

Sondrel (Holdings) plc

("Sondrel", the "Company" and together with its subsidiaries the "Group")

Final Results for the Year Ended 31 December 2022**Strong financial and operational progress; positive outlook**

Sondrel (Holdings) plc (AIM:SND), the fabless semiconductor business providing turnkey services in the design and delivery of 'application specific integrated circuits' ("ASICs") and 'system on chips' ("SoCs") for leading global technology brands, is pleased to announce its audited full year results for the year ended 31 December 2022 ("FY 22").

Financial Highlights

- Revenue up 116% to £17.5 million (FY 21: £8.1 million), exceeding pre-pandemic levels
- Record new orders received, with growth of over 130% YoY FY22 £25.6 million (FY21: £10.8 million) and providing strong visibility over FY23 revenue
- ASIC revenues growth of 313% YoY, representing 73% of total revenues (FY 21: 38%)
- Adjusted EBITDA of £1.1 million (FY 21: loss of £2.5 million)
- Adjusted Loss Before Tax (excl amortisation and IPO costs) of £2.6 million (FY 21: loss £3.4 million)*(see note 4)
- Cash balance at year end £4.4 million (FY 21: £(1.2) million)
- Repayment in FY22 of £1.8m of debt (FY21: nil) – Group is now debt free
- Net assets of £8.5million (FY21 £(6.6) million)

Operational Highlights

- Successful IPO on AIM in October 2022, raising £20 million excl costs
- Record new design orders received in the automotive, Edge AI, mobile, networking, and aerospace markets totalling £25.6 million
- Significant progress made both during 2022 and the start of 2023 in respect of a material turnkey ASIC engagement secured in Q2 2022 for a Tier 1 OEM Automotive customer
- Extended key partner software supply relationships for a further three years
- Expanded US sales operation

Post Period End Highlights

- Maiden post IPO tapeout of an ASIC design for a leading provider of Edge AI Hardware Accelerator solution
- Successful design tapeout for a leading provider of home network devices, estimated to be worth £1.8 million in FY 23

Outlook

- New design wins in line with Board expectations, delivering a strong increase in the pipeline for volume supply
- Strong design pipeline identified for 2023 providing good visibility of future growth

Graham Curren, Chief Executive Officer of Sondrel, commented:

"I am delighted to present our first set of results since our IPO on AIM with the strong increase in revenue clearly demonstrating the significant potential of our full-service ASIC offering. Our focus on end markets that are supported by enduring megatrends, including high performance computing, automotive, artificial intelligence, VR/AR, video analytics, image processing, mobile networking and data centres, means Sondrel is well positioned for material future growth."

“With a strong pipeline of new designs, continued progress on tapeouts and prototyping, and the near-term benefit of production revenues, I am incredibly excited about our future growth prospects and look forward to updating shareholders as we progress to our medium-term target of revenues of over £100 million.”

Analyst presentation

There will be an in-person presentation for analysts at 9:30 a.m. (BST) today. If you would like to join, please contact Buchanan at sondrel@buchanan.uk.com

This announcement contains inside information as stipulated under the UK version of the Market Abuse Regulation No 596/2014 which is part of English Law by virtue of the European (Withdrawal) Act 2018, as amended. On publication of this announcement via a Regulatory Information Service, this information is considered to be in the public domain.

- Ends -

FOR FURTHER ENQUIRIES:

Sondrel (Holdings) plc

Graham Curren, CEO
Joe Lopez, CFO

Via Buchanan
Tel: +44 (0) 20 7466 5000

Cenkos Securities plc

Ben Jaynes / Katy Birkin / George Lawson - Corporate Finance
Alex Pollen / Michael Johnson - Sales

Tel: +44 (0)20 7397 8900

Buchanan Communications

Chris Lane
Stephanie Whitmore
Jack Devoy
Abby Gilchrist

Tel: +44 (0) 20 7466 5000
sondrel@buchanan.uk.com

About Sondrel

Sondrel is a UK-based fabless semiconductor company specialising in high end, complex digital Application Specific Integrated Circuits (ASICs) and System on Chips (SoCs). It provides a full turnkey service in the design, prototyping, testing, packaging and production of ASICs and SoCs.

The Company is one of only a few companies capable of designing and supplying the higher-spec chips built on the most advanced semiconductor technologies, selling into a range of hyper growth end markets such as high-performance computing, automotive, artificial intelligence, VR/AR, video analytics, image processing, mobile networking and data centres. Sondrel designs have enabled products by leading technology brands including Apple (iPhone), Sony (PlayStation), Meta's (Oculus), Samsung, Google and Sony smartphones, JVC (prosumer camcorders), Tesla and Mercedes-Benz cars.

Sondrel is well-established, with a 20-year track record of successful delivery, supported by long standing ecosystem partnerships including Arm, TSMC and Samsung. Headquartered in the UK, Sondrel has a global presence with offices in UK, USA, China, India and Morocco.

For more information please visit: www.sondrel.com.

Chairman's statement

In this first Chairman's Statement since Sondrel became a publicly listed business on 21st October 2022, I would like to begin with words of thanks. Firstly, the international Sondrel team contributed so much to ensure we achieved the IPO, not just in 2022, but over the years since formation, building the company from a start-up to a highly regarded and globally recognised chip design leader. The IPO is already enabling us to attract further talent to continue to drive strong growth. The dedication of our employees no doubt played a significant role in the strong investor interest throughout the IPO process and beyond, and we welcome and appreciate the support shown by all shareholders, both before and after the IPO. The IPO has also resulted in us gaining three extremely talented NEDs whose wise counsel and business acumen is already adding great value to the company.

World events during 2022 clearly affected the business environment. However, as is usually the case with technology-based businesses, Sondrel's target market continued to invest in new designs and to plan further new products. As a consequence, Sondrel's orders increased by 137% during the year to £25.6m and sales revenue by 116% to £17.5m. We secured a number of contracts that will yield material production-based revenues, thus successfully delivering a key, strategic goal. The revenue in respect of these contracts will begin later in 2023, and will then increase in the following years. When undertaking such complex projects, customers occasionally seek changes to meet new requirements. Although all additional work undertaken is reflected in the final project revenue, such changes can result in a milestone payment slipping to the next quarter, as happened to a large automotive design in Q4 2022, totalling £4m, leading to a reduction in year-end cash to £4.4m.

As our customers are based all around the globe, Sondrel's operations have been built to optimally service the leading-edge, technological needs of those customers. Hence, 2022 saw strengthening of our teams, particularly in India and Morocco. We also ensure that our teams have a diverse and inclusive culture, for example our Moroccan team now comprises 27% female engineers. Members of these global teams continued to deliver high quality designs and to enhance our capabilities through R&D programmes that keep us at the forefront of chip design. These programmes and the ongoing upskilling of our teams enable us to target the most advanced chip designs in growth markets such as AI, autonomous driving, networking and video processing.

The Board is mindful of its duty to consider the wider needs of society. In that context, Sondrel has a long track record of connecting with the local communities in which it operates and takes a particular interest in education. We plan to further enhance this commitment in line with the growth of the company. In addition, our expertise in power management greatly assists our customers' drive to reduce energy consumption.

The Board is positive about Sondrel's outlook for the future and is ensuring we undertake robust debates on all key operational and strategic matters to drive sustainable, long-term growth. This perspective is supported by the increased recognition by governments and businesses in diverse sectors, of the critical role advanced semiconductor designs play in the modern world. Hence, despite the current economic challenges, the Board remains confident that Sondrel's core business model and team will deliver success in the years ahead.

Nigel Vaughan
Independent Non-Executive Chairman
23 May 2023

CEO's statement

Introduction

In sharing our first set of results as a newly quoted public company, I am delighted to report that, in what has been a monumental year for our business, we have produced extremely strong results in all key areas. Not only have we made significant operational progress, we have also delivered strong growth, reflecting the underlying strength of Sondrel and our business model. Over the last 12 months, we have developed a substantial order book, coupled with a successful listing on the AIM market of the London Stock Exchange, alongside celebrating our 20th anniversary. I'm especially pleased to see such a strong adoption of our ASIC supply services by customers old and new.

Our progress has also been reflected in our financial performance across FY 2022, with revenues increasing 116% to £17.5 million (2021: £8.1 million), alongside record new orders received, with growth of over 130% YoY.

We are focused on driving the accelerated growth of Sondrel in the coming years. Our business is built upon a small number of high value projects, executed in very close partnership with the likes of ARM, Synopsys and TSMC, and with our suppliers and customers. This approach gives me great confidence that we will be delivering excellent growth over the next couple of years, as we can see strong customer demand from new and repeat customers.

Like every company we have challenges to overcome. Technology in semiconductors moves fast so we need to invest in and accelerate our R&D programme. We need to strive harder to meet and exceed our customers' demands and we need to give our employees a great place to work. Our three goals for 2023 are to ensure robust financial management, delight all of our stakeholders (customers, employees, shareholders and partners), and to achieve operational excellence in every department. Achieving these three objectives is what drives us all forwards.

As we move into 2023, I have enjoyed getting out to see our customers and employees in remote sites in person again. There are many customers and people in the company that I have never met personally, and whilst video conferencing has made a positive contribution to much of communication, there is no substitute for in-person contact. As a distributed company, we also of course need to be aware of the carbon footprint associated with air travel so we expect to be travelling less than a few years' ago, but we still need to see people in person.

The ASIC market and its growth trajectory

Sondrel is a UK founded and headquartered fabless semiconductor business providing turnkey services and the supply of silicon for complex, high end 'application specific integrated circuits' ("ASICs") and 'system on chips' ("SoCs") for leading global technology brands.

Sondrel's capabilities are provided to customers seeking competitive advantage by including customised ASIC devices enabling differentiation of their end products while addressing fast growth technology megatrends.

We are seeing an acceleration in momentum towards digital transformation, with the clear trend to use advanced processes to enable adoption of Artificial Intelligence and Machine Learning based systems. To overcome the technical hurdles of adopting these advanced processes, we foresee that major technology companies will continue to expand their chip design outsourcing in the coming years.

There are certainly headwinds facing the semiconductor industry now. The trade restrictions on China from the USA, the war in Ukraine resulting in Sondrel pulling out of Russia and losing a major customer, the political uncertainty in Israel impacting investment, and the general downturn in VC finance have all had an impact. This is however countered by strong demand from the automotive sector and the adoption of artificial intelligence into almost everything. For Sondrel this has meant a shift in some of our customers and geographical focus and is proceeding well. I am pleased with the progress that we have made, especially in the USA where we are already

engaged with a number of customers with strong future silicon volume requirements. Therefore, 2023 will be an important year for us in this market.

Artificial intelligence is the process of building and developing machines to perform tasks that historically have required human intelligence. AI is now regularly being used by individuals and is present in almost every key sector of business including healthcare, financial services, retail and transportation. Large scale uses of AI can be seen in content suggestions on social media, facial and speech recognition, or text editors, with tools such as ChatGPT becoming hugely popular. The growth in the adoption of AI continues to be a tailwind for the semiconductor industry, with high performing, AI-enabled chips needed to deal with the greater capacity required for data manipulation, whilst keeping power consumption and costs under control.

According to Fortune Business Insights, the global AI market is projected to grow from US\$387 billion in 2022 to US\$1,394 billion by 2029, at a CAGR of 20.1 per cent in the forecast period. ASIC designs in advanced processes will be an important part of enabling that to happen.

Thus, we expect that business opportunities in the global ASIC market will continue, and that Sondrel's business growth will also continue. Moreover, advanced processes will continue to expand as a proportion of our sales. Through these opportunities, Sondrel provides its customers with greater added value, and effectively create competitive advantages through differentiation.

Growth strategy

We have the ambition to grow revenues to over £100 million in the medium term, by focussing on our key strengths to deliver our growth strategy.

Continued transition in business model

Sondrel has transitioned its business model to provide a full turnkey ASIC design and supply service for its customers, which includes contracting for the testing and production of ASICs in addition to the previously offered design and production consulting. Although the testing, packaging, and other capital-intensive engineering functions necessary for production of an ASIC will continue to be outsourced to third parties, Sondrel will provide the product engineering and will manage the complex manufacturing process by engaging the various third parties directly. We believe that developing both the commercial and technical relationships with customers will enable the Group to generate significantly more revenue in the medium term, whilst remaining within the value chain throughout the ASIC production life. We expect that turnkey design and supply contracts will allow the Group to address more opportunities in parallel than has historically been the case and therefore to scale revenues more rapidly. This is due to the different elements of the production phase being subcontracted on a managed basis to specialist third party providers and foundries as well as increasing the engineering headcount.

Increase opportunities in the US and Europe

Sondrel has identified the US and Europe as key markets. We are pleased that we have very strong support from our key partners in the US with whom we are working to create valuable solutions for our mutual customers and we are focusing on growing the sales and technical support team in the US throughout 2023.

Strong relationships with key industry participants

Sondrel has established highly valuable relationships with many participants in the semiconductor industry. Sondrel is a recognised trading partner with some of the world's largest chip companies and foundries, namely:

- one of only 21 global Approved Design Partners of Arm;
- a Design Centre Alliance Partner of TSMC, the world's largest provider of advanced silicon IC's.
- one of only 3 Samsung Foundry SAFE™ Design Service Partners outside of Asia. Samsung Foundry began production of the first 3 nanometre SoC in June 2022; and

- an approved partner of Global Foundries.

These relationships, together with IP, EDA, test and packaging companies, are vital to deliver a compelling turnkey design and supply solution.

These organisations include leading OSAT organisations (such as Synergie-CAD, Amkor and ASE), IP vendors (such as Synopsys, Siemens, Arm and Arteris) and EDA vendors (such as Synopsys, Arteris and Siemens).

Sondrel's key strengths and advantages

We believe that Sondrel has several key strengths and advantages that are important to the success of the business:

1. Sondrel has already delivered designs at 5 nanometres and is now working on 3 nanometre process nodes. This level of engineering capability is limited to Sondrel and a small number of Asian competitors and positions Sondrel to benefit from the megatrends driving the increasing use of ASICs globally and the production of system solutions utilising increasingly complex design geometries.
2. Sondrel provides leading edge ASIC designs to a global customer base in advanced end markets with significant structural growth drivers including high performance computing, automotive, artificial intelligence, VR/AR, video analytics, image processing mobile networking and data centres.
3. Sondrel has a team of over 140 engineers that are located in design centres globally. This enables Sondrel to be one of only a handful of companies worldwide with the scale, capability and strength of industry relationships to deliver projects in leading technologies.
4. From concept to delivered ASICs, Sondrel is able to act as a single counterparty to its customers as a provider of a full turnkey service in the design, prototyping, testing, packaging and production of ASICs and SoCs. Sondrel is able to provide customers with the ability to de-risk the design of ASICs through the use of Sondrel's "Architecting the Future" Intellectual Property.
5. Sondrel has a clear organic growth strategy focused on increasing its engineering headcount and investing in IP development to further enhance its competitive position, accelerating its growth in key geographies including the USA and Europe.
6. Sondrel has a proven and experienced founder-led management team.

Customer Activity

The group continues to have a very strong pipeline of revenue opportunities providing good visibility of future growth. Customers cover multiple markets, including major industrial OEMs, automotive suppliers, and satellite communication services.

Key contracts and progress on projects in 2022 include:

An ASIC for a leading edge AI Hardware Accelerator manufacturer. Based on production volumes and product lifetime currently projected by the Customer, revenues for Sondrel associated with the production and supply of the manufactured Project ASIC would be worth in excess of US\$20million to the Company over three years. The

Project design contract was awarded to the Company in late 2021 and was fully funded by the customer. Project production and supply are expected to begin at the end of calendar year 2023.

An ASIC design for a leading provider of home network devices. The Project design contract was awarded to the Company in late 2022 and was fully funded by the Customer. The Project is estimated to be worth £1.8 million to Sondrel in 2023, which encompasses the partial design and NPI phases with a view to the ASIC entering production at the start of 2024. Based on production volumes and product lifetime currently projected by the Customer, revenues associated with the production and supply of the ASIC could be worth in excess of US\$25 million over five years.

An ASIC design for a leading provider of ASIC controller for mobile phone application. The project design contract was awarded to the Company in early 2022 and was fully funded by the Customer. The Project encompasses the design and NPI phases with a view to the ASIC entering production at the start of 2024. A significant project for a leading European Automotive OEM. The Project design contract was awarded to the Company in mid-2022 and is fully funded by the Customer. Contract was signed July 2022 and design work has commenced. Significant progress has been made in respect of this turnkey ASIC engagement for this Tier 1 OEM Automotive customer - with major project milestones achieved in 2022. As stated at the time of the Group's IPO, Sondrel expects typical production volumes for each contract to deliver revenue of £10m to £100m per annum and the contract with the Tier 1 Automotive customer could deliver production revenue at the upper end of this range.

Major design service developments were undertaken during 2022 and completed designs sent for manufacture, including two advanced networking chips in 5nm FinFet Technology, a satellite communication device in 22nm, and two domain controller MCU's in 7nm for the automotive ADAS market.

Summary and Outlook

Having successfully delivered our FY22 results, I am pleased to report that the Company has started FY23 well, supported by existing contracts and ongoing new business momentum, as evidenced by our maiden post IPO design tape out for a leading provider of Edge AI Hardware Accelerator solutions in January 2023 and the March 2023 tapeout of an ASIC design for a leading provider of home network devices.

The Board firmly believes that the Company is well placed to continue capitalising on the sizeable growth opportunity within the semiconductor industry.

Graham Curren

Chief Executive Officer

23 May 2023

CHIEF FINANCIAL OFFICER'S REVIEW

I am pleased to report on a significant growth in revenue for the group, up 116% to £17.5m

Revenue

£'000	2022	2021
Consultancy	4,672	5,036
ASIC	12,839	3,082
Total	17,511	8,118

The Group has recovered strongly from the impact of the COVID-19 pandemic in 2020 and 2021 in line with the Group's successful transition into a provider of turnkey services, ASIC revenues have increased 313% to £12.8m (FY21: £3.1m) driven by one new and two existing major projects totalling £11.3m. These projects are all within the design phase moving to prototype in 2023 and going to production in later 2023, 2024 and 2025. ASIC revenues now comprise 73% of total revenues

Consultancy revenues have decreased to £4.7m (FY21: £5.0m) as the Group focuses on developing the ASIC business for the future.

Margins

The majority of the Group's direct cost base relates to engineering headcount and software. The Group focussed on retaining engineering resources through the COVID-19 pandemic and in developing further the Group's proprietary Architecting the Future technologies in order to deliver the expected future growth in demand, which has proven to be the case.

During 2022 the revenues in the first half of the year were out of alignment with the Group's operating costs. However, with revenues increasing in the second half of the year gross margins are improving and are expected to return to normal trading levels during 2023.

Administrative expenses (excluding share-based payments, depreciation, amortisation and exceptional items)

Underlying administrative expenses (excluding foreign exchange gains and losses) increased by 18% to £6.0m (FY21: £5.1m) driven predominantly by the increase in sales activity and the increased ongoing costs associated with being a public company.

Foreign exchange

The Group had 70% (2021: 30%) of revenues invoiced in currencies other than GBP, with the Group's cost base predominantly in GBP and USD, this has historically provided a natural hedge to currency exchange risk. However, during 2022 a new Euro contract led to 41% of revenues denominated in Euro and, together with the volatility of the USD during 2022, led to an exchange loss of £0.5m.

Adjusted EBITDA and Loss

Adjusted EBITDA (earnings before interest, tax, exceptional items, depreciation and amortisation) is considered by the Board to better represent the ongoing operating performance of the Group as it removes the impact of significant cash and non-cash expenditure items. Adjusted EBITDA improved to a loss of £1.1m (FY21: loss £2.5m). See note 4.

Loss before tax of £6.4 million (2021: Loss £5.5 million) includes significant cash and non-cash expenditure items. These are analysed as follows:

£'000	2022	2021
Loss before tax	(6,412)	(5,531)
Amortisation of intangible assets	2,385	2,155
Exceptional costs (1)	1,393	0
Adjusted loss before tax	(2,634)	(3,376)
Interest	1,176	521
Depreciation	394	382

Adjusted EBITDA

	<u>(1,064)</u>	<u>(2,473)</u>
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(1) Costs relating to the IPO which are not considered to be trading expenditure

Development costs

Under IFRS 15 development costs of £1.1m associated with the creation of mask sets that will deliver future economic benefits from production revenues were expensed to the profit and loss.

Research and development

Total expenditure on research and development in the year was £8.1m (2021: £7.1m) of which £0.4m (2021: £0.6m) was on internal research and development to increase the engineering differentiation and capability to efficiently deliver new technologies. Research & development costs of £0.2m were capitalised during the year relating to the commencement of an automotive development programme. Costs incurred relating to the development of internal process improvements are not able to be reliably measured and have therefore been expensed through the P&L.

Due to the nature of the work the Group is entitled to claim R&D tax credits. The amount recoverable this year is £1.0m (2021: £0.5m)

Exceptional items

During the year costs expensed to the profit and loss relating to the IPO were £1.4m. In addition, costs relating to the IPO of £1.8m were taken to equity.

Depreciation and amortisation

Depreciation and amortisation of £2.8 m (FY21: £2.5m) principally comprises the amortisation of the intangible software assets.

Interest

The investment in the software asset has led to an additional interest charge under IFRS 16 of £0.8m in 2022.

Taxation

No provision for tax has been made in the period (FY21: £Nil) due to the available tax losses carried forward of £1.8m creating a deferred tax asset of £3.2m.

Earnings per share

Loss per share was 0.06 pence (FY21: loss per share 0.11 pence).

Dividend

The Board has determined that no dividend will be paid in the year. The Group is primarily seeking to achieve capital growth for shareholders. It is the Board's intention during the current phase of the Group's development to retain distributable profits from the business to the extent they are generated.

Balance sheet

The Group has strengthened its balance sheet position with net assets at 31 December 2022 of £8.5m (FY21: £(6.6)m).

Intangible assets

The intangible asset of £14.5m (FY21: £9.3m) arises from the recognition of long term right to use software assets and in 2022 the capitalisation of £0.2m of research and development. During 2022 an additional asset of £7.3m was recognised securing software rights to 2025. The amortisation associated with the capitalised asset was £2.4m (FY21: £2.8m).

Cash flow and net debt

At 31 December 2022 the cash balance was £4.4m (FY21: £(1.2)m).

The Group repaid its bank debt post IPO and at the year end a shareholder loan of £0.7m was outstanding (FY21: £2.5m). This loan was repaid post year end leaving the Group debt free.

Two significant customer milestones originally anticipated to be received in Q4 2022, totalling £4m were deferred to 2023, with £1.5m received post year end and £2.5m to be received in the next few months.

Joe Lopez

Chief Financial Officer

23 May 2023

Consolidated statement of profit and loss and other comprehensive income
for the year ended 31 December 2022

	Note	2022 £	2021 £
Revenue	3	17,510,825	8,118,236
Cost of sales		<u>(15,897,751)</u>	<u>(8,165,554)</u>
Gross profit/(loss)		1,613,074	(47,318)
Administrative expenses		(7,814,885)	(5,480,905)
Other operating income		<u>965,655</u>	<u>517,178</u>
Operating loss		(5,236,156)	(5,011,045)
Finance costs		(1,175,510)	(520,777)
Finance income		<u>30</u>	<u>724</u>
Loss before tax		(6,411,636)	(5,531,098)
Income tax credit	5	3,219,735	74,711
Loss for the year attributable to the owners of the parent		<u>(3,191,901)</u>	<u>(5,456,387)</u>
Other comprehensive (expense)/income			
Other comprehensive (expense)/income that may be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences on translation of foreign operations		(39,079)	5,501
Other comprehensive (expense)/income for the year (net of tax)		(39,079)	5,501
Total comprehensive expense for the year attributable to the owners of the parent		<u>(3,230,980)</u>	<u>(5,450,886)</u>
Losses per share attributable to the owners of the parent			
Basic	6	(0.06)	(0.11)
Diluted	6	(0.06)	(0.11)

All activity in both the current and the prior period relates to continuing operations.

Consolidated statement of financial position
at 31 December 2022

		31 December 2022	31 December 2021	1 January 2021
	Note	£	£	£
Non-current assets				
Property, plant and equipment		293,914	175,181	200,604
Right-of-use assets		637,100	525,165	498,965
Intangible assets	7	14,547,870	9,346,380	11,507,008
Deferred tax assets		3,199,744	-	-
Total non-current assets		18,678,628	10,046,726	12,206,577
Current assets				
Inventories		1,044,069	-	-
Trade and other receivables		10,197,124	3,006,941	3,665,628
Cash and cash equivalents	8	4,449,812	29,797	110,069
Income tax receivable		149,853	107,125	365,267
Total current assets		15,840,858	3,143,863	4,140,964
Total assets		34,519,486	13,190,589	16,347,541
Current liabilities				
Trade and other payables		14,677,767	9,948,585	5,040,054
Short-term borrowings		-	1,351,042	58,333
Short-term lease liabilities		291,124	276,788	248,290
Total current liabilities		14,968,891	11,576,415	5,346,677
Non-current liabilities				
Other payables		9,984,228	6,791,294	10,555,114
Borrowings		700,000	1,140,625	2,041,667
Lease liabilities		307,944	258,794	243,003
Deferred tax liabilities		74,933	-	-
Total non-current liabilities		11,067,105	8,190,713	12,839,784
Total liabilities		26,035,996	19,767,128	18,186,461
Net assets/(liabilities)		8,483,490	(6,576,539)	(1,838,920)

Consolidated statement of financial position
at 31 December 2022 (*continued*)

		31 December 2022	31 December 2021	1 January 2021
	Note	£	£	£
Equity				
Issued share capital	9	87,462	8,345	8,345

Share premium	18,286,562	122,431	122,431
Foreign currency translation reserve	(55,597)	(16,518)	(22,019)
Share-based payment reserve	812,676	1,236,397	523,130
Retained deficit	(10,647,613)	(7,927,194)	(2,470,807)
Total equity	8,483,490	(6,576,539)	(1,838,920)

The consolidated financial statements were approved and authorised for issue by the Board on 23 May 2023 and were signed on its behalf by:

G S Curren
Director

Company statement of financial position

at 31 December 2022

	Note	31 December 2022 £	31 December 2021 £	1 January 2021 £
Non-current assets				
Investment in subsidiaries		1,328,086	1,238,601	525,334
Long-term receivables		19,272,024	-	-
Deferred tax assets		490,622	-	-
Total non-current assets		21,090,732	1,238,601	525,334
Current assets				
Trade and other receivables		189,339	2,471,290	2,407,391
Cash and cash equivalents		11,356	43	-
Total current assets		200,695	2,471,333	2,407,391
Total assets		21,291,427	3,709,934	2,932,725
Current liabilities				
Trade and other payables		40,669	-	-
Total current liabilities		40,669	-	-
Non-current liabilities				
Borrowings		700,000	700,000	700,000
Total non-current liabilities		700,000	700,000	700,000
Total liabilities		740,669	700,000	700,000
Net assets		20,550,758	3,009,934	2,232,725
Equity				
Issued share capital	9	87,462	8,345	8,345
Share premium		18,286,562	122,431	122,431
Share-based payment reserve		812,676	1,236,397	523,130
Retained earnings		1,364,058	1,642,761	1,578,819
Shareholders' funds		20,550,758	3,009,934	2,232,725

The Company has taken advantage of the exemption under S408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The loss for the year of the Company after tax was £750,185 (2021: profit of £63,942).

The Company financial statements were approved and authorised for issue by the Board on 23 May 2023 and were signed on its behalf by:

G S Curren

Director

Company number: 07275279

Consolidated statement of changes in equity

For the year ended 31 December 2022

Note	Share capital	Share premium	Foreign currency	Share- based	Retained deficit	Total
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				translation reserve	payment reserve		
	£	£	£	£	£	£	£
Balance at 1 January 2021	8,345	122,431	(22,019)	523,130	(2,470,807)	(1,838,920)	
Loss for the year	-	-	-	-	(5,456,387)	(5,456,387)	
Other comprehensive income	-	-	5,501	-	-	5,501	
Total comprehensive income /(expense) for the year	-	-	5,501	-	(5,456,387)	(5,450,886)	
Share-based payment charge	-	-	-	713,267	-	713,267	
Total transactions with owners	-	-	-	713,267	-	713,267	
At 31 December 2021	8,345	122,431	(16,518)	1,236,397	(7,927,194)	(6,576,539)	
Loss for the year	-	-	-	-	(3,191,901)	(3,191,901)	
Other comprehensive expense	-	-	(39,079)	-	-	(39,079)	
Total comprehensive expense for the year	-	-	(39,079)	-	(3,191,901)	(3,230,980)	
Share issues	9	36,364	18,164,131	-	-	-	18,200,495
Exercise of share options		1,029	-	-	(513,206)	513,206	1,029
Bonus issues	9	41,724	-	-	-	(41,724)	-
Share-based payment charge		-	-	-	89,485	-	89,485
Total transactions with owners		79,117	18,164,131	-	(423,721)	(471,482)	18,291,009
At 31 December 2022		87,462	18,286,562	(55,597)	812,676	(10,647,613)	8,483,490

Company statement of changes in equity
for the year ended 31 December 2022

	Note	Share capital £	Share premium £	Share-based payment reserve £	Retained earnings £	Total £
Balance at 1 January 2021		8,345	122,431	523,130	1,578,819	2,232,725
Profit for the year		-	-	-	63,942	63,942
Total comprehensive income for the year		-	-	-	63,942	63,942
Share-based payment charge		-	-	713,267	-	713,267
Total transactions with owners		-	-	713,267	-	713,267
At 31 December 2021		8,345	122,431	1,236,397	1,642,761	3,009,934
Loss for the year		-	-	-	(750,185)	(750,185)
Total comprehensive expense for the year		-	-	-	(750,185)	(750,185)
Transactions with owners in their capacity as owners:						
Share issues	9	36,364	18,164,131	-	-	18,200,495
Exercise of share options		1,029	-	(513,206)	513,206	1,029
Bonus issues	9	41,724	-	-	(41,724)	-
Share-based payment charge		-	-	89,485	-	89,485
Total transactions with owners		79,117	18,164,131	(423,721)	471,482	18,291,009
At 31 December 2022		87,462	18,286,562	812,676	1,364,058	20,550,758

Consolidated statement of cash flows
for the year ended 31 December 2022

	Note	2022 £	2021 £
Cash used in operations		(4,952,766)	(260,744)
Income tax credit received in respect of R&D		202,222	332,853
Net cash (outflow)/inflow from operating activities		(4,750,544)	72,109
Cash flows from investing activities			
Purchase of property, plant and equipment		(204,194)	(55,319)
Purchase of intangible assets		(4,306,066)	(106,165)
Interest received		30	724
Net cash outflow from investing activities		(4,510,230)	(160,760)
Cash flows from financing activities			
Proceeds from issue of share capital		18,200,495	-
Proceeds from exercise of share options		1,029	-
Proceeds from borrowings		-	450,000
Repayment of borrowings		(1,791,667)	(58,333)
Payment of principal portion of lease liabilities		(269,838)	(285,000)
Interest paid		(1,160,881)	(610,929)
Interest paid on lease liabilities		(24,833)	(19,527)
Net cash inflow/(outflow) from financing activities		14,954,305	(523,789)
Net increase/(decrease) in cash and cash equivalents		5,693,531	(612,440)
Cash and cash equivalents at the beginning of the financial year	8	(1,243,719)	(631,279)
Cash and cash equivalents at end of year	8	4,449,812	(1,243,719)

1. Basis of the announcement

The financial information of the Group set out above does not constitute statutory accounts for the purposes of Section 435 of the Companies Act 2006. The financial information for the year ended 31 December 2022 has been extracted from the Group's audited financial statements which were approved by the Board of directors on 23 May 2023 and delivered to the Registrar of Companies for England and Wales following the Company's 2022 Annual General Meeting. The report of the auditor on the 2022 financial statements was unmodified and did not contain a statement under either Section 498 (2) or Section 498 (3) of the Companies Act 2006.

Whilst the financial information included in this preliminary announcement has been prepared in accordance with UK adopted international accounting standards, in conformity with the requirements of the Companies Act 2006, that are relevant to companies that report under these standards, this announcement does not itself contain sufficient information to comply with those standards. This financial information has been prepared in accordance with the accounting policies set out in the 2022 Annual Report.

The Company is a public limited company incorporated and domiciled in England & Wales and whose shares are quoted on AIM, a market operated by The London Stock Exchange.

The principal activity of Sondrel Holdings plc and its subsidiaries is the design and delivery of complex, high end 'application specific integrated circuits' (ASICs) and System on Chips (SoCs). It provides a full turnkey service in the design, prototyping, testing, packaging and production of ASICs and SoCs.

2 Segment information

The Group considers there to be only one business segment which is monitored and reported to the Chief Operating Decision Maker ('CODM'), being the Board of Directors. This judgement is based on the fact that the Group provides similar products and services to all its customers, and the key performance indicators monitored by the CODM are total revenue and profit/(loss) for the year.

Revenue from transactions with major customers comprises the following, each percentage reflects a different customer:

2022		2022		2021		2021
Major	customer	Revenue		Major	customer	Revenue
percentage revenue				percentage revenue		
%		£		%		£
41		7,150,114		28		2,239,947
16		2,732,508		20		1,626,474
14		2,506,110		13		1,051,556
		<u> </u>				<u> </u>

Revenue is split geographically as follows (for more information on revenue see note 3):

	2022	2021
	£	£
UK	5,275,305	5,667,207
USA	3,742,760	300,338
China	825,267	754,891
Rest of world	7,667,493	1,385,800
Total revenue	17,510,825	8,118,236
	<u> </u>	<u> </u>

Non-current assets excluding deferred tax are split as follows:

	2022	2021	1 January 2021
	£	£	£
UK	15,422,036	9,799,302	12,064,349
Morocco	38,538	214,504	93,155
Rest of world	18,310	32,920	49,073
Total non-current assets	15,478,884	10,046,726	12,206,577
	<u> </u>	<u> </u>	<u> </u>

3 Revenue from contracts with customers

In the following table, revenue is disaggregated by major products/service lines and primary geographical market. All revenue is recognised over time.

	2022	2021
	£	£
Major service lines		
Projects (ASIC)	12,838,700	3,082,166
Consultancy	4,672,125	5,036,070

Total	17,510,825	8,118,236
Primary geographical markets		
UK	5,275,305	5,667,207
USA	3,742,760	300,338
China	825,267	754,891
Non-UK	7,667,493	1,385,800
Total	17,510,825	8,118,236

The Group has recognised the following assets and liabilities related to contracts with customers:

	2022	2021	1 January 2021
	£	£	£
Trade receivables	3,138,895	2,232,781	2,921,746
Contract receivables	5,972,166	152,236	19,179
Contract liabilities	(5,753,646)	(224,189)	(37,494)

Customers are typically invoiced on the basis of milestones set out in the contracts. These milestones do not correspond with the timing of satisfaction of performance obligations. The differences in the timing between the agreed invoicing schedule and the satisfaction of performance obligations result in the recognition of a contract receivable for services performed but not yet invoiced and a contract liability for consideration received but services not yet performed. Invoices are raised at agreed dates throughout the duration of the Projects and monthly in arrears for Consultancy arrangements. Payment is typically due within 30 days of issue of the invoice.

The movement on these balances during 2021 and 2022 was purely the result of the general course of business for the Group. Existing contracts were fulfilled, and new contracts were entered into during these periods.

3 Revenue from contracts with customers *(continued)*

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year:

	2022	2021
	£	£
Revenue recognised in the year that was included in the contract liability balance at the beginning of the year	114,613	37,494
Revenue recognised in the year that relates to ongoing projects at the previous year end	3,696,914	1,889,640

The following table shows unsatisfied performance obligations resulting from project works continuing into 2023. The largest three balances from individual projects amount to £6.9m, £1.9m and £1.4m:

2022	2021
£	£

Transaction price relating to performance obligations that are unsatisfied (or partially unsatisfied) at the year end	11,623,495	4,715,857
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These amounts are expected to be recognised as revenue as follows: £11,302,466 recognised as revenue in 2023; £321,029 recognised as revenue in 2024.

The Group is applying the practical expedient to not disclose the transaction price relating to the Consultancy performance obligation because the performance obligation is part of a contract that has an original expected duration of one year or less.

4 Alternative performance measures

These items are included in normal operating costs, however as they are considered significant cash and non-cash expenditure items, they are separately disclosed because of their nature. It is the Group's view that excluding them from the operating loss gives a better representation of the ongoing trading performance of the business in the year.

The Group's primary results measure, which is considered by the Directors of Sondrel (Holdings) plc to better represent the ongoing operating performance of the Group, adjusted EBITDA as set out below. EBITDA is a commonly used measure in which earnings are stated before net finance income, amortisation and depreciation as a proxy for cash generated from trading.

	2022 £	2021 £
Loss before tax	(6,411,636)	(5,531,098)
IPO costs	1,393,265	-
Depreciation	394,022	382,355
Amortisation	2,384,795	2,154,711
Finance costs	1,175,510	520,777
Adjusted EBITDA	(1,064,044)	(2,473,255)
Loss before tax	(6,411,636)	(5,531,098)
IPO costs ⁽¹⁾	1,393,265	-
Adjusted loss	(5,018,371)	(5,531,098)

(1) Costs relating to the IPO, which are not considered to be trading expenditure.

5 Taxation

	2022 £	2021 £
<i>Current tax</i>		
UK current tax on loss for the year	(149,853)	(189,100)
Adjustments in respect of previous years	-	81,975
Foreign tax on income for the year	54,929	32,414

Total current tax credit	(94,924)	(74,711)
<i>Deferred tax</i>		
Origination and reversal of timing differences	(3,124,811)	-
Total deferred tax credit	(3,124,811)	-
Total tax credit	(3,219,735)	(74,711)

5 Taxation (continued)

The standard rate of corporation tax in the UK for the year was 19% (2021: 19%). The differences between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax are as follows:

	2022 £	2021 £
Loss before tax	(6,411,636)	(5,531,098)
Loss at the standard rate of corporation tax in the UK of 19% (2021: 19%)	(1,218,211)	(1,050,909)
Effect of:		
Expenses not deductible for tax purposes	307,182	114,032
Non-taxable income	(5,383)	(23)
Adjustments in respect of prior periods	-	81,975
Share option exercise relief	(113,250)	
Additional deduction for R&D expenditure	(110,986)	(106,882)
Surrender of tax losses for R&D tax credit refund	258,368	25,516
Previously unrecognised deferred taxes on losses	(1,730,511)	-
Previously unrecognised deferred taxes on share-based payments	(317,340)	-
Deferred tax movement not recognised	-	1,014,037
Difference in overseas tax rates	10,894	(3,211)
Change in tax rates on deferred tax	(320,479)	-
Other	19,981	176
Total tax credit for the year	(3,219,735)	(74,711)

Factors that may affect future tax charge

The Finance Act 2021 was substantively enacted in May 2021 and has increased the UK corporation tax rate to 25% with effect from 1 April 2023. The deferred tax balances have been measured using the rates expected to apply in the reporting periods when the timing differences reverse. The UK corporation tax rate is currently 19%. The net deferred tax asset as at 31 December 2022 has been calculated also taking into account the 25% rate effective from 1 April 2023. The change from 19% to 25% will increase the Groups future tax charge, but as the deferred tax assets and liabilities have been recognised for the first time in 2022, this change in rate has had no effect on the deferred tax balances as they have only ever been calculated at 25%.

6 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

	2022	2021
Loss for the year (£)	(3,191,901)	(5,456,387)
Weighted average number of shares	57,444,856	50,068,686
Basic earnings/(loss) per share (£)	(0.06)	(0.11)

Diluted earnings per share is determined by adjusting the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding, taking into account the effects of all potential dilutive ordinary shares, including options.

	2022	2021
Loss for the year (£)	(3,191,901)	(5,456,387)
Weighted average number of shares	57,444,856	50,068,686
Dilutive effect of share options	-	-
	<u>57,444,856</u>	<u>50,068,686</u>
Diluted earnings/(loss) per share (£)	(0.06)	(0.11)

The weighted average number of shares includes the effect of the bonus issue of 41,723,905 shares which occurred in the year ended 31 December 2022.

During 2021 and 2022, the Group made a loss and so the share options are anti-dilutive. As such they are not taken into account in determining the weighted average number of shares for calculating the diluted Earnings Per Share. As a result, the diluted Earnings Per Share is equal to the Basic Earnings Per Share.

7 Intangible assets

Group	Software licences £	Development costs £	Total £
<i>Cost</i>			
At 1 January 2021	12,517,506	-	12,517,506
Disposals	(5,917)	-	(5,917)
	<u>12,511,589</u>	<u>-</u>	<u>12,511,589</u>
At 31 December 2021	12,511,589	-	12,511,589
Additions	7,346,912	239,373	7,586,285
Disposals	(1,186,586)	-	(1,186,586)
	<u>18,671,915</u>	<u>239,373</u>	<u>18,911,288</u>
At 31 December 2022	18,671,915	239,373	18,911,288
<i>Amortisation</i>			
At 1 January 2021	1,010,498	-	1,010,498
Amortisation charge for the year	2,154,711	-	2,154,711
	<u>3,165,209</u>	<u>-</u>	<u>3,165,209</u>
At 31 December 2021	3,165,209	-	3,165,209
Amortisation charge for the year	2,384,795	-	2,384,795
Disposals	(1,186,586)	-	(1,186,586)
	<u>4,363,418</u>	<u>-</u>	<u>4,363,418</u>
At 31 December 2022	4,363,418	-	4,363,418
<i>Net book value</i>			
At 31 December 2022	14,308,497	239,373	14,547,870
	<u>9,346,380</u>	<u>-</u>	<u>9,346,380</u>
At 31 December 2021	9,346,380	-	9,346,380
	<u>11,507,008</u>	<u>-</u>	<u>11,507,008</u>
At 1 January 2021	11,507,008	-	11,507,008

Amortisation charges for software licences represent cost relating directly to the Group's revenue and, therefore, they have been charged through cost of sales in the statement of profit and loss and other comprehensive income.

8 Cash and cash equivalents

Cash and cash equivalents for the purpose of the statement of cash flows, comprises:

	Group	Group	Group	Company	Company	Company
	2022	2021	1 January 2021	2022	2021	1 January 2021
	£	£	£	£	£	£
Cash at bank and in hand	4,449,812	29,797	110,069	11,356	43	-
Less bank overdrafts	-	(1,273,516)	(741,348)	-	-	-
Total	4,449,812	(1,243,719)	(631,279)	11,356	43	-

Cash at bank earns interest at floating rates based on daily bank deposit rates.

9 Share capital

Group and Company	Allotted, called up and fully paid					
	2022	2021	1 January 2021	2022	2021	1 January 2021
	Number	Number	Number	£	£	£
Ordinary shares of £0.001 each	87,461,772	166,895	166,895	87,462	167	167
Ordinary A shares of £0.001 each	-	8,117,886	8,117,886	-	8,178	8,178
Total	87,461,772	8,344,781	8,344,781	87,462	8,345	8,345

In the prior year, there were two distinct classes of shares; Ordinary and Ordinary A.

Ordinary A shares were prescribed one vote per share. Ordinary shares did not hold the right to attend or vote at general meetings. The Ordinary shares had second right on wind up to the assets of the Company.

On 8 September 2022, the Company issued and allotted 40,889,430 A Ordinary shares at a price of £0.001 per share, for no consideration. The Company also issued and allotted 834,475 Ordinary shares at a price of £0.001 per share, for no consideration. This bonus share issue, carried out on a 5 for 1 basis via capitalisation from retained deficit, was done in order to increase the share capital to meet the minimum requirements of £50,000 for registration to plc status. Immediately following that issue and allotment, the issued share capital of the Company was comprised of 50,068,686 shares.

Pursuant to the IPO placing on 21 October 2022, all A Ordinary shares were reclassified as Ordinary shares.

On the same day, 36,363,636 Ordinary shares were issued and allotted at a price of £0.001 per share, for total consideration of £0.55 per share, to certain new investors. Additionally, 1,029,450 share options over Ordinary shares were exercised by a Company employee at an exercise price of £0.001 per share.

Immediately following this issue and allotment, the Company's issued share capital increased to 87,461,772 Ordinary shares. All shares are equally eligible to receive dividends, the repayment of capital on winding up of the Company and represent one vote at the shareholders' meeting of the Company.

The annual report for the year ended 31 December 2022 will be posted to shareholders shortly, and will be made available on the Company's website www.sondrel.com.