)	21	1,602,582	(65,388)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		<b>25,253,391</b>	<b>22,645,928</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of tangible assets		(613,981)	(6,757,897)
Purchase of intangible assets		(11,760)	(3,158,257)
Interest received		813,575	2,234,850
Purchase of investments		(43,257,199)	(186,311,385)
Maturities and sales of investments		71,599,188	172,500,000
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>28,529,823</b>	<b>(21,492,689)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid to equity owners		(42,999,980)	-
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(42,999,980)</b>	<b>-</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>10,783,234</b>	<b>1,153,239</b>
Cash and cash equivalents at the beginning of the year		9,883,822	8,543,353
Foreign exchange effect on cash and cash equivalents		204,477	187,230
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>20,871,533</b>	<b>9,883,822</b>

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**DISPLAYLINK (UK) LIMITED**  
**REGISTERED NUMBER: 04811048**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 26 SEPTEMBER 2020**

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**1 GENERAL INFORMATION**

DisplayLink (UK) Limited is a private company limited by shares and is incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of its registered office is 22 Cambridge Science Park, Milton Road, Cambridge, CB4 0GH.

On 31 July 2020, Synaptics Incorporated completed the acquisition of DisplayLink Corp., the immediate parent of DisplayLink (UK) Limited by way of merger.

In the period from 31 July 2020 to 26 September 2020 DisplayLink was in the process of integrating with Synaptics and aligning policies. No significant changes to accounting policies were made in this period. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

**2 STATEMENT OF COMPLIANCE**

These Group and parent company financial statements of DisplayLink (UK) Limited have been prepared in compliance with United Kingdom accounting standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

The presentation currency of these financial statements is US dollar.

**3 ACCOUNTING POLICIES**

**BASIS OF PREPARATION**

These financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The principal accounting policies, which have been applied consistently throughout the year, are set out below.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- \* No separate parent company Cash Flow Statement with related notes is included;
- \* Key Management Personnel compensation has not been included a second time;
- \* Certain disclosures required by FRS 102.26 Share Based Payments; and
- \* Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

**GOING CONCERN**

The Group's forecasts lead to a reasonable expectation that the Group has adequate resources to continue in business for a period of at least 12 months. As at 26 June 2021, DisplayLink (UK) Limited's cash balances totalled \$47.0M, with an intercompany receivable of \$13.7M. These resources, coupled with successful future projections, lead management to conclude the going concern basis is appropriate.

**BASIS OF CONSOLIDATION**

The Group financial statements consolidate the financial statements of the Company and its wholly owned subsidiary, DisplayLink (Poland) sp. z.o.o. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Intra-group transactions, including receivables and payables, have been eliminated on consolidation. The subsidiary uses uniform accounting policies.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

**INVESTMENTS**

Fixed asset investments are recorded at cost, less any provisions for impairment.

**INTANGIBLE ASSETS**

Purchased intellectual property is included at cost and amortised over the expected life, which is 3 years.

Office software is included at cost and amortised on a 4 year straight line basis.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 26 SEPTEMBER 2020

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**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**TANGIBLE FIXED ASSETS**

Tangible fixed assets are stated at cost, net of accumulated depreciation and any provision for impairment. The cost of tangible fixed assets is their purchase cost, together with any incidental cost of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic life of the assets concerned. The principal annual rates used for this purpose are based on the following:

Leasehold improvements	-	Life of the lease, up to 35 years
Research and Development Equipment	-	3-4 years, straight line
Fixtures and Fittings	-	3-4 years, straight line
Computer Equipment	-	2-3 years, straight line
Production Tooling	-	1-3 years, straight line

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

**STOCKS**

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

**CASH AT BANK AND IN HAND AND SHORT TERM INVESTMENTS**

Cash and cash equivalents include cash in hand and other short-term, highly liquid investments with original maturities of three months or less. The carrying amount approximates to fair value because of the short-term maturity of these investments.

Short term investments comprise deposits held with banks with original maturities of three months or more.

**TURNOVER AND REVENUE RECOGNITION**

Turnover represents the invoiced amounts for goods and services sold and provided, net of value added tax. The Group recognises revenue for product sales when title transfers and risk of loss has passed to the customer, which is generally upon shipment of product to the customer.

**FOREIGN CURRENCIES**

The Group financial statements are presented in US\$. The Company's functional and presentational currency is US\$.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations and on foreign currency borrowings, to the extent that they hedge the group's investment in such operations, are reported in the statement of comprehensive income. All other exchange differences are included in the profit and loss account.

Transactions in foreign currencies are recorded at the rate of exchange at the date of the 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.

**FINANCIAL INSTRUMENTS**

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

*Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.*

Interest bearing loans are recorded at the proceeds received net of direct issue costs. Finance charges, with the exception of share based payment costs, are accounted for on an accruals basis in the profit and loss account using the effective interest method.

**LEASES**

Rentals payable under operating leases are charged on a straight-line basis over the lease term, even if 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, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Assets held under finance and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 26 SEPTEMBER 2020

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3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**PENSION**

The Group operates a defined contribution pension plan for employees. The assets of the plan are held separately from those of the Group. The annual contributions payable are charged to the profit and loss account. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

**EQUITY INSTRUMENTS**

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

**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.

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.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

**SHARE BASED PAYMENTS**

The Group has applied the requirements of Section 26 of FRS 102 "share-based payment". The Group's ultimate parent company issues equity-settled share-based payments to certain employees and third parties. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the date of grant 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 of non market-based vesting conditions.

Fair value is measured by use of the Black-Scholes pricing 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.

**CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the period ended 26 September 2020, there was one critical judgement, which is detailed below.

**DEFERRED TAX**

A deferred tax asset of \$7,764,547 was recognised as at 26 September 2020 (2019 - \$6,551,379), in relation to the tax benefit of carried forward UK tax losses, which are expected to be utilised in the near future. Whilst there is some uncertainty over the expected amount of future taxable profits, it has been judged to be reasonably certain that the brought forward losses can be fully utilised within a reasonable timeframe. Further information on deferred tax is included above in the taxation section.

4 EXCEPTIONAL ITEMS

Items that are significant by virtue of their size or nature, which are considered non-recurring and which are excluded from the underlying profit measures used by the Board to monitor and measure the underlying performance of the Company are classified as an exceptional operating item. Exceptional operating items are included within the appropriate Consolidated Profit and Loss Account category but are highlighted separately in the notes to the financial statements. The following exceptional item has been included in the Consolidated Profit and Loss Account.

	For the period ended 26-Sep-20 \$	For the year ended 31-Dec-19 \$
Share based payments charge	-	28,966,646
Deferred tax thereon	-	(3,050,971)
Restructuring provision	4,032,423	-
	<u>4,032,423</u>	<u>25,915,675</u>

**DISPLAYLINK (UK) LIMITED**  
**REGISTERED NUMBER: 04811048**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 26 SEPTEMBER 2020**

**4 EXCEPTIONAL ITEMS (CONTINUED)**

During 2019, the DisplayLink Group changed some of the exercise terms of its 2012 and 2015 Stock Option Plans. These changes, which were made in August 2019, (i) allowed option holders to exercise vested options on an IPO (in addition to a change in control), (ii) enabled good leavers to take some or all of their share option with them when they left and (iii) allowed any option holder to exercise his or her options at any time to the extent of the eligible vested portion on the option. Previously, option holders forfeited all their options if they left the business. These changes extended exercise arrangements from being only on a change in control. These changes allow an option holder to exercise his or her options at any time, subject to reaching an eligible vested portion. Under FRS 102, this change is deemed to be a modification.

Therefore, the Company recognised a charge of \$28,966,646 in the Consolidated Profit and Loss Account in 2019, representing the incremental fair value of the vested options at the modification date in August 2019 versus their original fair value measured at grant date. Due to the size of this charge, and the fact that it is non-recurring, it has been classified as an exceptional item.

Synaptics commenced a restructuring program on 17 August 2020 with the aim of achieving synergies within the larger group. This has resulted in a reduction in headcount in the UK and Poland. \$4.0m recognised in the income statement during the period is regarded as exceptional on the basis that it is expected to be a one time reduction in force as a result of the acquisition.

**5 TURNOVER**

All turnover arises from the Group's principal activity. A geographical analysis of turnover by destination is given below:

	For the period ended 26-Sep-20 \$	For the year ended 31-Dec-19 \$
Europe	126,480	136,950
Asia	91,030,705	93,527,339
	<u>91,157,185</u>	<u>93,664,289</u>
Sale of goods	72,308,382	93,664,289
Intercompany royalty / intercompany sales	18,848,803	-
	<u>91,157,185</u>	<u>93,664,289</u>

All turnover is earned by DisplayLink (UK) Limited.

**6 PROFIT BEFORE TAXATION**

Profit before

	For the period ended 26-Sep-20 \$	For the year ended 31-Dec-19 \$
Depreciation of tangible fixed assets (owned)	1,739,394	2,014,140
Amortisation of intangible fixed assets	1,784,804	2,550,234
Operating lease rentals – Land and buildings	1,916,798	1,287,691
Share-based payment charge	4,009,033	28,966,646
Foreign exchange losses/(gains)	670,744	(3,095,312)
	<u>10,120,773</u>	<u>31,723,399</u>

The analysis of auditors' remuneration is as follows:

*Fees payable to the company's auditors:*  
 Audit of the group's annual financial statements  
 Tax compliance services

	For the period ended 26-Sep-20 \$	For the year ended 31-Dec-19 \$
	99,290	80,450
	<u>-</u>	<u>51,991</u>

**7 EMPLOYEES AND DIRECTORS**

The average monthly number of employees for the Group and Company (including executive directors) was:

	Group		Company	
	26-Sep-20	31-Dec-19	26-Sep-20	31-Dec-19
Administration	28	29	23	23
Sales & Marketing	7	9	7	9
Research & Development	203	178	152	139
Production	13	13	13	13
	<u>251</u>	<u>229</u>	<u>195</u>	<u>184</u>

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**7 EMPLOYEES AND DIRECTORS (CONTINUED)**

Their aggregate remuneration comprised:

	<b>Group</b>		<b>Company</b>	
	<b>26-Sep-20</b>	<b>31-Dec-19</b>	<b>26-Sep-20</b>	<b>31-Dec-19</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Wages and salaries	17,982,604	15,582,881	16,222,295	14,030,714
Social security costs	2,579,652	2,029,710	2,308,540	1,743,212
Other pension costs	1,749,227	1,990,604	1,749,227	1,990,604
Share-based payments (see note 23)	4,009,033	28,966,646	4,009,033	28,966,646
	<b>26,320,516</b>	<b>48,569,841</b>	<b>24,289,095</b>	<b>46,731,176</b>

**DIRECTORS' REMUNERATION**

	<b>For the period ended</b>	<b>For the year ended</b>
	<b>26-Sep-20</b>	<b>31-Dec-19</b>
	<b>\$</b>	<b>\$</b>
Aggregate emoluments	5,785,443	214,343
Company contributions to money purchase pension plans	15,240	13,329
	<b>5,800,683</b>	<b>227,672</b>

**HIGHEST PAID DIRECTOR**

Aggregate emoluments	4,767,118	214,343
Company contributions to money purchase pension plans	13,220	13,329
	<b>4,780,338</b>	<b>227,672</b>

During the period, two directors received remuneration (2019 - one).

During the period, eight directors received no remuneration for their services to the Group (2019 - 6).

The number of directors who:

	<b>For the period ended</b>	<b>For the year ended</b>
	<b>26-Sep-20</b>	<b>31-Dec-19</b>
	<b>\$</b>	<b>\$</b>
Were a member of a money purchase pension plan	2	1
Exercised share options	2	-

**KEY MANAGEMENT COMPENSATION**

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	<b>For the period ended</b>	<b>For the year ended</b>
	<b>26-Sep-20</b>	<b>31-Dec-19</b>
	<b>\$</b>	<b>\$</b>
Salaries and other short term benefits	13,194,293	1,479,374
Post-employment benefits	52,574	145,126
Share based payments	104,154	14,543,522
	<b>13,351,021</b>	<b>16,168,022</b>

**8 INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>For the period ended</b>	<b>For the year ended</b>
	<b>26-Sep-20</b>	<b>31-Dec-19</b>
	<b>\$</b>	<b>\$</b>
Bank interest receivable	1,197,641	2,075,076
Interest on intercompany loan with ultimate parent	9,261	-
	<b>1,206,902</b>	<b>2,075,076</b>

**9 INTEREST PAYABLE AND SIMILAR EXPENSES**

There was no interest payable and similar expenses for either the years ended 31 December 2019 or for the period ended 26 September 2020.



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FOR THE PERIOD ENDED 26 SEPTEMBER 2020

10 TAX ON PROFIT

	For the period ended 26-Sep-20 \$	For the year ended 31-Dec-19 \$
<b>a) ANALYSIS OF CREDIT IN YEAR</b>		
Research and Development tax credit at 13% (2019 - 14.5%)	-	1,229,758
Adjustments in respect of prior years	489,391	1,468,817
Movement in deferred tax asset	1,213,168	2,023,580
Foreign tax	(31,790)	(65,388)
WHT on HK royalty	(355,531)	-
UK corporation tax	(358,287)	-
<b>TOTAL TAX CREDIT</b>	<b>956,951</b>	<b>4,656,767</b>

The standard rate of tax for the year, based on the UK effective standard rates of corporation tax, is 19% (2019 – 19%). The actual tax credit for the year differs from the standard rate for the reasons set out in the following reconciliation.

	For the period ended 26-Sep-20 \$	For the year ended 31-Dec-19 \$
<b>PROFIT BEFORE TAXATION</b>	<b>18,363,731</b>	<b>263,106</b>
Tax on profit at effective standard rate	3,489,109	49,990
Factors affecting the charge:		
Disallowable expenses	(5,170,344)	3,591,661
Other differences	209,629	(252,493)
Research and development tax credit enhancement	-	(4,752,032)
Patent Box Deduction	-	(1,881,196)
Adjustments in respect of prior years	(489,391)	(1,468,817)
Difference in overseas tax rates	74,404	56,120
WHT on HK royalty	355,531	-
Current year losses for which no deferred tax asset was recognised	574,111	-
<b>TOTAL TAX CREDIT</b>	<b>(956,951)</b>	<b>(4,656,767)</b>

**b) FACTORS AFFECTING FUTURE TAX CHARGES**

Please see Note 18 for an explanation of the Deferred Tax position.

Following the Finance Bill 2020 (on 11 March 2020), the Government announced their intention to scrap the proposed reduction of corporation tax from 19% to 17%. The deferred tax asset is measured at 19% for the period ended 26 September 2020.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 26 SEPTEMBER 2020**

**11 INTANGIBLE ASSETS**

	Purchased intellectual property \$	Office software \$	Total \$
<b>GROUP AND COMPANY</b>			
<b>COST</b>			
At 1 January 2020	14,653,470	53,605	14,707,075
Additions	11,760	-	11,760
Disposals	(8,152,813)	(53,605)	(8,206,418)
At 26 September 2020	<u>6,512,417</u>	<u>-</u>	<u>6,512,417</u>
<b>ACCUMULATED AMORTISATION</b>			
At 1 January 2020	10,243,318	53,605	10,296,923
Charge for the period	1,784,804	-	1,784,804
Disposals	(8,150,346)	(53,605)	(8,203,951)
At 26 September 2020	<u>3,877,776</u>	<u>-</u>	<u>3,877,776</u>
<b>NET BOOK VALUE</b>			
At 26 September 2020	<u>2,634,641</u>	<u>-</u>	<u>2,634,641</u>
At 1 January 2020	<u>4,410,152</u>	<u>-</u>	<u>4,410,152</u>

The individual intangible assets which are material to the financial statements are:

	Carrying amount		Remaining amortisation period (years)	
	26-Sep-20 \$	31-Dec-19 \$	26-Sep-20 \$	31-Dec-19 \$
<b>PURCHASE INTELLECTUAL PROPERTY</b>				
Purchased IP for 6th generation chip development	2,213,575	3,636,588	1.2	2.0
	<u>2,213,575</u>	<u>3,636,588</u>	<u>1.2</u>	<u>2.0</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**12 TANGIBLE ASSETS**

GROUP	Leasehold improvements \$	R&D equipment \$	Fixtures and fittings \$	Computer equipment \$	Production tooling \$	Total \$
<b>COST</b>						
At 1 January 2020	3,876,955	3,352,516	1,545,006	3,754,794	4,813,054	17,342,325
Additions	113,872	25,210	155,682	303,540	15,677	613,981
Transfers	-	-	-	(122,500)	122,500	-
Disposals	(52,204)	(1,557,138)	(733,050)	(3,272,588)	(3,120,779)	(8,735,759)
Foreign exchange	(2,179)	(7,661)	(3,318)	(13,977)	-	(27,135)
At 26 September 2020	<u>3,936,444</u>	<u>1,812,927</u>	<u>964,320</u>	<u>649,269</u>	<u>1,830,452</u>	<u>9,193,412</u>
<b>ACCUMULATED DEPRECIATION</b>						
At 1 January 2020	97,026	2,219,541	678,381	2,726,501	3,552,364	9,273,813
Charge for the period	332,194	411,600	199,934	521,611	274,055	1,739,394
Transfers	-	-	-	(72,713)	72,713	-
Disposals	(18,085)	(1,507,104)	(616,097)	(2,869,980)	(3,116,152)	(8,127,418)
Foreign exchange	(311)	(5,867)	(1,625)	(10,636)	-	(18,439)
At 26 September 2020	<u>410,824</u>	<u>1,118,170</u>	<u>260,593</u>	<u>294,783</u>	<u>782,980</u>	<u>2,867,350</u>
<b>NET BOOK VALUE</b>						
At 26 September 2020	<u>3,525,620</u>	<u>694,757</u>	<u>703,727</u>	<u>354,486</u>	<u>1,047,472</u>	<u>6,326,062</u>
At 31 December 2019	<u>3,779,929</u>	<u>1,132,975</u>	<u>866,625</u>	<u>1,028,293</u>	<u>1,260,690</u>	<u>8,068,512</u>
<b>COMPANY</b>						
<b>COST</b>						
At 1 January 2020	3,662,177	3,120,478	1,380,100	3,299,887	4,813,054	16,275,696
Additions	1,181	14,334	115,940	226,993	15,677	374,125
Transfers	-	-	-	(122,500)	122,500	-
Disposals	-	(1,332,042)	(653,110)	(2,830,957)	(3,120,779)	(7,936,888)
At 26 September 2020	<u>3,663,358</u>	<u>1,802,770</u>	<u>842,930</u>	<u>573,423</u>	<u>1,830,452</u>	<u>8,712,933</u>
<b>ACCUMULATED DEPRECIATION</b>						
At 1 January 2020	29,711	2,042,192	600,660	2,383,171	3,552,365	8,608,099
Charge for the period	275,567	388,195	167,494	440,115	274,056	1,545,427
Transfers	-	-	-	(72,713)	72,713	-
Disposals	-	(1,319,372)	(561,490)	(2,508,450)	(3,116,152)	(7,505,464)
At 26 September 2020	<u>305,278</u>	<u>1,111,015</u>	<u>206,664</u>	<u>242,123</u>	<u>782,982</u>	<u>2,648,062</u>
<b>NET BOOK VALUE</b>						
At 26 September 2020	<u>3,358,080</u>	<u>691,755</u>	<u>636,266</u>	<u>331,300</u>	<u>1,047,470</u>	<u>6,064,871</u>
At 31 December 2019	<u>3,632,466</u>	<u>1,078,286</u>	<u>779,440</u>	<u>916,716</u>	<u>1,260,689</u>	<u>7,667,597</u>

**13 INVESTMENTS**

**COST AND NET BOOK VALUE**

At 1 January 2020 and 26 September 2020

\$  
19,258

At 26 September 2020, the company held 100% of the issued ordinary share capital in DisplayLink (Poland) Sp. z.o.o., a company incorporated in Poland. DisplayLink (Poland) Sp. z.o.o., operates as a research and development company within the DisplayLink (UK) Limited group. The registered office of DisplayLink (Poland) Sp z.o.o. is Katowice, UL. Ligocka 103. The directors believe that the carrying value of this investment is supported by its underlying net assets.

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**14 STOCKS**

	<b>Group and Company</b>	
	<b>26-Sep-20</b>	<b>31-Dec-19</b>
	<b>\$</b>	<b>\$</b>
Raw materials and consumables	-	2,372,351
Work in progress	-	271,823
Finished goods and goods for resale	-	2,703,095
	<u>-</u>	<u>5,347,269</u>

As at 31 December 2019, there is no material difference between the balance sheet value of stocks and their replacement cost.

**15 DEBTORS**

	<b>Group</b>		<b>Company</b>	
	<b>26-Sep-20</b>	<b>31-Dec-19</b>	<b>26-Sep-20</b>	<b>31-Dec-19</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Trade debtors	-	8,216,615	-	8,216,615
Amounts owed by Synaptics group undertakings	20,095,742	718,316	20,095,742	718,316
Deferred Tax Asset (due after more than one year)	7,764,547	6,551,379	7,764,547	6,551,379
Research and development tax credit receivable	3,075,297	2,791,012	3,075,297	2,791,012
Other debtors	1,003,621	5,020,678	825,755	4,794,085
Prepayments and accrued income	1,722,606	2,676,541	1,713,825	2,478,849
	<u>33,661,813</u>	<u>25,974,541</u>	<u>33,475,166</u>	<u>25,550,256</u>

Intercompany amounts owed by Synaptics group undertakings are payable on demand and do not attract interest.

**16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	<b>26-Sep-20</b>	<b>31-Dec-19</b>	<b>26-Sep-20</b>	<b>31-Dec-19</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Trade creditors	34,835	4,219,035	34,835	4,219,035
Amounts owed to group undertakings	-	-	215,765	283,003
Taxation and social security	1,115,237	679,822	994,980	679,822
Other creditors	9,917,082	4,802,434	9,917,082	4,802,434
Restructuring provision	1,430,707	-	1,430,707	-
Accruals and deferred income	3,038,128	3,121,331	2,817,572	2,981,613
	<u>15,535,989</u>	<u>12,822,622</u>	<u>15,410,941</u>	<u>12,965,907</u>

As in 2019, the amounts owed to Group undertakings are repayable on demand and do not attract interest.

**17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	<b>26-Sep-20</b>	<b>31-Dec-19</b>	<b>26-Sep-20</b>	<b>31-Dec-19</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Other creditors	-	1,423,009	-	1,423,009
	<u>-</u>	<u>1,423,009</u>	<u>-</u>	<u>1,423,009</u>

NOTES TO THE FINANCIAL STATEMENTS  
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18 DEFERRED TAX ASSETS

The deferred tax assets provided for and not provided for are as follows:

GROUP AND COMPANY

	Provided		Not provided	
	26-Sep-20	31-Dec-19	26-Sep-20	31-Dec-19
	\$	\$	\$	\$
Accelerated capital allowances	(771,996)	(809,848)	-	-
Trading losses	8,536,543	4,310,256	-	-
Timing differences relating to share based payment charges	-	3,050,971	-	-
	<u>7,764,547</u>	<u>6,551,379</u>	<u>-</u>	<u>-</u>

The group has built up significant trading losses, forecasts for the next few years indicate that taxable profits are expected to arise, meaning that further brought forward tax losses will be utilised. As it is reasonably certain that these losses will be utilised in the near future, no valuation allowance has been applied to this asset as at both 26 September 2020 and 31 December 2019.

In 2020 a deferred tax asset was recognised in relation to timing differences associated with share based payment charges. A significant share based payment charge was recognised in the Consolidated Profit and Loss Account (see Note 4), which would give rise to a taxable deduction in a future period. A deferred tax asset was recognised at the effective tax rate of 10%, which reflected the fact that the company has elected into the patent box regime. During 2020 this tax deduction was utilised and therefore there is no such asset in the balance sheet as at 26 September 2020.

19 FINANCIAL INSTRUMENTS

		Group		Company	
		26-Sep-20	31-Dec-19	26-Sep-20	31-Dec-19
		\$	\$	\$	\$
<b>Financial assets that are measured at amortised cost</b>					
Trade debtors	15	-	8,216,615	-	8,216,615
Other debtors	15	1,003,620	5,020,678	825,755	4,794,085
Amounts owed by group entities	15	20,095,742	718,316	20,095,742	718,316
		<u>21,099,362</u>	<u>13,955,609</u>	<u>20,921,497</u>	<u>13,729,016</u>
<b>Financial liabilities that are measured at amortised cost</b>					
Trade creditors	16	34,835	4,219,035	34,835	4,219,035
Amounts owed to group undertakings	16	-	-	215,767	283,003
Other creditors	16, 17	9,917,082	6,225,443	9,917,082	6,225,443
Accruals and deferred income	16	4,468,835	3,121,331	4,248,279	2,981,613
		<u>14,420,752</u>	<u>13,565,809</u>	<u>14,415,963</u>	<u>13,709,094</u>

20 CALLED UP SHARE CAPITAL

		Group		Company	
		26-Sep-20	31-Dec-19	26-Sep-20	31-Dec-19
		\$	\$	\$	\$
9,337,223 (2019: 9,337,223) Ordinary shares of £1 each		17,166,021	17,166,021	17,166,021	17,166,021
		<u>17,166,021</u>	<u>17,166,021</u>	<u>17,166,021</u>	<u>17,166,021</u>

NOTES TO THE FINANCIAL STATEMENTS  
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21 NOTES TO THE CASH FLOW STATEMENT

The Company has taken advantage of the disclosure exemption under FRS 102 from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, include the Company's cash flows. The Company's shareholders have been notified and have raised no objections.

	For the period ended 26-Sep-20 \$	For the year ended 31-Dec-19 \$
<b>RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS</b>		
<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>19,320,682</b>	<b>4,919,873</b>
Adjustment for:		
Tax on profit	(956,951)	(4,656,767)
Net interest income	(1,206,902)	(2,075,076)
<b>OPERATING PROFIT</b>	<b>17,156,829</b>	<b>(1,811,970)</b>
Share-based payment charge	4,009,031	28,966,646
Depreciation and amortisation	3,524,198	4,564,374
Loss on disposal of tangible fixed assets	610,808	679,899
Foreign exchange gains/(losses)	(600,412)	(2,814,230)
Change in debtors	(7,687,272)	(4,016,858)
Change in stocks	5,347,269	(526,190)
Change in creditors	1,290,358	(2,330,355)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>23,650,809</b>	<b>22,711,316</b>

	For the period ended 26-Sep-20 \$	For the year ended 31-Dec-19 \$
<b>ANALYSIS OF CASH FLOWS</b>		
<b>TAXATION</b>		
Research and development tax credits received	1,634,372	-
Foreign tax paid	(31,790)	(65,388)
	<b>1,602,582</b>	<b>(65,388)</b>

**ANALYSIS AND RECONCILIATION OF NET FUNDS**

	1 January 2020 \$	Cash flow \$	Foreign exchange effect \$	26 September 2020 \$
Cash at bank and in hand	9,883,822	10,783,234	204,477	20,871,533
Investments	92,199,545	(27,948,662)	(261,709)	63,989,174
	<b>102,083,367</b>	<b>(17,165,428)</b>	<b>(57,232)</b>	<b>84,860,707</b>

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**22 FINANCIAL COMMITMENTS**

On 5 October 2015, DisplayLink (UK) Limited signed a 15-year lease agreement for premises on the Cambridge Science Park. On 22 November 2019, DisplayLink (UK) Limited entered into a legally binding contract with a third party to transfer to such third party the residual of the term of years remaining on such lease and on 6 January 2020 DisplayLink (UK) Limited completed the assignment of such lease.

On 22 August 2019, DisplayLink (UK) Limited signed a lease agreement for new premises on the Cambridge Science Park. The lease lasts for 15 years, but the Company has the option to terminate the lease after 10 years.

Future minimum lease payments under non-cancellable operating leases are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>26-Sep-20</b>	<b>31-Dec-19</b>	<b>26-Sep-20</b>	<b>31-Dec-19</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>PAYMENTS DUE</b>				
Within one year	2,837,965	541,296	2,596,115	295,640
Between two and five years	10,695,616	11,284,391	10,594,845	10,997,793
Greater than five years	9,705,894	12,764,239	9,705,894	12,764,239
	<b>23,239,475</b>	<b>24,589,926</b>	<b>22,896,854</b>	<b>24,057,672</b>

At 26 September 2020, the Group and the Company had no capital commitments (2019 - \$NIL).

**23 SHARE BASED PAYMENTS**

Until the acquisition of the immediate Parent Company, DisplayLink Corp., by Synaptics Inc on 31 July 2020 by virtue of a Merger agreement, employees and some ex-employees participated in share option plans of DisplayLink Corp.

Prior to the Merger and in accordance with Rule 9.4 of the UK 2012 Plan and the UK 2015 Plan, the Company Board declared all Company Options issued thereunder that may be vested as of immediately prior to the merger, exercisable. Any Company Options issued thereunder not exercised as of immediately prior to the merger were cancelled and terminated, and no longer exercisable.

On completion of the merger, each then outstanding Eligible Common Option was terminated and cancelled by the Company and automatically converted into the right to receive an amount of cash (without interest and subject to any applicable Tax withholding) equal to the product of (1) the aggregate number of shares of Common Stock issuable upon exercise of such Eligible Common Option multiplied by (2) the Common Per Share Amount minus the exercise price required to be paid by such holder in order to acquire one share of Common Stock pursuant to such Eligible Common Option and (B) a Pro Rata Share of any additional cash amounts (without interest and subject to any applicable Tax withholding) from time to time. Company Common Options that were not Eligible Options were cancelled at the merger, and the holders of such Company Common Options were not entitled to receive any payments or consideration whatsoever with respect to such Company Common Options as a result of the Merger or the cancellation of such Company Common Options.

Each outstanding Eligible Series D-2 Option was terminate and cancelled by the Company and automatically converted into the right to receive (A) an amount of cash (without interest and subject to any applicable Tax withholding) equal to the product of (1) the aggregate number of shares of Series D-2 Preferred Stock issuable upon exercise of such Eligible Series D-2 Option multiplied by (2) the Series D-2 Per Share Amount minus the exercise price required to be paid by such holder in order to acquire one share of Series D-2 Preferred Stock pursuant to such Eligible Series D-2 Option and (B) a Pro Rata Share of any additional cash amounts. Company Series D-2 Options that were not Eligible Series D-2 Options were cancelled.

**DISPLAYLINK (UK) LIMITED**  
**REGISTERED NUMBER: 04811048**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 26 SEPTEMBER 2020**

**23 SHARE BASED PAYMENTS (CONTINUED)**

Details of the share options granted and outstanding are as follows.

	26 September 2020		31 December 2019	
	Number of share options \$	Weighted average exercise price \$	Number of share options \$	Weighted average exercise price \$
Outstanding at the beginning of the year	24,890,869	0.31	15,629,770	0.20
Granted during the year	-	-	10,296,138	1.22
Forfeited during the year	(14,557,882)	1.24	(1,035,039)	0.84
Exercised during the year	(10,332,987)	0.03	-	0.00
Outstanding at the end of the year	-	-	24,890,869	0.31
Exercisable at the end of the year	-	-	6,604,917	0.02

10,332,987 share options were exercised during the period ended 26 September 2020 (2019 - NIL). No options were outstanding at 26 September 2020 and therefore the weighted average exercise price was \$NIL (2019 - \$0.31). The weighted average remaining contractual life was NIL (2019 - 5.7 years). No options were granted during the period and therefore the average exercise price of options granted was \$NIL (2019 - \$NIL).

**Restricted Stock Units**

Following the acquisition of DisplayLink Corp by Synaptics Inc, certain employees are able to participate in the 2019 Incentive Plan which is operated by Synaptics Inc. The Plan provides for the grant of RSUs to our employees, consultants, and directors. An RSU is a promise to deliver shares of our common stock at a future date in accordance with the terms of the grant agreement.

RSUs granted generally vest rateably over three to four years from the vesting commencement date. Delivery of shares under the plans take place on the quarterly vesting dates. At the delivery date, we withhold shares to cover applicable statutory minimum tax withholding for grantees subject to withholding and deliver a net quantity of shares to the grantee after such withholding. Until delivery of shares, the grantee has no rights as a stockholder with respect to any shares underlying the RSU award.

RSU activity, including RSUs granted, delivered, and forfeited in fiscal 2020, and the balance and aggregate intrinsic value of RSUs as of the end of fiscal 2020 was as follows:

	RSU awards outstanding \$	Weighted Average Grant Date Fair Value \$
Outstanding at the beginning of the period	-	-
Granted during the year	17,216	84.95
Forfeited during the year	-	-
Exercised during the year	-	-
Outstanding at the end of the period	17,216	84.95

The Group recognised a total expense for equity-settled share-based payments (including RSUs) of \$4,009,033 (2019 - \$28,966,646). The costs are recharged from DisplayLink Corp. and Synaptics Inc. in connection with those staff employed by the Group.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 26 SEPTEMBER 2020

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**24 RELATED PARTY TRANSACTIONS**

During the period, the Group was charged an amount of \$3,271,993 (2019 - \$4,531,408) by DisplayLink Corp., the Group's immediate and ultimate parent undertaking under the inter-company services agreement in place between the two companies. The Group recharged out an amount of \$216,837 (2019 - \$350,226) to DisplayLink Corp. for 50% of the costs of the CEO for services provided to that company. The amount due as at 26 September 2020 is \$1,602,470 (2019 - Creditor of \$718,316). The amounts are disclosed in debtors & creditors, respectively.

During the period, DisplayLink (UK) Limited sold inventory to Synaptics Hong Kong Limited, an intercompany entity, at an amount of \$6,997,772. At the year end this amount was included within debtors under amounts owed by Synaptics group undertakings.

During the period, DisplayLink (UK) Limited received an intercompany royalty of \$11,851,031 from Synaptics Hong Kong Limited, an intercompany entity. At year end, this amount, less \$355,531 of withholding tax was included within debtors under amounts owed by Synaptics group undertakings.

During the period, the Group loaned Synaptics Incorporated, an intercompany entity, a total of \$42,999,980 as a short term loan, attracting market rate interest of \$9,261, which was recognised to the Profit and Loss during the period. The debtor amount outstanding was converted to a dividend to DisplayLink Corp on 18 September 2020. This dividend extinguished the debtor amount owing by Synaptics Incorporated.

During the period, a director of the company, was Chairman of the Intellectual Property Committee. The fees he received for this work in 2020 totalled \$2,574 (2019 - \$5,702).

As at 31 December 2019, there were a number of employee loans outstanding to the value of \$21,713. All of these loans were repaid in full by the employees during the period ended 26 September 2020.

**25 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The immediate parent company is DisplayLink Corp., a company incorporated in Washington, United States of America.

The ultimate parent company is Synaptics Inc., a public company listed on NASDAQ.

The directors consider that Synaptics Inc. is the ultimate controlling party and is the largest group in which the results of the company are consolidated. The consolidated financial statements of Synaptics Inc., are publicly available. The smallest group in which the results of the company are consolidated is DisplayLink (UK) Limited.

**26 SUBSEQUENT EVENTS**

Subsequent to the balance sheet, the remaining dividend declared in respect of 2020 of \$70.3m was settled in cash. No dividend remain outstanding as at the date of these financial statements.