

Admission to AIM Sondrel (Holdings) plc



sondrel

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, or the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the FSMA who specialises in advising on the acquisition of shares and other securities if you are resident in the UK or, if not, from another appropriately authorised independent adviser.

This document, which is an AIM admission document and has been prepared in accordance with the AIM Rules for Companies, has been issued in connection with an application for admission to trading on AIM of the entire issued, and to be issued, share capital of the Company. This document does not constitute an offer or any part of an offer of transferrable securities to the public within the meaning of section 102B of the FSMA. Accordingly, this document does not constitute a prospectus for the purposes of section 85 of the FSMA or otherwise, and it has not been drawn up in accordance with the Prospectus Regulation Rules published by the FCA and it has not been approved by or filed with the FCA or any other competent authority.

The Company, whose registered office appears on page 11 of this document, and the Directors, whose names, addresses and functions appear on page 11 of this document, accept individual and collective responsibility for the information contained in this document and compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application will be made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on AIM on 21 October 2022.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the FCA. A prospective investor should be aware of the risks of investing in such companies and should make a decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.

The rules of AIM are less demanding than those which apply to companies whose shares are listed on the Official List. The Ordinary Shares are not traded on any other recognised investment exchange and no application has been made for the Ordinary Shares to be listed on any other recognised investment exchange. It should be remembered that the price of securities and the income from them (if any) can go down as well as up.

The whole text of this document should be read. Your attention is drawn in particular to the risk factors set out in Part III of this document. All statements regarding the Company's and its subsidiaries' business, financial position and prospects should be viewed in light of the risk factors set out in Part III of this document.

Sondrel (Holdings) plc

(a company incorporated in England and Wales under the Companies Act 2006 with registered number 07275279)

Placing of 36,363,636 new Ordinary Shares at 55 pence per share

and

**Admission to trading on AIM
Nominated Adviser & Broker**



Share capital immediately following Admission

	<i>Issued and Fully Paid</i>	
	<i>Number</i>	<i>Amount</i>
<i>Ordinary Shares of £0.001 each</i>	87,461,772	£87,462

The new Ordinary Shares to be issued pursuant to the Placing will, on issue, rank in full for all dividends and other distributions declared, paid or made in respect of the Ordinary Shares after Admission and will otherwise rank *pari passu* in all other respects with the Existing Ordinary Shares.

Cenkos, which is authorised and regulated in the UK by the FCA, is acting as nominated adviser and broker to the Company in connection with the proposed Placing and Admission and will not be responsible to any person (including any recipient of this document) other than the Company for providing the protections afforded to its clients or for advising any other person on the proposed Placing and Admission or the contents of this document or any transaction or arrangement referred to herein. Cenkos has not authorised the contents of any part of this document for the purposes of the FSMA. The responsibilities of Cenkos as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company or any Director, Shareholder or any other person in respect of such person's decision to acquire Ordinary Shares in the Company in reliance on any part of this document. Apart from the responsibilities and liabilities, if any, which may be imposed on Cenkos by the FSMA or the regulatory regime established thereunder, Cenkos does not accept any responsibility whatsoever for the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Ordinary Shares or the Placing and Admission. Cenkos accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above) in respect of this document or any such statement.

A copy of this document will be available to view, subject to certain restrictions relating to persons resident in certain overseas jurisdictions, on the Company's website at www.sondrel.com.

IMPORTANT INFORMATION

General

The Company does not accept any responsibility for the appropriateness, accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media or any other person regarding the Company, the Placing or Admission. The Company makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

As required by the AIM Rules for Companies, the Company will update the information provided in this document by means of a supplement to it if a significant new factor that may affect the evaluation by prospective investors of the Placing occurs prior to Admission or if it is noted that this document contains any material mistake or substantial inaccuracy. This document and any supplement thereto will be made public in accordance with the AIM Rules for Companies.

The contents of this document are not to be construed as investment, accounting, legal, business or tax advice. Each prospective investor should consult his or her own lawyer, financial adviser and/or tax adviser for legal, financial and/or tax advice in relation to any purchase or proposed purchase of Ordinary Shares. Each prospective investor should consult with such advisers as needed to make its investment decision and to determine whether it is legally permitted to hold shares under applicable legal investment or similar laws or regulations. Prospective investors should be aware that they may be required to bear the financial risks of an investment in Ordinary Shares for an indefinite period of time.

No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Company, the Directors or Cenkos. Without prejudice to any legal or regulatory obligation on the Company to publish a supplementary admission document pursuant to the AIM Rules for Companies, neither the delivery of this document nor any subscription or sale made under this document shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company taken as a whole since the date hereof or that the information contained herein is correct as of any time subsequent to the earlier of the date hereof and any earlier specified date with respect to such information. This document is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Directors, Cenkos or any of their representatives that any recipient of this document should subscribe for and/or purchase any of the Placing Shares.

Investing in and holding the Ordinary Shares involves financial risk. Prior to making any decision as to whether to subscribe for and/or purchase any Ordinary Shares, prospective investors should read the entirety of this document and, in particular, the section headed "Risk Factors" in Part III of this document. Investors should ensure that they read the whole of this document and not just rely on key information or information summarised within it. In making an investment decision, prospective investors must rely upon their own examination of the Company and the terms of this document, including the risk involved. Any decision to acquire Ordinary Shares should be based solely on this document. Prospective investors should consider carefully whether an investment in the Ordinary Shares is suitable for them in light of the information contained in this document and their personal circumstances.

No representation or warranty, express or implied, is made by Cenkos as to the accuracy or completeness of such information, and investors who subscribe for and/or purchase Placing Shares in the Placing will be deemed to have acknowledged that: (i) they have not relied on Cenkos or any person affiliated with Cenkos in connection with any investigation of the accuracy of any information contained in this document for their investment decision; and (ii) they have relied only on the information contained in this document, and no person has been authorised to give any information or to make any representation concerning the Company or the Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by or on behalf of the Company, the Directors or Cenkos.

Cenkos, which is authorised and regulated in the United Kingdom by the FCA, is acting as nominated adviser and broker to the Company in connection with the proposed Placing and Admission and will not be acting for any other person (including a recipient of this document) or otherwise be responsible to any person for

providing the protections afforded to clients of Cenkos or for advising any other person in respect of the proposed Placing and Admission or any transaction, matter or arrangement referred to in this document. Cenkos' responsibilities as the Company's nominated adviser and broker under the AIM Rules for Nominated Advisers are owed solely to London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire Ordinary Shares in the Company in reliance on any part of this document.

Apart from the responsibilities and liabilities, if any, which may be imposed on Cenkos by the FSMA or the regulatory regime established thereunder, Cenkos does not accept any responsibility whatsoever for the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Ordinary Shares or the Placing and Admission. Cenkos accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above) in respect of this document or any such statement.

None of the Company, the Directors, Cenkos or any of their representatives is making any representation to any subscriber or purchaser of Ordinary Shares regarding the legality of an investment by such subscriber or purchaser.

In connection with the Placing, Cenkos and any of its affiliates, acting as investors for their own accounts, may acquire Ordinary Shares, and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Ordinary Shares and other securities of the Company or related investments in connection with the Placing or otherwise. Accordingly, references in this document to the Ordinary Shares being offered, subscribed, acquired, placed or otherwise dealt with should be read as including any offer to, or subscription, acquisition, dealing or placing by, Cenkos and any of its affiliates acting as investors for their own accounts. Cenkos and any of its respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services to the Company, for which they would have received customary fees.

Cenkos and/or any of its affiliates may have in the past engaged, and may in the future, from time to time, engage in transactions with, and provided various investment banking, financial advisory and other services in the ordinary course of their business to the Company, for which they would have received, and may in the future receive, customary fees and commissions. As a result of these transactions, these parties may have interest that may not be aligned, or could possibly conflict, with the interests of investors.

Notice to overseas shareholders

This document does not constitute an offer to sell or issue, or the solicitation of an offer to subscribe for or buy, securities in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for publication or distribution in or into or from the United States, Canada, Australia, the Republic of South Africa, New Zealand or Japan. The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**U.S. Securities Act**") nor under the applicable securities laws of any State thereof, or any province or territory of Canada, Australia, the Republic of South Africa, New Zealand or Japan nor in any country or territory where to do so may contravene local securities laws or regulations. Accordingly, the Ordinary Shares may not be offered or sold directly or indirectly in or into or from the United States, Canada, Australia, the Republic of South Africa, New Zealand or Japan or to any resident of the United States, Canada, Australia, the Republic of South Africa, New Zealand or Japan. The distribution of this document in other jurisdictions may be restricted by law and, therefore, persons into whose possession this document comes should inform themselves about and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions.

Notice to prospective investors in the United Kingdom

This document is being distributed in the United Kingdom where it is directed only at persons who are (a) both "qualified investors" within the meaning of article 2(e) of Regulation (EU) 2017/1129 as it forms part of domestic law pursuant to the European Union (Withdrawal) Act 2018 and either (i) persons having professional experience in matters relating to investments, i.e., investment professionals within the meaning of Article 19(5) of the Financial Promotion Order; (ii) high net-worth companies, unincorporated associations and other bodies within the meaning of Article 49 of the Financial Promotion Order; or (iii) persons to whom

it is otherwise lawful to distribute it without any obligation to issue a prospectus approved by competent regulators. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of person and in any event, and under no circumstances should persons of any other description rely on or act upon the contents of this document.

Notice to prospective investors in the European Economic Area

In relation to each member state of the European Economic Area (“**EEA**”) (each, a “**Member State**”), no Ordinary Shares have been offered or will be offered pursuant to the Placing to the public in that Member State prior to the publication of a prospectus in relation to the Ordinary Shares which has been approved by the competent authority in that Member State, all in accordance with the EU Prospectus Regulation, except that offers of Ordinary Shares to the public may be made at any time under the following exemptions under the EU Prospectus Regulation:

1. to any legal entity which is a qualified investor as defined in the EU Prospectus Regulation;
2. to fewer than 150 natural or legal persons (other than qualified investors as defined in the EU Prospectus Regulation) in such Member State; or
3. in any other circumstances falling within Article 3(2) of the EU Prospectus Regulation;

provided, that no such offer of Ordinary Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the EU Prospectus Regulation or any measure implementing the EU Prospectus Regulation in a Member State, and each person who initially acquires any Ordinary Shares or to whom any offer is made under the Placing will be deemed to have represented, acknowledged and agreed that it is a “**qualified investor**” within the meaning of the EU Prospectus Regulation.

For the purposes of this provision, the expression “**an offer to the public**” in relation to any offer of Ordinary Shares in any Member State means a communication in any form and by any means presenting sufficient information on the terms of the offer and any Ordinary Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Ordinary Shares, as the same may be varied in that Member State by any measure implementing the EU Prospectus Regulation in that Member State, and the expression “**EU Prospectus Regulation**” means Regulation 2017/1129/EU (as amended), and includes any relevant implementing measure in each Member State.

Restrictions on sales in the United States

The Ordinary Shares have not been and will not be registered under the U.S. Securities Act, or with any securities regulatory authority of any State or other jurisdiction of the United States and, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, may not be offered, delivered or sold in, into or from the United States. Subject to certain exemptions, this document does not constitute an offer of Ordinary Shares to any person with a registered address, or who is resident in, the United States. There will be no public offer in the United States. The Ordinary Shares are being offered outside of the United States in “offshore transactions” in reliance on Regulation S under the U.S. Securities Act.

The Ordinary Shares have not been approved or disapproved by the U.S. Securities and Exchange Commission, or any other securities commission or regulatory authority of the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Ordinary Shares nor have they approved this document or confirmed the accuracy or adequacy of the information contained in this document. Any representation to the contrary is a criminal offence in the U.S.

Presentation of financial information

The reports on financial information included in Part IV of this document have been prepared in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom and includes the related consent to its inclusion in this document as required by the AIM Rules for Companies and solely for that purpose.

Unless otherwise indicated, financial information in this document, including the Company's audited financial statements for the years ended 31 December 2019, 31 December 2020 and 31 December 2021 and the notes to that financial information prepared in accordance with the basis of preparation stated therein, is prepared in accordance with IFRS.

Non-IFRS information

This document contains certain financial measures that are not defined or recognised under IFRS, including EBITDA. EBITDA results from Company operating profit adjusted for depreciation and amortisation, share-based payments and exceptional items. Information regarding EBITDA or similar measures is sometimes used by investors to evaluate the efficiency of a company's operations and its ability to employ its earnings toward repayment of debt, capital expenditures and working capital requirements. There are no generally accepted principles governing the calculation of EBITDA or similar measures and the criteria upon which EBITDA or similar measures are based can vary from company to company. EBITDA, alone, does not provide a sufficient basis to compare the Company's performance with that of other companies and should not be considered in isolation or as a substitute for operating profit or any other measure as an indicator of operating performance, or as an alternative to cash generated from operating activities as a measure of liquidity.

Rounding

Certain figures and percentages in this document have been subject to rounding adjustments. Accordingly, any apparent discrepancies in tables between the totals and the sums of the relevant amounts are due to rounding.

Currencies

Unless otherwise indicated in this document, all references to "Pounds Sterling" or "£" are to the lawful currency of the UK.

Unless otherwise indicated, the financial information contained in this document has been expressed in Pounds Sterling. For all members of the Company, the functional currency is Pounds Sterling and the Company presents its financial statements in Pounds Sterling.

Forward-looking statements

This document includes statements that are, or may be deemed to be, "forward-looking statements". Some of these statements reflect the Directors' current views with respect to financial performance, business strategy, plans and objectives of management for future operations (including development plans relating to the Company's products and services). These statements include forward-looking statements both with respect to the Company and the sectors and industries in which the Company operates. Statements which include the words "expects", "intends", "plans", "believes", "projects", "anticipates", "will", "targets", "aims", "may", "would", "could", "continue" and similar statements are of a future or forward-looking nature.

All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Company's actual results to differ materially from those indicated in these statements. These factors include but are not limited to those described in Part III of this document entitled "Risk Factors", which should be read in conjunction with the other cautionary statements that are included in this document. Any forward-looking statements in this document reflect the Directors' current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the Company's operations, results of operations and growth strategy.

These forward-looking statements speak only as of the date of this document. Save as required by law or by the AIM Rules for Companies, the Company undertakes no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward-looking statements attributable to the Company or individuals acting on behalf of the Company are expressly qualified in their entirety by this paragraph. Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision.

Presentation of market, economic and industry data

This document contains information regarding the Company's business and the industry in which it operates and competes, which the Company has obtained from various third-party sources. Such third-party information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by the relevant third-party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Company has obtained the third-party data in this document from industry studies, forecasts, reports, surveys and other publications.

Market and industry data is inherently predictive and speculative, and is not necessarily reflective of actual market conditions. Statistics in such data are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market. The value of comparisons of statistics for different markets is limited by many factors, including: (i) the markets are defined differently; (ii) the underlying information was gathered by different methods; and (iii) different assumptions were applied in compiling the data. Consequently, the industry publications and other reports referred to above generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed and, in some instances, these reports and publications state expressly that they do not assume liability for such information. Specifically, Cenkos has not authorised the contents of, or any part of, this document and accordingly no liability whatsoever is accepted by Cenkos for the accuracy or completeness of any market or industry data which is included in this document.

No incorporation of website information

The contents of any website of the Company, any website mentioned in this document or any other website directly or indirectly linked to these websites have not been verified and do not form part of this document, and prospective investors should not rely on such information.

Interpretation

Certain terms used in this document are defined and certain technical and other terms used in this document are explained at the section of this document under the heading "Definitions".

All times referred to in this document are, unless otherwise stated, references to London time.

All references to legislation in this document are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation or regulation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

Information for distributors

Solely for the purposes of the product governance requirements contained within Chapter 3 of the FCA Handbook Production Intervention and Product Governance Sourcebook (the "**UK Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the UK Product Governance Requirements) may otherwise have with respect thereto, the Placing Shares have been subject to a product approval process, which has determined that such securities are: (i) compatible with an end target market of investors who meet the criteria of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in paragraph 3 of the FCA Handbook Conduct of Business Sourcebook; and (ii) eligible for distribution through all distribution channels (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, distributors (for the purposes of UK Product Governance Requirements) should note that: (a) the price of the Placing Shares may decline and investors could lose all or part of their investment; (b) the Placing Shares offer no guaranteed income and no capital protection; and (c) an investment in the Placing Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to

be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Placing. Furthermore, it is noted that, notwithstanding the Target Market Assessment, Cenkos will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of Chapter 9A or 10A respectively of the FCA Handbook Conduct of Business Sourcebook; or (b) a recommendation to any investor or Company of investors to invest in, or purchase, or take any other action whatsoever with respect to the Placing Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Placing Shares and determining appropriate distribution channels.

Governing law

Unless otherwise stated, statements made in this document are based on the law and practice currently in force in England and Wales and are subject to changes in such law and practice.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	13 October 2022
Admission effective and dealings in the Enlarged Share Capital commence on AIM	8.00 a.m. on 21 October 2022
Date for settlement within CREST of the Placing Shares (where applicable)	as soon as is reasonably practical on 21 October 2022
Despatch of definitive share certificates for Placing Shares (where applicable)	within 10 Business days of Admission

Note:

All references are to London, UK times. Each of the times and dates in the table above and mentioned elsewhere in this document are indicative only and may be subject to change without notice at the absolute discretion of the Company and Cenkos.

PLACING STATISTICS

Placing Price	55 pence
Number of Existing Ordinary Shares	50,068,686
Number of Placing Shares to be issued by the Company pursuant to the Placing	36,363,636
Number of Option Shares	1,029,450
Number of Ordinary Shares in issue on Admission	87,461,772
Percentage of Enlarged Share Capital represented by Placing Shares	41.6 per cent.
Percentage of Enlarged Share Capital represented by Options	3.9 per cent.
Gross proceeds of the Placing receivable by the Company	£20.0 million
Estimated net proceeds of the Placing receivable by the Company ¹	£17.5 million
Expected market capitalisation of the Company at the Placing Price immediately following Admission ²	£48.1 million
Number of Options in issue following Admission	3,420,000
AIM TIDM	SND
ISIN	GB00BJN54579
SEDOL	BJN5457
LEI	984500D6E7L2A9A54935
Free float	41.1 per cent.

¹ After deduction of the estimated commissions, fees and expenses payable by the Company (excluding VAT).

² The market capitalisation of the Company at any given time will depend on the market price of the Ordinary Shares at that time. There can be no assurance that the market price of an Ordinary Share will at any given time equal or exceed the Placing Price.

DIRECTORS, SECRETARY AND ADVISERS

Directors	Nigel Vaughan (<i>Independent Non-Executive Chairman</i>) Graham Curren (<i>Chief Executive Officer</i>) Jose ("Joe") Lopez (<i>Proposed Chief Financial Officer</i>) Adrian Carey (<i>Proposed Independent Non-Executive Director</i>) Sherry Madera (<i>Proposed Independent Non-Executive Director</i>) Gordon Orr (<i>Proposed Independent Non-Executive Director</i>)
Company Secretary	ONE Advisory Limited 201 Temple Chambers 3-7 Temple Avenue London EC4Y 0DT
Registered Office and Principal Place of Business	Sondrel House Theale Lakes Business Park Moulden Way Sulhamstead Reading RG7 4GB
Company's website	www.sondrel.com
Nominated Adviser and Broker	Cenkos Securities plc 6.7.8 Tokenhouse Yard London EC2R 7AS
Reporting Accountants	Grant Thornton UK LLP One Valpy 20 Valpy Street Reading RG1 1AR
Solicitors to the Company	BDB Pitmans LLP One Bartholomew Close London EC1A 7BL
Solicitors to Cenkos	Pinsent Masons LLP 30 Crown Place London EC2A 4ES
Auditors	CLA Evelyn Partners Limited 45 Gresham Street London EC2V 7BG
Financial Public Relations Adviser	Buchanan Communications Ltd 107 Cheapside London EC2V 6DN
Receiving Agent and Registrar	Link Market Services Limited 10 th Floor Central Square 29 Wellington Street Leeds LS1 4DL

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

“Admission”	the admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with the AIM Rules for Companies
“Admission Document”	this document
“AIM”	AIM, a market of that name operated by the London Stock Exchange
“AIM Rules for Companies” or “AIM Rules”	the AIM Rules for Companies published by the London Stock Exchange and as amended and updated from time to time
“AIM Rules for Nominated Advisers” or “Nomad Rules”	the AIM Rules for Nominated Advisers published by the London Stock Exchange and as amended and updated from time to time
“Arm”	Arm Limited, a company incorporated in England and Wales (registered number 02557590) and having its registered office at 110 Fulbourn Road, Cambridge, Cambridgeshire, CB1 9NJ
“Articles”	the articles of association of the Company as amended from time to time, a summary of which is set out in paragraph 6 of Part V of this document
“Board”	the board of Directors of the Company or any duly authorised committee thereof
“CAGR”	compound annual growth rate
“certificated” or “in certificated form”	not in uncertificated form (that is, not in CREST)
“Companies Act”	the Companies Act 2006 (as amended from time to time)
“Company”	Sondrel (Holdings) plc, a company incorporated in England and Wales (registered number 07275279) and having its registered office at Sondrel House, Theale Lakes Business Park, Moulden Way, Sulhamstead, Reading, RG7 4GB
“Concert Party”	for the purposes of the Takeover Code, those persons set out in paragraph 7.3.2 of Part V of this document
“Controlling Shareholder”	has the meaning given to it in paragraph 15 of Part I of this document
“CREST”	the relevant system (as defined in the CREST Regulations) for paperless settlement of share transfers and holding shares in uncertificated form, in respect of which Euroclear UK & International is the operator (as defined in the CREST Regulations)
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (as amended from time to time), including (i) any enactment or subordinate legislation which amends or supersedes those regulations; and (ii) any applicable rules made under those regulations or any such enactment or subordinate legislation for the time being in force

“Directors”	the Directors of the Company on Admission, whose names are set out on page 11 of this document
“Disclosure, Guidance and Transparency Rules”	the disclosure, guidance and transparency rules made by the FCA under Part V of the FSMA from time to time
“EBITDA”	earnings before interest, tax, depreciation and amortisation
“Enlarged Share Capital”	the issued share capital of the Company immediately following Admission and the Placing, comprising the Existing Ordinary Shares, the Placing Shares and the Option Shares
“ESG”	Environmental, Social and Governance
“EU GDPR” or “GDPR”	Regulation (EU) No 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with respect to the processing of personal data and on the free movement of such data
“Euro” or “€”	the lawful currency of a member state of the European Union that adopts the single currency
“Euroclear UK & International”	Euroclear UK and International Limited, the operator of CREST
“Executive Directors”	the executive directors of the Company on Admission, namely Graham Curren and Jose (“Joe”) Lopez
“Existing Ordinary Shares”	the 50,068,686 Ordinary Shares in issue upon Admission, but excluding the Placing Shares and the Option Shares
“FCA”	the UK Financial Conduct Authority
“FCA Handbook”	the FCA’s handbook of rules and guidance published by the FCA from time to time
“FRC”	the Financial Reporting Council in the United Kingdom
“FRC Ethical Standard”	the Financial Reporting Council’s Ethical Standard
“FSMA”	the Financial Services and Markets Act 2000, as amended
“FY19”	the financial year ended 31 December 2019 of the Company
“FY20”	the financial year ended 31 December 2020 of the Company
“FY21”	the financial year ended 31 December 2021 of the Company
“Global Foundries”	Global Foundries Incorporated, a public company incorporated in the Cayman Islands and listed on the Nasdaq Stock Market, having its registered office at 400 Stonebreak Road Ext. Malta, New York 12020
“Group” or “Sondrel”	the Company and its subsidiary undertakings
“HMRC”	HM Revenue and Customs
“IAS”	International Accounting Standards
“IASB”	International Accounting Standards Board

“IFRS”	International Financial Reporting Standards, as issued by the IASB as adopted by the UK
“ISIN”	international security identification number
“Lock-in Agreements”	the lock-in agreements between the Company, Cenkos and each of the Locked-in Shareholders, summary details of which are set out in paragraph 14.4 of Part V of this document
“Locked-in Shareholders”	the members of the Concert Party, Nigel Vaughan, Adrian Carey, Sherry Madera, Gordon Orr, Siemens and the Option Holders who have each entered into Lock-in Agreements, details of which are set out in paragraph 14.4 of Part V of this document
“London Stock Exchange”	London Stock Exchange plc
“Nominated Adviser” or “Cenkos”	Cenkos Securities plc, in its capacity as the Company's nominated adviser and broker
“Non-Executive Directors”	the non-executive directors of the Company on Admission, namely Nigel Vaughan, Adrian Carey, Sherry Madera and Gordon Orr
“Official List”	the Official List maintained by the FCA
“Options”	share options, granted under the Option Plan, to subscribe for new Ordinary Shares
“Option Exercise”	the exercise of 1,029,450 Options by Hilary Rico on Admission
“Option Holders”	holders of Options as described in paragraph 5.6 of Part V of this document
“Option Plan”	the share option plan adopted by the Company on 17 January 2011 (as amended) which is described further in paragraph 11 of Part V of this document
“Option Shares”	1,029,450 new Ordinary Shares issued following the Option Exercise
“Ordinary Shares”	ordinary shares of £0.001 each in the share capital of the Company
“PDMR”	a person discharging managerial responsibilities as defined in Article 3(1)(25) of UK MAR
“Placee”	a subscriber or purchaser of Placing Shares
“Placing”	the conditional placing of the Placing Shares by Cenkos as agent for and on behalf of the Company at the Placing Price pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 13 October 2022 between the Company, Cenkos and the Directors in relation to the Placing, details of which are set out in paragraph 14.2 of Part V of this document
“Placing Price”	55 pence per Placing Share
“Placing Shares”	the 36,363,636 new Ordinary Shares proposed to be issued by the Company to Placees pursuant to the Placing
“Prospectus Regulation Rules”	the prospectus regulation rules made by the FCA pursuant to section 73A of the FSMA from time to time

“QCA”	the Quoted Companies Alliance
“QCA Code”	the Corporate Governance Code for Small and Mid-Size Quoted Companies (2018) published by the QCA
“Register”	the register of members of the Company
“Relationship Agreement”	the conditional relationship agreement dated 13 October 2022 between the Company, Cenkos, and the Controlling Shareholder, further details of which are set out in paragraph 14.5 of Part V of this document
“Reorganisation”	the reorganisation of the Group, more particularly described in paragraph 3 of Part V of this document
“Samsung Foundry”	Samsung Electronics Company Limited, a public company incorporated in South Korea and listed on the Korea Exchange, having its registered office at Samsung Digital City, Samsung no 129, Maetan-dong, Yeongtong District, Suwon, South Korea
“Shareholders”	the holders of the Ordinary Shares from time to time
“Siemens”	Siemens Industry Software Limited (formerly Mentor Graphics (Ireland) Ltd), a private limited company incorporated in Ireland with registered number FC022985 and whose registered office is at East Park, Shannon Free Zone, Shannon, Co Clare V14 YD96
“Sondrel Financial Information”	the audited historical financial information of Sondrel (Holdings) Ltd for the three years ended 31 December 2019, 31 December 2020 and 31 December 2021
“Sondrel Morocco”	Sondrel Morocco SARL AU, a member of the Group incorporated in Morocco
“Takeover Code”	the City Code on Takeovers and Mergers published by the Takeover Panel from time to time
“Takeover Panel”	the Panel on Takeovers and Mergers
“TIDM”	tradable investment display mnemonic
“TSMC”	Taiwan Semiconductor Manufacturing Company Limited, a public company incorporated in Taiwan and listed on the New York Stock Exchange, having its registered office at 8, Li-Hsin Rd. 6, Hsinchu Science Park, Hsinchu 300-096, Taiwan, R.O.C.
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK GAAP”	UK generally accepted accounting principles
“UK GDPR”	GDPR as it forms part of retained EU law as defined in the European Union (Withdrawal) Act 2018
“UK MAR”	the Market Abuse Regulation (Regulation 596/2014/EU) as it forms part of domestic law pursuant to the European Union (Withdrawal) Act 2018

**“uncertificated” or in
“uncertificated form**

shares recorded on the Register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of an instruction issued in accordance with the rules of CREST

“USA”, “U.S.” or “United States”

the United States of America, its territories and possessions, any State of the United States and the District of Columbia and all other areas subject to its jurisdiction

“US dollar” or “US\$”

the lawful currency of the United States

“VAT”

UK value added tax

PART I

INFORMATION ON THE COMPANY

1. Introduction

Sondrel is a UK founded and headquartered fabless semiconductor business providing turnkey services in the design and delivery of 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/SoC devices enabling differentiation of their end products when addressing fast growth technology megatrends.

Sondrel has grown over a period of more than 20 years and delivers complex ASIC/SoC designs on a consultancy and/or project basis for a wide range of leading multi-national corporate customers. The high-end complex ASICs/SoCs designed and supplied by Sondrel to its customers and Sondrel's previous designs have been included in well-known products such as Apple iPhone, Sony PlayStation, Meta's Oculus Quest virtual reality headset, Samsung, Google and Sony smartphones, JVC prosumer camcorders and Tesla and Mercedes-Benz cars.

Originally, Sondrel provided customers with both its market leading ASIC/SoC designs, and also an engineering consulting service during the 'new product introduction' ("NPI") prototyping, testing and production phases. However, in recent years Sondrel has successfully transitioned its business model such that customers also now contract directly with Sondrel to purchase production ASIC/SoC devices directly from Sondrel as a 'one stop shop', something which customers have previously been required to source themselves from a third party.

With OEMs and OEM suppliers increasingly focused on semiconductor supply chain resilience and efficiency, customers are able to contract Sondrel as a single counterparty in the design, supply chain management and production of ASIC/SoC devices. Sondrel's customers are therefore able to differentiate their end products with Sondrel's market leading design capabilities at the forefront of technology whilst also leveraging Sondrel's expertise and relationships throughout the semiconductor industry. In doing so, Sondrel's customers are able to remove the requirements for multiple counterparties in the ASIC/SoC supply chain and for supply chain management.

The Directors believe that Sondrel has a number of key strengths and advantages that are important to the success of the business:

- **Sondrel is delivering 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 megatrends driving the increasing use of ASICs globally and the production of products utilising increasingly complex design geometries.
- **Sondrel provides leading edge ASIC/SoC 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.
- **Sondrel has a team of 137 engineers³ that are located across 5 design centres globally;** the UK, USA, China, India and Morocco. 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.
- **Established relationships with semiconductor IP and electronic design automation ("EDA") providers, materials and equipment companies and fabrication partners.** Sondrel has a long-standing partnership with and capability approval from Arm; is one of only 22 global partners in TSMC's Design Centre Alliance; and has comparable relationships with Samsung, being one of only three non-Asian Samsung Foundry SAFE™ design service partners globally, and Global Foundries.

³ As at 5 October 2022

- From concept to delivered ASICs/SoCs, Sondrel is able to act as a single counterparty to its customers as a **provider of a full turnkey suite 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/SoCs through the use of **Sondrel's "Architecting the Future" IP platforms.**
- Sondrel has a **clear organic growth strategy** focused on increasing its engineering headcount and investing in IP to further enhance its competitive position, accelerating its growth in key geographies including the USA and Asia.
- Sondrel has a **proven and experienced founder-led management team.**
- **Sondrel has delivered revenue growth from inception to 31 December 2021 at a CAGR of 20 per cent.** As at 31 July 2022, the Group's pipeline of revenue opportunities stood at more than £300 million⁴ (excluding potentially material related production/supply revenues) and the Directors have ambitions to grow the Group to £100 million of annual revenue in the medium term.

The Company is seeking admission to trading on AIM in order to raise approximately £20.0 million. The net proceeds raised will be used by Sondrel to, *inter alia*:

- increase the number of engineers it employs;
- invest further in developing its Architecting the Future IP platforms;
- accelerate sales in the USA and in other geographies; and
- strengthen the Group's balance sheet in, *inter alia*, the delivery of project based designs and customer supply management contracts.

Admission will also help to raise the Group's profile as a leading designer and deliverer of complex ASICs/SoCs.

The Concert Party, Directors, Options Holders (some of whom are PDMRs), and Siemens will be subject to lock-in periods from Admission (subject to customary exemptions) as defined in the Lock-in Agreements. Further details of the Lock-in Agreements are given in paragraph 14.4 in Part V of this document.

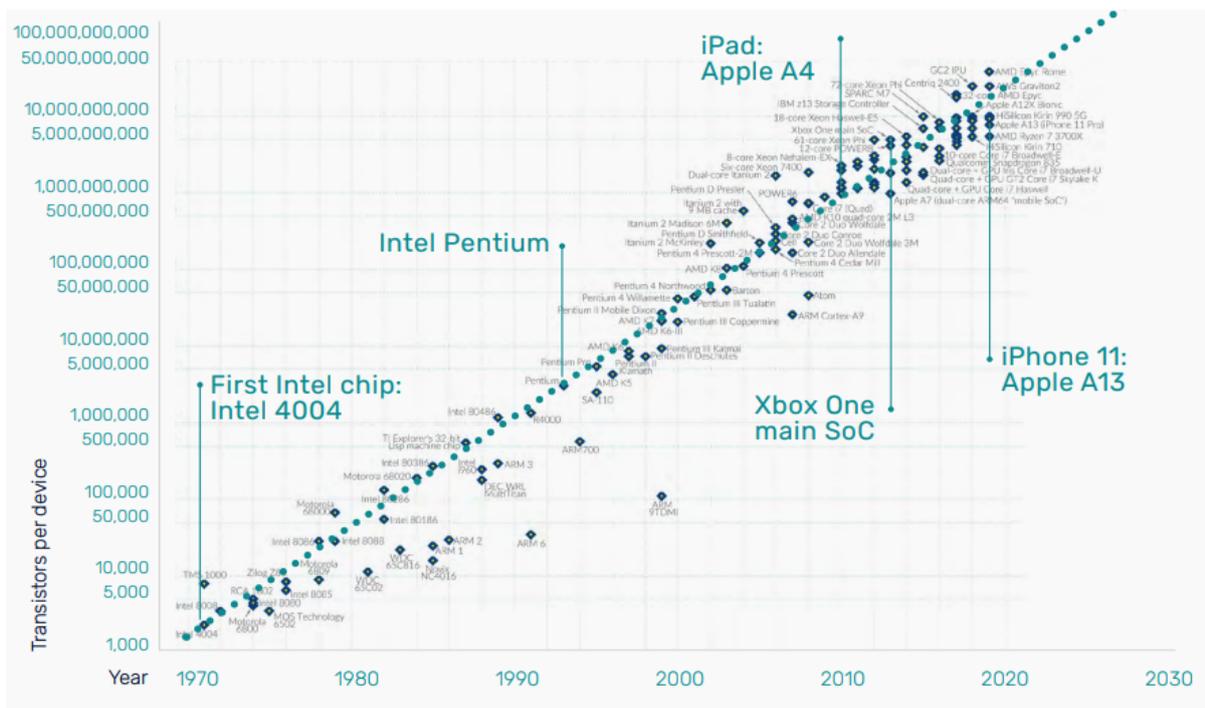
2. Semiconductor Industry

Background

Semiconductors are ubiquitous in modern life and can be found in many of the products and services that support society today, in applications such as smartphones, automotive and data storage and analytics. Integrated circuits ("IC"), or chips, are the most common use of semiconductors. These are the product of transistors implemented on a wafer (a circular plate on which the transistors sit) typically made of silicon. Chips are manufactured predominantly as "off-the-shelf" parts and are generic products capable of application across a multitude of uses.

The complexity and cost of semiconductor design increases with each new generation of technology. Devices included in applications such as autonomous vehicles, artificial intelligence, high performance computing, image processing and connectivity applications grow exponentially more complex than preceding generations of technology – with more transistors on chips ultimately allowing for increased innovations in products. Moore's law has observed that the number of transistors in an IC has doubled approximately every two years since 1970.

⁴ Based on Sondrel's internal sales forecasting system reports



The desire for products to be manufactured in ever smaller geometries comes from the demands of subsectors, such as computing, for ever more functionality, lower power, higher performance, and the greater integration of systems which can result in smaller product sizes.

Whilst ICs are common generic products capable of application across a multitude of uses, extensive investment, innovation and an increasing demand for both product differentiation and performance requirements has resulted in application specific customised ICs becoming increasingly popular. This has been led by large global companies such as Apple and other global OEMs, that have invested in the design of leading-edge ASICs and SoCs to differentiate their products from competing products in the market and provide leading functionality.

The Group provides its services to customers seeking such competitive advantage in performance and product differentiation.

The global semiconductor industry was valued at approximately US\$425 billion in 2020. Since then, the industry has grown considerably to approximately US\$681 billion in 2022 and is forecast to grow at a CAGR of 8.6 per cent. to US\$803 billion in 2028.

Application Specific Integrated Circuits (“ASICs”) and System on Chips (“SoCs”)

As the technology advances, OEMs have faced an ever-increasing demand for their products to have enhanced performance capabilities and differentiation against both their competitors and their own precedent products. This is applicable across multiple industries, including automotive, communications and connectivity.

ASICs are ‘application specific integrated circuits’, designed with explicit parameters to serve a specific application and purpose. ASICs can be analogue, digital, or mixed-signal and designed for application-specific functionality and are used across a plethora of end markets. Whilst costly to design and introduce, the customised performance of an ASIC, when compared to “off-the-shelf” IC products, can provide significant performance, cost and/or power (in turn reducing carbon emissions) improvements. As a result, ASICs are essential for OEMs seeking to incorporate optimal power, efficiency, differentiation and security into their next generation products. The total peer group ASIC revenue is estimated by the Directors to be approximately US\$3.5 billion.

An SoC is an ASIC that performs the functions of an entire subsystem, incorporating third party IP, microprocessors, on-chip memory, hardware accelerators, artificial intelligence, peripherals, and custom logic. Consequently, SoCs allow the end product, be it a smartphone, autonomous vehicle, or supercomputer, to perform the same functions as several standard devices within one integrated chip. Therefore increased performance and functionality are possible and SoCs are also more energy efficient than a collection of standard products or simple ASICs performing the same function. Drivers of the growth in the SoC market include any device using complex electronics such as the worldwide rollout of 5G and autonomous vehicles, increasing performance and resolution in video applications, as well as increased smartphone complexity and capability. Due to the efficiency gains that accompany SoCs, further growth is expected as they are utilised by companies seeking a competitive edge.

The continued emergence of new technologies in emerging markets and increasing performance demands are prevalent across all key ASIC/SoC end markets.

Automotive

The automotive industry has experienced a significant rise in the use of electronics, and therefore chips, in recent years. The value of semiconductors in cars was valued at US\$34.4 billion in 2020 and is expected to grow at a CAGR of 14.75 per cent. to reach US\$78.5 billion in 2026. Cars are predicted to hold approximately US\$700 of semiconductors each by 2026, compared with US\$450 each in 2021.

Driving this growth is both an increase in demand for electronic content in vehicles, and also a rise in the penetration of electronic components in mass-produced cars. This is accelerating a movement towards the ultimate aim of autonomous driving. Specifically there have been technological developments in four main areas:

- *Connectivity* – The communication between a vehicle and any entity that may affect it. This includes, but is not limited to, communications from a vehicle to infrastructure, such as conveying traffic information, to other vehicles, such as when an ambulance is approaching, and even to pedestrians.
- *Advanced Driver Assistance Systems ('ADAS')* – Using automated technology, such as sensors and cameras, ADAS increases car and road safety through the detection of nearby obstacles or driver errors.
- *Sharing* – As automated driving technology advances, the adoption of car sharing and ride sharing schemes are expected to increase in the future. This is resulting in an increasing number of vendors, who had no previous relation with vehicles, entering the market.
- *Electrification* – With many countries announcing plans to reduce their carbon dioxide emissions, one method of doing so will be through the increased electrification of vehicles. This means OEMs will shift production from internal combustion engine vehicles to electrical or hybrid equivalents. The aggregate value of semiconductors used in electric vehicles is estimated to be more than twice that of an internal combustion engine, with semiconductors required for batteries and power trains alongside dashboard features.

Artificial intelligence ("AI")

AI 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 are social media content suggestions, facial and speech recognition, and text editors. The growth in the adoption of AI continues to be a tailwind for the semiconductor industry, with high performing, AI-enabled chips required to deal with the greater capacity required for data manipulation, without incurring extra efficiency costs.

The global AI market is projected to grow from US\$387.45 billion in 2022 to US\$1,394.3 billion by 2029, at a CAGR of 20.1 per cent. in the forecast period.

Advanced wireless technologies

Businesses and individuals worldwide are consuming increasing amounts of data every day, with approximately 66.2 per cent. of the global population now using the internet, an increase of more than 1,350 per cent. from 2000. The growth in the number of applications with access to the internet (especially those incorporating increasingly higher definition video) is driving this, with the number of worldwide smartphone subscriptions increasing to approximately 6.6 billion at the end of 2021, almost double the

equivalent figure in 2016. The expansion in the quantity of data we consume alongside a continuous demand for improved performance has resulted in the need for increasingly advanced wireless communication technologies. The evolution of broadband cellular networks from 2G to 5G reflects this, with 5G now targeting download speeds of up to 1 gigabyte a second against 2G's maximum speed of 0.3 megabytes per second. Increases in performance requirements and advances in innovation have resulted in exponential growth in the complexity of device chip design in this market. For example, the Apple A15 chip, used in the iPhone 13, holds approximately 15 billion transistors. By comparison the first Apple chip, the Apple A4, only had 149 million transistors.

Aerospace

Satellite communications are entering a new era in the 2020s. As well as traditionally connecting governments to remote infrastructure, for exploration and security and defence purposes, government and, increasingly, corporations and consumers are making use of satellites for communications and analytics of, for example, the Earth's climate. The satellite communications sector is forecast to be worth over US\$159.6 billion by 2030, growing by a CAGR of 9.5 per cent. from 2022 to 2030.

One notable use of ASICs in aerospace is the radiation-hardened ASIC, designed to handle the extreme pressures of intra-orbital travel. Such a property would simply not be applicable to "off-the-shelf" chips.

Data storage

In an increasingly digitised world, due, in part, to the rising adoption of data-hungry artificial intelligence, the storage of data has become increasingly prevalent in recent years. It is expected that the volume of information to be stored is set to reach 181 zettabytes (the equivalent of 181 trillion gigabytes) by 2025 from 64.2 zettabytes in 2020. This would represent a CAGR of c.23 per cent. from 2020 to 2025. Such a vast quantity of data comes with the obligatory storage and security requirements and has prompted significant investment in cloud technologies and equivalently vast new data centres. It is estimated that the global cloud services market will grow by almost double (+81 per cent.) to US\$1 trillion in 2025, representing a CAGR of 14 per cent. from 2020 to 2025.

The development of ASICs are particularly pertinent to these challenges for a number of reasons. Firstly, ASICs can provide service quality guarantees to cloud platforms. This feature is achieved as a result of their ability to remedy data processing jams by shifting compression and encryption away from the central processing unit (CPU) onto a dedicated hardware accelerator. Further to this, ASICs can, through their ability to process data in ways optimised to the specific application, facilitate extremely low latency delivery, all the while applying zero-impact, steadfast encryption.

Cloud services utilising the benefits of ASICs include Microsoft Azure, Amazon Web Services (AWS), Google Cloud Platform, and Alibaba Cloud, which between them account for more than 65 per cent. of global cloud services. The ASIC therefore remains imperative to both physical and cloud data storage worldwide.

IoT devices

The 'Internet of Things' ("IoT") makes reference to devices with data processing capabilities that can be individually addressable within a network. IoT devices can come in many forms and are often classified as consumer, commercial, industrial, or infrastructure based. The global wearable technology market, which includes smart watches, is also estimated to grow at a CAGR of approximately 18.5 per cent. between 2022 and 2028, reaching a projected US\$380.5 billion by 2028.

With global network devices (including IoT devices) inherently data-producing, this is expected to further contribute to the need for data storage, with approximately 3.6 networked devices per capita by 2023, up from 2.4 networked devices per capita in 2018. It is estimated that there will be 29.3 billion network devices by 2023. This represents a CAGR of 10 per cent. from the 18.4 billion network devices recorded in 2018.

Recent semiconductor shortage

The recent well publicised shortage of semiconductor chips across the globe has shown companies the importance of securing their supply chains. The shortage, which saw demand accelerate significantly ahead of supply in 2020 and 2021, was driven by:

Increase in performance demands

Increasingly complex chips are being designed in order to facilitate demand for enhanced product performance and capabilities, leading to longer design and production lead times and ultimately reducing supply in the market.

New technologies in emerging markets

The continued emergence of new technologies accelerated semiconductor demand in both volume and complexity.

COVID-19

Although the semiconductor industry was already showing signs of strain prior to the outbreak of COVID-19, the pandemic accelerated the shortage. The level of supply of semiconductors was adversely affected by restrictions that were put in place across entire nations as shipments of semiconductors were disrupted and demand for products containing semiconductors accelerated as individuals reacted to changes in living conditions and, in certain areas, disposable incomes increased.

Semiconductor industry response to capacity constraints

Some of the world's largest semiconductor companies have indicated, with the support of, *inter alia*, the governments of the USA, the European Union, Taiwan, Korea and China, their willingness to increase their capital expenditure in order to meet the continued demand, including:

- TSMC, the world's largest chip maker, announced in 2021 that it would invest US\$100 billion over the next three years to increase capacity at its plants;
- Intel pledged in January 2022 to invest US\$20 billion in two new foundries, its first new facilities for 40 years;
- Samsung stated its intention in May 2022 to invest US\$356 billion over the next five years in its semiconductor and biopharmaceutical businesses; and
- The world's third largest manufacturer of wafers, GlobalWafers, announced plans on 28 June 2022 to construct a US\$5 billion plant in Texas.

With the Group having relationships with multiple foundries and suppliers/vendors at each level of the ASIC/SoC eco-system, Sondrel's customers are able to benefit not only from industry leading design capabilities in delivering product differentiation but from an ability to source, and produce, ASICs/SoCs from an assured supply chain designed in from the outset.

3. Sondrel history and development

A summary timeline of the Group's major historical events is shown below:

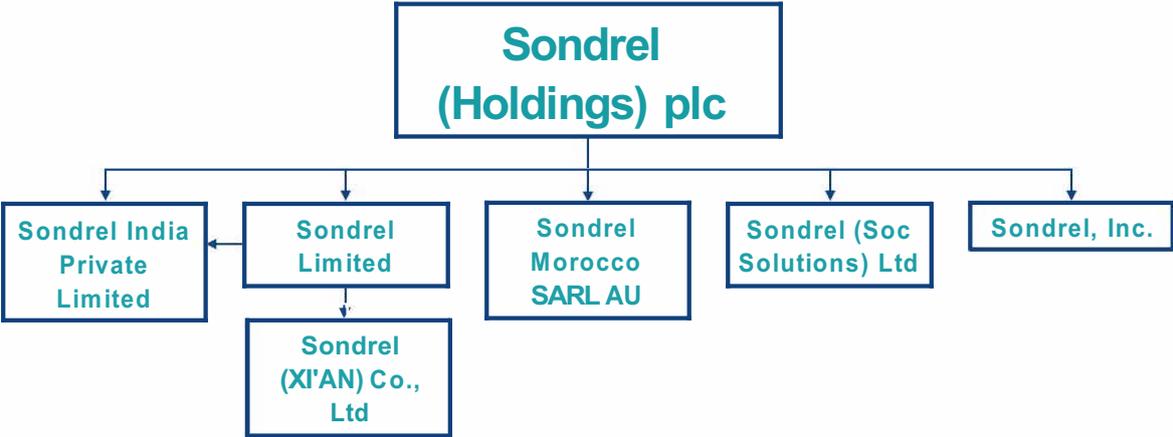
2002	Sondrel Limited was established by Graham Curren, opening its first design centre in the UK
2008	First design centre in China was opened in Xi'an
2009	Won the Queen's Award for Enterprise: Innovation
2011	Graham Curren appointed to the board of the China Britain Business Council and Sondrel was announced as a TSMC design centre alliance partner
2015	Design centre opened in Morocco
2016	Sondrel became an Arm approved design partner
2017	The IMGWorks SoC development team was acquired from Imagination Technologies Limited
2018	Design centre opened in Hyderabad, India
2020	Completed the Group's largest chip design to date with 30 billion transistors and Sondrel became a Samsung Foundry SAFE™ design service partner
2021	Architecting the Future IP platforms created and first turnkey design and supply engagement secured
2022	Sondrel secured its largest turnkey design and supply engagement to-date

4. Business description

Sondrel is a UK founded and headquartered fabless semiconductor business providing turnkey services in the design and delivery of ASICs and SoCs for leading global technology brands. The Group is internationally recognised for delivering designs in leading process nodes for customers who are seeking competitive advantage by including customised ASIC/SoC devices in differentiating their end products when addressing fast growth technology megatrends.

Founded in 2002 and having been predominantly self-financed since formation, Sondrel’s business has grown to the stage where it now employs 168 permanent employees⁵ across offices and design centres in each of the United Kingdom, USA, India, China and Morocco.

Group Structure



Locations⁵

United Kingdom

The Group has operated in the United Kingdom since 2002. With a head office in Theale, the Group employs 60 staff (41 engineers), across design, sales, administration, finance and leadership.

USA

The Group has had sales and technical support operations in California, United States since 2020.

China

The Group operates a design centre in Xi’an, China, which opened in 2008. The location has 26 employees (19 engineers), whose role largely includes delivering projects, winning work in the Chinese market and a limited finance function.

India

The Group opened a design centre in Hyderabad, India, during 2018. The location has 35 employees (33 engineers), and is responsible for delivering projects.

Morocco

The Group opened a design centre in Rabat, Morocco, during 2015. The location has 45 employees (42 engineers), and is responsible for delivering projects.

⁵ All employee figures given as at 5 October 2022. These figures do not include temporary employees

Development of the Group’s engineering capabilities

Originally Sondrel predominantly delivered ASIC design services by way of the provision of outsourced design consultancy (“ODC”) engineering services, with customers charged on the day rate of an engineer. Through this service, Sondrel built its capabilities and reputation in delivering complex ASIC design and engineering projects for customers and was awarded the Queen’s Award for Enterprise: Innovation in 2009, recognising the value of Sondrel’s methodologies and intellectual property.

Following the acquisition of the IMGWorks SoC development team from Imagination Technologies Limited in 2017, Sondrel has provided comprehensive ASIC/SoC design capabilities and non-recurring expenditure (“NRE”) engineering services from an increased engineering base. More recently still, Sondrel has leveraged its existing engineering capability and relationships within the semiconductor industry to provide customers with a full turnkey service in the delivery of ASICs/SoCs (“Projects”).

In providing a turnkey service Sondrel is directly contracted by customers for the full life cycle of an ASIC’s/SoC’s design and production. Sondrel provides ASIC/SoC NRE design services under a fixed price design project contract, and is also directly contracted by customers to manage the prototyping, testing and production supply phases. Sondrel also maintains the ability to provide customers with ODC engineering services on a standalone basis.

The Directors expect that the Group will generate an increasingly significant proportion of its NRE design revenues from Projects, whilst NPI and production-related revenues will become the majority of the Group’s revenues over time as turnkey customers’ products enter production.

Sondrel’s turnkey services



The sales cycle under Sondrel’s turnkey services model typically observes the following stages.

(1) *ASIC/SoC design (NRE engineering): 12 – 18 months*

Following an initial enquiry from a customer with a product concept requiring an ASIC, Sondrel works with the customer in scoping, confirming the viability and ultimately in delivering an ASIC design tailored to meet specific performance, functionality and other parameters. During the design phase Sondrel also engages with foundries to ensure technology capability and ongoing efficacy of the design file with foundry manufacturing requirements.

During the design phase, Sondrel’s unique access to leading edge IP from leading semiconductor IP providers sees the Group purchase and embed third party IP into Sondrel’s design for the customer.

(2) *NPI/Prototype testing: 3 – 6 months*

Following the design stage, Sondrel subcontracts market leading third parties to create, package and test prototype ASICs. This phase includes procuring wafers for ASIC production, packaging the devices, and testing them.

(3) *Production/supply: 3 – 10 years*

On completion of prototyping and satisfactory validation, Sondrel purchases the silicon wafers, subcontracts and manages the packaging and testing of the devices, and provides fully qualified parts to the customer. As a result, Sondrel remains within the value chain throughout the production life of the ASIC/SoC, and continues to ensure production engineering is managed throughout the life of the product. Production and delivery cycles of ASICs/SoCs typically vary between 3 years and 10 years, but can be extended if there is demand from the customer.

Customers

The Group has grown over a period of more than 20 years and delivers complex ASIC/SoC designs on a consultancy and/or project basis for a wide range of leading multi-national corporate customers, with the Group's previous work having been included in well-known products such as Apple iPhone, Sony PlayStation, Meta's Oculus Quest virtual reality headset, Samsung, Google and Sony smartphones, JVC prosumer camcorders, Tesla cars and Mercedes-Benz cars.

In the three years ended 31 December 2021, Sondrel provided engineering to ASIC/SoC designs for between 18 and 24 customers per year and, as at 6 October 2022, Sondrel was actively contracted in delivering services to 11 customers. For the year ended 31 December 2021, the Group's 10 largest customers accounted for approximately 89.9 per cent. of total revenue with the largest customer accounting for approximately 27.6 per cent. of total revenue. The Group's 5 largest engagements in the year ended 31 December 2021 accounted for more than 60 per cent. of the Group's revenue.

The Group serves a number of end markets, a percentage breakdown of these by revenue generated in the 12 months ended 31 December 2019, 31 December 2020, and 31 December 2021 is shown below:

<i>Customer</i>	<i>% of FY 2019 revenue</i>	<i>% of FY 2020 revenue</i>	<i>% of FY 2021 revenue</i>
Networking	11.3	19.8	27.6
Aerospace	0.0	11.7	20.0
Consumer	5.5	8.2	13.9
High performance computing	0.0	2.2	12.3
Industrial	78.2	50.2	4.0
IoT	0.5	0.0	3.6
Artificial intelligence / machine learning	0.0	0.0	0.7
Automotive	1.3	0.3	0.0
Other	3.2	7.6	17.9
Total	100	100	100

As at 31 July 2022, the Group's bookings pipeline of revenue opportunities stood at more than £300 million⁶ (excluding potentially material related production/supply revenues) with the automotive, high performance computing and artificial intelligence / machine learning sectors accounting for approximately 50 per cent. of the Group's bookings pipeline as at that date.

Business generation

Since inception, Sondrel has developed its design services capabilities and is now internationally recognised for designing and delivering some of the most complex digital ASICs/SoCs, resulting in the Group's high level of credibility throughout the global semiconductor ecosystem and building long term relationships with, *inter alia*, foundries, outsourced semiconductor assembly and testing (OSAT) vendors, IP vendors, and electronic design automation (EDA) vendors.

⁶ Based on Sondrel's internal sales forecasting system reports

These relationships have enabled Sondrel to generate a significant amount of new business through referrals, which the Group is well positioned to capture through both its capability of assisting customers in implementing complex digital designs at the most advanced process nodes and also through its global presence.

Sondrel is also a recognised partner with some of the world's largest chip companies and foundries, including Arm, TSMC, Global Foundries and Samsung, acting variously to these counterparties as a supplier, a customer, an R&D partner and also as a commercial partner collaborating on new business development. Sondrel's activities with partners account for more than 15 per cent. of the Group's current pipeline of potential opportunities as at 31 July 2022.

With the continued rise in prevailing geo-political tensions and the global COVID-19 pandemic having exposed significant vulnerabilities in the semiconductor supply chain in recent years, systems companies are increasingly taking ownership of their supply chain – not only in differentiating their products but also in de-risking supply. The ability for systems companies to build the organisational capability to do so internally is limited not only by an inability to accumulate sufficient specialist engineering resource but also by an absence of the necessary relationships with multiple vendors at each stage of the ASIC/SoC supply chain. This has served to further accelerate new demand for turnkey ASIC and SoC services.

The Group also generates a significant level of repeat business with customers. The Group's customers rely on Sondrel to design and deliver ASICs/SoCs that are delivered in both a timely and efficient manner. Given the significant reputational and financial impact on customers from delays and/or defects, customers are unlikely to change to an untested competitor if their existing supplier has performed well. In the last 10 years, more than 70 per cent. of Sondrel's customers have undertaken more than one engagement with the Group.

The Directors believe that Sondrel's track record of having continued to deliver for its customers during recent semiconductor supply chain issues will serve to further entrench the Group's position with existing and potential customers alike and increase barriers to entry.

Intellectual property

Due to the nature of the constantly evolving semiconductor industry, the Group is required to innovate in order to maintain and improve its market position. This is partly achieved by Sondrel through its significant investment in R&D.

The Group's R&D initiatives resulted in 2021 in the launch of its Architecting the Future IP, comprising design process software and methodology, early performance customisable software, and a family of IP platforms. When designing an ASIC or SoC for a customer, Sondrel will use the Architecting the Future IP software and platforms to create optimised ASIC/SoC solutions in a de-risked and timely manner. The platforms themselves are highly customisable, and include the ability to integrate third party IP with the customers' own IP. There are currently 5 platforms available under the Architecting the Future IP collection:

- SFA 100 – Edge IoT data processing. Containing an Arm CPU, the platform can locally process data gather from its associated sensors for onward transmission via wire or wireless connection
- SFA 200 – Single channel, video and data processing. Targeted at applications used within 'Smart' systems, such as smart metering and smart homes
- SFA 250A – Single channel advanced driver assistance systems (ADAS). The platform provides multiple solutions within the automotive industry, such as parking and driving sensors
- SFA 300 – Scalable quad channel video and data processing. This platform enables fast, tailor-made solutions to be created for processing-intensive applications, including 8k video, artificial intelligence, and facial recognition for surveillance
- SFA 350A – Quad channel ADAS. The platform has specifically been designed to support driverless or automotive vehicle applications

The Director's believe that the Architecting the Future IP will enable the Group to create ASIC solutions more quickly and with less risk than traditional methods, enabling devices to reach production more rapidly and securely.

5. Key strengths

Track record

The Group has grown over a period of more than 20 years and is internationally recognised for delivering complex ASIC/SoC designs and remaining at the forefront of design technology for a wide range of leading multi-national corporate customers. The Group's history of consistently delivering successful designs, and the risk mitigation that this provides to customers, is a key strength for the Group and has resulted in the Company delivering revenue growth from inception to 31 December 2021 at a CAGR of 20 per cent.

Design capabilities

As the technological age has advanced, products created within the semiconductor industry have become increasingly complex. Transistor sizes are progressively reducing and as a result the number of transistors on an ASIC/SoC has increased in line with the demand for an end-product to perform increasingly complex functions. This is described by Moore's law.

With Sondrel delivering designs at 5 nanometres and now working on 3 nanometre process nodes, the level of engineering sophistication possessed by the Group is currently limited to it and to a small number of Asian competitors. As a result, Sondrel has a significant competitive advantage both in terms of winning new engagements with leading multi-national corporate customers and also being ideally placed to provide ASIC/SoC designs for key end markets that have significant structural growth drivers, such as automotive, artificial intelligence and high-performance computing.

The price of a chip development continues to rise exponentially in line with the increased complexity of a chip. According to IBS, the design cost to customers of a 5 nanometre SoC is significantly above US\$100 million.

Number and quality of employed engineers

The ability for semiconductor companies to design and deliver ASICs and SoCs of the complexity outlined above heavily relies on having a large number of skilled engineers. Sondrel currently employs 137 engineers⁷ and supplements this capability when needed by utilising existing relationships with external contracting companies, principally in India, allowing for a considerable and fast increase in the number of staff available to meet project requirements. This headcount and well-proven flexibility enables Sondrel to compete in a small group of companies with the resources capable of delivering advanced technology projects. This has resulted in the Director's belief that Sondrel is one of only a handful of companies with the scale to deliver on the projects in its pipeline.

Geographic reach

The Group has always operated internationally and kept a strong overseas presence in sales, customer support and engineering. During the 3 years ended 31 December 2021, Sondrel has provided its services to clients in 11 countries across 4 continents.

Notwithstanding the global nature of the Group's customer base, the percentage breakdown of Sondrel's revenue by Group revenue centre for the 12 months ended 31 December 2019, 31 December 2020 and 31 December 2021 is provided below:

<i>Country</i>	<i>% of FY 2019 revenue</i>	<i>% of FY 2020 revenue</i>	<i>% of FY 2021 revenue</i>
United Kingdom	87.3	87.9	69.9
USA	6.2	2.1	3.7
China	6.0	8.4	9.1
Israel	0.1	–	0.4
Germany	0.1	0.4	0.5
France	–	0.3	5.1
Norway	–	–	3.6
Russia	–	–	7.7
Switzerland	–	0.5	–
Hungary	0.3	0.2	–
Australia	–	0.2	–
Total	100	100	100

⁷ As at 5 October 2022

Sondrel is able to operate in the countries it does due to having design centres and/or offices in 5 locations across the globe. Many of Sondrel's closest competitors do not have the same global reach and/or local capability and the Directors believe this places Sondrel ahead of its peers in being able to meet the demands of both current and prospective customers.

Strong relationships with key industry participants

Since being established in 2002, founder and Chief Executive Officer, Graham Curren, has helped Sondrel to establish 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, a market leading foundry that manufactured the first 5 nanometre SoC;
- 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 customer and a design partner of Global Foundries.

These relationships, together with those that Sondrel has with EDA, materials and subsystems companies, are vital in order to deliver a compelling turnkey design and supply solution.

6. Growth strategy

The Group has ambitions to grow revenues to over £100 million in the medium term.

Transition in business model

As explained above, Sondrel has transitioned its business model to provide a full turnkey ASIC/SoC design and supply service for its customers that includes contracting for the testing and production of ASICs/SoCs in addition to the existing design and production consulting. Although the testing, packaging, and other 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 manufacturing processes for the customer by engaging the various third parties directly.

The Directors believe that developing both the commercial and technical relationships with customers will enable the Group to generate significantly more revenue in the medium term, with the Group remaining within the value chain throughout the ASIC/SoC production life. The Directors 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 alongside the intended increase in engineering headcount referred to below.

Increase in engineering headcount

Sondrel plans to increase the number of engineers it employs from its current level of 137⁸ to approximately 150 by the end of 2022 and to approximately 165 by the end of 2023. This will enable the Group to address more opportunities in its pipeline, further develop its Architecting the Future IP platforms and increase its efforts on R&D.

Due to the growth in the semiconductor industry and the high levels of demand seen for Sondrel's services, the Directors believe that there will be sufficient demand over the coming years to justify the Group's intended increase in engineering headcount.

Increase opportunities in the USA and Asia

Sondrel has identified the USA and Asia as key markets following Admission. Richard Silley, Vice President, Sales and Marketing, joined the Group in March 2022 and is responsible for expanding the sales team and generating new business in these locations.

⁸ As at 5 October 2022

7. Competition

The semiconductor industry is competitive and in order to establish a dominant market position, businesses must be able to meet the customer demand and consistently produce high quality products.

The Directors believe that Sondrel is positioned to perform ahead of some of its closest competitors due to the Group's capability with regard to its intellectual property, the strength of Sondrel's market position, its existing and potential geographic reach in line with its growth strategy and the breadth of Sondrel's turnkey services. The superior relationships the Group has with some of the largest semiconductor businesses in the world and demand from existing customers were key drivers in the evolution of the Group's business model into a full turnkey ASIC and SoC service provider.

The Directors consider that providers of ODC services in isolation only provide competition in very isolated cases. The Group's primary competition comes from other 'fabless' semiconductor businesses providing services akin to Sondrel's. There are only a small number of competitors with capabilities to work in the smallest silicon geometries, including Taiwanese listed businesses Alchip Technologies Limited and Global Unichip Corporation.

8. Suppliers/supply chain

Sondrel operates under the fabless semiconductor model and, as well as design and consultancy services for ASICs/SoCs, provides an end-to-end service for development, production and supply of ASICs/SoCs from initial scoping and design through to the delivery of product.

Under the fabless semiconductor model, fabrication of ASICs/SoCs is outsourced to specialised semiconductor wafer foundries, following which the processed wafers are sent for dicing, testing and packaging by other third parties. Sondrel's wide network of suppliers as well as a strong reputation in the market provides it with security of supply, something which is critical from the outset for the delivery of turnkey services on customer projects.

Sondrel works with a range of partners to build and maintain an end-to-end best in class supply chain for its customers. The Group's partners include, but are not limited to, foundries (such as TSMC, GlobalFoundries and Samsung), OSAT organisations (such as Synergie-CAD, Amkor and ASE), IP vendors (such as Synopsys, Siemens, Arm and Arteris) and EDA vendors (such as Synopsys, Cadence and Siemens).

9. Environmental, Social and Governance (ESG)

The Board recognises the value and importance of high standards of corporate governance and will, with effect from Admission, adopt the QCA Code. Further details as to the Company's approach to governance are set out in Part II of this document.

Responsible business practices are engrained within Sondrel's culture and, in addition to the Board's continuing commitment to develop the Group's environmental, social and governance framework as Sondrel's business continues to scale, the Group recognises that its workforce is essential to the delivery of its growth strategy.

Sondrel invests in the entire employee journey to ensure that material social issues are identified and addressed.

The Group has a dedicated and global internal recruitment team that has designed a bespoke screening process to hire suitable candidates that meet current and near-term skillset requirements. General competition for skilled engineers, as well as driving headcount to support growth, requires that the Group maintains internal recruitment capacity. By optimising the recruitment process, Sondrel seeks to ensure *inter alia* efficient onboarding, project integration and delivery, and enhanced capital management.

Tactical hiring processes are adopted to enable access to talented graduates in key operating markets. In recent years, the Group has successfully activated a number of different graduate schemes in China, Morocco and the UK, yielding high quality candidates, some of which were hired on a permanent basis.

The training and development of the Group's workforce is essential to maintaining its position within the market, meeting the requirements of customers and to retaining personnel.

Designed and overseen by the Group's Learning and Development team, the Group has a bespoke performance assessment matrix which:

- shapes employee growth;
- identifies high performers for accelerated development pathways; and
- identifies medium-term skills requirements to inform Group recruitment efforts.

As at the date of this document:

- Sondrel employs individuals from 9 countries across its 5 global locations;
- 22 per cent. of the Group's engineers are female⁹; and
- the Group offers strong incentives to all of its staff, with approximately 3.9 per cent. of the Enlarged Share Capital under Option. Further details of the Options in issue are set out in paragraph 5.6 in Part V of this document.

10. Current trading and prospects

Since the year ended 31 December 2021, the Group has traded strongly in receiving new customer orders with an aggregate value of £19.4 million in the six months ended 30 June 2022 and in securing and commencing work on a material turnkey design and supply engagement in Q2 2022 for a multi-billion dollar European customer. Unaudited Group revenues generated in the six month period ended 30 June 2022 of £8.0 million were significantly ahead of the prior period, with full year revenues generated in the full year ended 31 December 2021 of £8.2 million.

Given the positive momentum following the Group's transition in business model and the Directors' positive assessment of the strength of the Group's growth strategy, the Directors have confidence in the Group's prospects for the current and upcoming financial years.

11. Directors and Senior Managers

Executive Directors

Graham Curren – Chief Executive Officer (aged 58)

Graham founded Sondrel in 2002 after identifying a gap in the market for an international company specialising in complex digital IC design.

Prior to establishing Sondrel, Graham graduated in Electronic Engineering from Leeds University and worked in both ASIC design and manufacturing before joining electronic design automation ("EDA") company, Avant Corporation. There, he managed the technical and marketing teams across EMEA, supporting products across the whole range of IC design.

In 2010, Graham accompanied the UK prime minister at the time, David Cameron, in his business delegation to China. He also acted as a non-executive director for the China-Britain Business Council between 2011 and 2017.

Jose ("Joe") Lopez – Chief Financial Officer (aged 57)

Joe joined Sondrel in April 2019. His career began as a Business Services Manager for Grant Thornton LLP between 1993 and 1999 where he qualified as a Chartered Accountant.

After leaving Grant Thornton, Joe worked in a variety of directorship roles and has over 12 years' experience as a Chief Financial Officer, ranging from start-ups to corporate multi nationals. Prior to joining Sondrel, Joe was Finance Director of ShopperTrak Limited, a provider of data analytics aimed at helping retailers improve their in-store customer experience, between 2012 and 2017, before joining Airways Aviation Academy Limited as Chief Financial Officer for two years.

⁹ As at 5 October 2022

Non-Executive Directors

Nigel Vaughan – Independent Non-Executive Chairman (aged 71)

Nigel joined the board of Sondrel in 2011. He has 30 years of international Board level experience acting for businesses in both an executive and non-executive capacity. He has held Board level positions in businesses of varying sizes, including UK public limited companies and US multinationals, and he also built an early-stage business, Sifam Limited, that was sold for US\$100 million after 7 years.

He most recently acted as non-executive director of Quantex-Arc Limited between 2018 and 2021. In addition to founding and owning a management consulting business, Vaughan Management Solutions Limited, Nigel currently also acts as Chairman to the Global Advisory Board of the Walsn Group.

Adrian Carey – Independent Non-Executive Director (aged 64)

Adrian has more than 35 years of board experience across listed, AIM, private equity, venture backed and private businesses, primarily in the technology, legal and educational service sectors. Adrian acted as CEO for three companies over a 17 year period, prior to which he was a finance director, venture capitalist and Chartered Accountant. He most recently acted as Executive Chairman for AIM quoted Melorio plc before being appointed as a non-executive director until it was bought by Pearson plc in June 2010.

Adrian has had significant additional non-executive experience, including acting as a non-executive director for Impellam Group and, more recently, Oxford Metrics plc, both quoted on AIM. He currently acts as a non-executive director for Blacktrace Holdings Limited.

Sherry Madera – Independent Non-Executive Director (aged 48)

Sherry is currently Mastercard's Senior Vice President of Global Public Policy and Government Affairs. A Canadian and British national, Sherry joined Mastercard from the London Stock Exchange Group where she held the position of Chief Industry & Government Affairs Officer. She has also worked for the City of London Corporation where she was Economic Ambassador and Special Advisor to Asia, and also acted as a Minister-Counsellor at the British Embassy in Beijing, responsible for promoting trade and investment between the UK and China.

Recognised as an expert on green and sustainable finance as well as on data policy, Sherry continues to hold the role of Chair of the Future of Sustainable Data Alliance, a global alliance dedicated to working with the financial industry to use data to build a sustainable future.

Gordon Orr – Independent Non-Executive Director (aged 60)

Gordon currently acts as a Senior Advisor to management consultancy firm, McKinsey & Company, having previously acted as Chairman of its Asia division. Gordon also sits on the boards of Chinese multinational technology company, Lenovo Group Limited, and conglomerate, Swire Pacific Limited. In addition, he works with the CEOs of a number of China's globalising companies, is an advisor to Oxford University and Harvard Business School in Asia and is a Board Member of the China Britain Business Council.

Gordon spent the majority of his career at McKinsey & Company having joined in 1986. He opened McKinsey's Beijing office in the early 1990s and led its Greater China practice for many years and McKinsey Asia between 2009 and 2014. Gordon was on McKinsey's global board of directors between 2003 and 2015 with responsibilities for Asia, Governance and Risk, before retiring from the firm.

Senior Managers (PDMRs)

Richard Silley – Vice President, Sales and Marketing

Richard joined Sondrel in March 2022. Having graduated from the University of Southampton in 2006 with a degree in Electronic Engineering, Richard worked for the National Instruments Corporation, a producer of automated test equipment and virtual instrumentation software, in a variety of roles, most recently as a regional sales director and UK site leader. Richard also achieved a diploma in sustainable business strategy from Harvard Business School in 2021.

Hilary Rico – Global Operations Director

Hilary has worked at Sondrel since 2008 across all of its locations. She was made Global Operations Director responsible for all HR functions in 2017 after working in the roles of Business Operations Manager between 2008 and 2013 and as a Director of Business Operations between 2013 and 2017. Prior to joining Sondrel, she worked as a marketing officer for the London School of Commerce, and has a degree in Business Studies from Bournemouth University.

Edwin Loveseed – Head of Engineering

Edwin is an engineer by training having graduated with a First-Class Honours Degree in Communications and Control Engineering from the University of Manchester. Edwin has over 25 years' experience in systems delivery and professional equipment design. Prior to joining Sondrel, he worked in senior roles including at Ericsson Television as Head of Hardware Design and Delivery, Head of Engineering at Clearview Traffic, and Principal Architect/Engineering Group Manager at Tandberg Television.

Gareth Jones – Vice President ASIC

Gareth leads Sondrel's turnkey ASIC services having joined in July 2022. He has over 25 years' experience in both ASIC and foundry services working across EMEA, USA, Taiwan and China. Before joining Sondrel he most notably worked as director of marketing for EMEA at TSMC. He holds a Bachelor of Science in Electrical and Electronic Engineering from the University of Bristol.

12. Reasons for Admission and use of proceeds

The Company is seeking to raise approximately £20.0 million before expenses pursuant to the Placing (approximately £17.5 million net of expenses). The net proceeds raised pursuant to the Placing will be used by the Company to:

- pursue organic growth by increasing its engineering headcount. This will allow the Company to both address more visible business opportunities and also increase its R&D and IP development;
- increase marketing in the USA and Asia to accelerate sales of the Company's services; and
- strengthen the Company's balance sheet.

Expected use of net proceeds from the issue of Placing Shares

Research & Development	£3.5 million
Growth capex	£2.5 million
Operational/Sales expansion	£2.0 million
Working capital	£7.0 million
Debt repayment*	£2.5 million
Total	£17.5 million

* Repayment of loans to the Group by Siemens (approximately £0.7 million) and both a Coronavirus Business Interruption Loan and Recovery Loan Scheme loan (in aggregate, totalling approximately £1.8 million) provided by HSBC, will be repaid in full, on Admission.

13. Dividend policy

The Directors do not intend to commence the payment of dividends in the immediate future, considering that it is likely to be more prudent to retain cash generated to fund the expansion of the Group. The Directors will reconsider the Company's dividend policy from time to time.

The declaration and payment by the Company of any future dividends will depend on the results of the Group's operations, its financial condition, cash requirements, future prospects, profits available for distribution, and other factors deemed to be relevant at the time.

The Company did not pay a dividend for the periods covered in Part IV of this document.

14. The Placing and Admission

On Admission, the Company will have 87,461,772 Ordinary Shares in issue and a market capitalisation at the Placing Price, of approximately £48.1 million. The Placing will raise gross proceeds for the Company of £20.0 million (before estimated expenses of £2.5 million) and comprises the issue of 36,363,636 Placing Shares. Cenkos has agreed, pursuant to the Placing Agreement and conditional, *inter alia*, on Admission, to use its reasonable endeavours, as agent for the Company, to procure institutional and other subscribers for the Placing Shares to be issued by the Company. The Placing Shares will represent approximately 41.6 per cent. of the Enlarged Share Capital.

It is intended that the Company will issue the Placing Shares in accordance with the Placing Agreement with effect from no later than 8.00 a.m. on 21 October 2022. The issue of the Placing Shares will be conditional on Admission.

The Placing is not underwritten and is conditional, *inter alia*, upon Admission becoming effective and the Placing Agreement becoming unconditional in all other respects and not being terminated by 8.00 a.m. on 21 October 2022 or such later date (being no later than 10 November 2022) as the Company and Cenkos may agree. The Placing Agreement contains provisions entitling Cenkos to terminate the Placing in certain customary circumstances prior to Admission becoming effective. If this right is exercised, the Placing will lapse and Admission will not occur.

The Placing Shares will be issued as fully paid. On Admission, the Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends and other distributions declared, paid or made after the date of issue.

None of the Placing Shares have been marketed to or will be made available in whole or in part to the public in conjunction with the application for Admission. Application has been made to the London Stock Exchange for the issued and to be issued ordinary share capital of the Company to be admitted to trading on AIM. Admission is expected to become effective and dealings in the Enlarged Share Capital are expected to commence at 8.00 a.m. on 21 October 2022.

Adrian Carey, Sherry Madera and Gordon Orr have agreed to subscribe for 90,500, 45,000 and 318,000 Placing Shares respectively. On Admission, the Directors will hold, in aggregate, 28,388,522 Ordinary Shares, representing 32.5 per cent. of the Enlarged Share Capital.

Further details of the Placing Agreement are set out in paragraph 14.2 of Part V of this document.

15. Relationship Agreement

The Company has entered into a relationship agreement with Graham Curren (being the “**Controlling Shareholder**”) and Cenkos to regulate the relationship between the Company and the Controlling Shareholder and his associates after Admission, further details of which are set out in paragraph 14.5 of Part V of this document (the “**Relationship Agreement**”). The Relationship Agreement will be binding for as long as the Controlling Shareholder (together with his associates and anyone deemed to be acting in concert with him) is interested in 20 per cent. or more of the rights to vote at a general meeting of the Company. Amongst other things, the Relationship Agreement provides that the Controlling Shareholder shall use all reasonable endeavours to procure that (a) all arrangements between any member of the Group and the Controlling Shareholder or any of his associates be on an arm’s length basis and on normal commercial terms; and (b) no action is taken that would have the effect of preventing any member of the Group from complying with its constitution or its obligations under applicable laws (including the AIM Rules).

16. Lock-ins and orderly market arrangements

Pursuant to the terms of their Lock-in Agreements, each of the members of the Concert Party has undertaken not to sell, transfer or dispose of any Ordinary Shares held by them at or following Admission for a period of 18 months following Admission.

In addition, each of the members of the Concert Party has undertaken not to dispose of any Ordinary Shares during the 12 month period following the 18 month lock-in period referred to above other than through the Company’s nominated broker at the relevant time, in such manner as they may reasonably require with a

view to maintaining an orderly market in the Ordinary Shares. These restrictions are subject to certain customary exceptions including any sale or disposal with the prior consent of Cenkos and the Company.

Pursuant to the terms of their Lock-in Agreements, each of Nigel Vaughan, Adrian Carey, Sherry Madera, Gordon Orr, Siemens and the Option Holders has undertaken not to sell, transfer or dispose of any Ordinary Shares held by them at Admission for a period of 12 months following Admission. In addition, each of Nigel Vaughan, Adrian Carey, Sherry Madera, Gordon Orr and the Option Holders have undertaken not to dispose of any Ordinary Shares during the 12 month period from the first anniversary of Admission other than through the Company's nominated broker at the relevant time, in such manner as they may reasonably require with a view to maintaining an orderly market in the Ordinary Shares. These restrictions are subject to certain customary exceptions including any sale or disposal with the prior consent of Cenkos and the Company.

The Lock-in Agreements are intended to preserve an orderly market in the Ordinary Shares after Admission. Further details of these arrangements are set out in paragraph 14.4 of Part V of this document.

At Admission, the Lock-in Agreements will apply in respect of 51,551,636 Ordinary Shares and 3,420,000 Options representing 58.9 per cent. and 3.9 per cent. respectively of the Enlarged Share Capital.

17. Share incentive arrangements

The Directors believe that the success of the Group will depend to a significant degree on the future performance of the management team. The Directors also recognise the importance of ensuring that employees are well motivated and identify closely with the success of the Group.

Accordingly, Sondrel has historically issued share options to key employees and, as at Admission, a wide range of the Company's senior management will have Options to subscribe for up to 3,420,000 new Ordinary Shares, representing 3.9 per cent. of the Enlarged Share Capital on Admission.

Details of the Options in issue are set out at paragraph 5.6 of Part V of this document.

The Directors also believe that the success of the Group will in part depend on the Group's ability to continue to attract and retain talent. With no further Options capable of being issued under the Company's existing share option scheme (details of which are set out in paragraphs 5.6 and 11 of Part V of this document), the Directors will consider the implementation of new incentive arrangements, suitable for a Company admitted to trading on AIM, in due course following Admission.

The maximum number of Ordinary Shares in respect of which options may be granted under share incentive arrangements at any time operated by the Company shall not exceed 10 per cent. of the Company's issued share capital in any 10 year period.

18. The Takeover Code

The Company is a public company incorporated in England and Wales and its Ordinary Shares will be admitted to trading on AIM. Accordingly, the Takeover Code applies to the Company. Under Rule 9 of the Takeover Code, any person who acquires an interest in shares which, taken together with shares in which that person or any person acting in concert with that person is interested, carry 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code is normally required to make an offer to all the remaining shareholders to acquire their shares.

Similarly, when any person, together with persons acting in concert with that person, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of such a company but does not hold shares carrying more than 50 per cent. of the voting rights of the company, an offer will normally be required if any further interests in shares carrying voting rights are acquired by such person or any person acting in concert with that person.

An offer under Rule 9 must be made in cash at the highest price paid by the person required to make the offer, or any person acting in concert with such person, for any interest in shares of the company during the 12 months prior to the announcement of the offer.

The Company has agreed with the Takeover Panel that the following persons are acting in concert in relation to the Company:

<i>Concert Party member</i>	<i>Description</i>
(a) Graham Curren	Founder and CEO
(b) Claire Curren	Spouse of Graham Curren
(c) The Curren 2022 Family Settlement	Curren family discretionary trust of which Graham Curren and Claire Curren are trustees and their five children are possible beneficiaries

Following Admission, the members of the Concert Party will be interested in 39,253,866 Ordinary Shares, representing 44.88 per cent. of the voting rights of the Company. A table showing the respective individual interests in Ordinary Shares of the members of the Concert Party on Admission is set out below:

<i>Concert Party member</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Ordinary Shares on Admission</i>
Graham Curren	26,933,652	30.79
Claire Curren	6,733,416	7.70
The Curren 2022 Family Settlement	5,586,798	6.39
Total	39,253,866	44.88

Following Admission, the members of the Concert Party will be interested in Ordinary Shares carrying more than 30 per cent. of the voting rights of the Company but will not hold Ordinary Shares carrying more than 50 per cent. of the voting rights of the Company. For so long as they continue to be acting in concert, any increase in their aggregate interest in Ordinary Shares will be subject to the provisions of Rule 9.

Further information on the provisions of the Takeover Code and the Concert Party is set out in paragraphs 7.1 to 7.3 of Part V of this document.

19. Admission, dealings and CREST

Application has been made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence in the Ordinary Shares at 8.00 a.m. on 21 October 2022.

No temporary documents of title will be issued. All documents sent by or to a Placee, or at his or her direction, will be sent through the post at the Placee's risk. Pending the dispatch of definitive share certificates, instruments of transfer will be certified against the register of members of the Company. The Company has applied for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so admitted and accordingly enabled for settlement in CREST on the date of Admission. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place within the CREST system if any individual Shareholder so wishes provided such person is a "system member" (as defined in the CREST Regulations) in relation to CREST. Dealings in advance of crediting of the relevant CREST account(s) shall be at the sole risk of the persons concerned.

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations. The Articles permit the holding of Ordinary Shares in uncertificated form in accordance with the CREST Regulations.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

For more information concerning CREST, Shareholders should contact their brokers or Euroclear UK & International Limited at 33 Cannon Street, London, EC4M 5SB.

20. Taxation

The attention of investors is drawn to the information regarding taxation which is set out in paragraph 18 of Part V of this document. These details are, however, only intended as a general guide to the current taxation law in the UK. **Investors who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their professional advisers.**

21. Risk Factors

Prospective investors should consider carefully the risk factors described in the section headed “Risk Factors” and set out in Part III of this document in addition to the other information set out in this document and their own circumstances, before deciding to invest in Ordinary Shares.

22. Notification of major interest in Ordinary Shares

Chapter 5 of the Disclosure, Guidance and Transparency Rules makes provisions regarding notification of certain shareholdings and holdings of financial instruments. Where a person holds voting rights in the Company as a shareholder or through direct or indirect holdings of financial instruments, then that person has an obligation to make a notification to the Company of the percentage of voting rights held where that percentage reaches, exceeds or falls below 3 per cent. or any whole percentage point above 3 per cent. The requirement to notify also applies where a person is an indirect shareholder and can acquire, dispose of or exercise voting rights in certain cases.

23. Further Information

You should read the whole of this document which provides additional information on the Company and the Placing and not rely on summaries or individual parts only. Your attention is drawn, in particular, to the risk factors in Part III of this document, the financial information in Part IV of this document and the additional information set out in Part V of this document.

PART II

DIRECTORS AND CORPORATE GOVERNANCE

1. Directors

On Admission, the Board will comprise the following persons:

- Nigel Vaughan (*Independent Non-Executive Chairman*)
- Graham Curren (*Chief Executive Officer*)
- Jose (“Joe”) Lopez (*Chief Financial Officer*)
- Adrian Carey (*Independent Non-Executive Director*)
- Sherry Madera (*Independent Non-Executive Director*)
- Gordon Orr (*Independent Non-Executive Director*)

The Company’s additional senior members of management (PDMRs) consist of:

- Hilary Rico – Global Operations Director
- Richard Silley – Vice President of Sales
- Edwin Loveseed – Head of Engineering
- Gareth Jones – Vice President ASIC

2. Corporate governance

The Board recognises the value and importance of high standards of corporate governance and intends to observe the requirements of the QCA Code.

The Board will continue to be responsible for the overall management of the Company including the formulation and approval of the Company’s long-term objectives and strategy, the approval of budgets, the oversight of Company operations, the maintenance of sound internal control and risk management systems and the implementation of the Company’s strategy, policies and plans. Whilst the Board may delegate specific responsibilities, there will be a formal schedule of matters specifically reserved for decision by the Board. The Board will formally meet at least six times per annum.

On Admission, the Board will comprise six directors, two of whom are executive and four of whom are non-executive.

The Board has established an audit and risk committee and a remuneration and nomination committee with formally delegated duties and responsibilities, as described below.

Audit and risk committee

The audit and risk committee will have responsibility for monitoring the integrity of the Company’s financial statements, reviewing significant financial reporting issues, reviewing the effectiveness of the Company’s internal control and risk management systems, monitoring the effectiveness of any internal audit function and overseeing the relationship with the external auditors (including advising on their appointment, agreeing the scope of the audit and reviewing the audit findings).

The audit and risk committee comprises Adrian Carey and Gordon Orr and will be chaired by Adrian Carey. The audit and risk committee will meet at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required. The audit and risk committee also has unrestricted access to the Company’s external auditors.

Remuneration and nomination committee

The remuneration and nomination committee will have responsibility for determining and agreeing with the Board the framework for the remuneration of the Chairman, the Executive Directors and other designated

senior executives and, within the terms of the agreed framework, determining the total individual remuneration packages of such persons including, where appropriate, bonuses, incentive payments and share options or other share awards. The remuneration of Non-Executive Directors will be a matter for the Chairman and the Executive Directors. No Director will be involved in any decision as to his or her own remuneration.

In addition, the remuneration and nomination committee will have responsibility for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and giving full consideration to succession planning. The remuneration and nomination committee will also have responsibility for recommending new appointments to the Board and to the other Board committees. It will be responsible for identifying suitable candidates for board membership and will monitor the performance and suitability of the current Board on an on-going basis.

The remuneration and nomination committee comprises Sherry Madera, Adrian Carey and Nigel Vaughan and will be chaired by Sherry Madera. The remuneration and nomination committee will meet at least twice a year and at other times as and when necessary.

Share dealing code

The Company has adopted a share dealing code, with effect from Admission, which is compliant with Article 19 of UK MAR and Rule 21 of the AIM Rules for Companies. The share dealing code will apply to any person discharging managerial responsibilities, including the Directors and senior management and any closely associated persons and applicable employees.

The share dealing code imposes restrictions beyond those that are imposed by law (including by the FSMA, UK MAR and other relevant legislation) and its purpose is to ensure that persons discharging managerial responsibility and persons connected with them do not abuse, and do not place themselves under suspicion of abusing, price-sensitive information that they may have or be thought to have. The share dealing code sets out a notification procedure which is required to be followed prior to any dealing in the Company's securities.

PART III

RISK FACTORS

An investment in the Company is subject to a number of risks and uncertainties. Accordingly, in evaluating whether to make an investment in the Company, potential investors should consider carefully all of the information set out in this document and the risks attaching to an investment in the Company, including but not limited to the risk factors described below, before making any investment decision with respect to the Ordinary Shares.

The risk factors described below do not purport to be an exhaustive list and do not necessarily comprise all of the risks to which the Group is exposed or all those associated with an investment in the Company. In particular, the Company's performance is likely to be affected by changes in market and/or economic conditions and in legal, accounting, regulatory and tax requirements. The risk factors described below are not presented in any assumed order of priority. Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect upon the Company. If any of the following risks were to materialise, the Group's business, financial condition, results, prospects and/or future operations may be materially adversely affected. In such case, the value of the Ordinary Shares may decline and an investor may lose all or part of their investment.

Prospective investors should consider carefully whether an investment in the Ordinary Shares is suitable for them in the light of the information in this document and their personal circumstances. Prospective investors should consult a legal adviser, an independent financial adviser or a tax adviser for legal, financial or tax advice if they do not understand any part of this document.

RISKS RELATING TO THE BUSINESS AND OPERATIONS OF THE GROUP

The Group's revenues are derived from the delivery of design projects

The Group's revenues are derived from the successful delivery of customer projects in the design, testing and production of ASICs/SoCs. Milestones for the design process are agreed on customer projects and payment is received upon achieving each milestone. Any delays in the delivery of the design of the ASIC/SoC, whether as a result of changing customer requirements, a fault of the Group or otherwise, could result in delays in the achievement of design process milestone payments, NPI related revenues and thereafter to the commencement of production related revenues. Any of these factors could have a material adverse effect on the Group's business, financial condition and results of operations.

Additionally, it is possible that a customer's end product, which utilises a design completed by the Group, does not ultimately reach production and/or is not produced in the volumes anticipated. Failure of a customer's end product to reach production and/or being produced in insufficient volumes to warrant long term production would affect the Company's ability to generate production related revenues.

The Group generates a significant proportion of its revenue from a limited number of large customers

While the Group supplies products and services to multiple customers, it depends on a limited number of large customers in any one year for a significant proportion of its revenue. For the year ended 31 December 2021, the Group's 10 largest customers accounted for approximately 89.9 per cent. of total revenue with the largest customer accounting for approximately 27.6 per cent. of total revenue.

If the Group's commercial relationship with any such key customer is terminated or significantly altered for any reason, the Group's business, its results of operations and/or its financial condition could be materially adversely affected.

Furthermore, the Group may generate decreased revenues from these customers for a variety of reasons, including, but not limited to: (a) inability to secure customer orders, whether as a result of, *inter alia*, a failure to offer competitive terms or a customer's desire to diversify their supplier base; (b) reduced, delayed or changing customer requirements; (c) an acquisition of a customer resulting in the customer's integration

into a larger group and changing customer requirements and/or capabilities; (d) reduced demand for customers' products and services, including as a result of cyclical downturns that disproportionately affect the sectors in which the Group operates; or (e) bankruptcy or insolvency of a customer.

Any of these factors could have a material adverse effect on the Group's business, financial condition and results of operations.

Potentially unfavourable contractual terms with counterparties

The Group contracts with a variety of counterparties in its provision of turnkey services to customers in the design and supply of ASICs/SoCs. Many of these counterparties are significantly larger than the Group. Whilst the Group seeks to negotiate contracts on terms that it considers are the most beneficial to it in the circumstances, the Group may have limited scope for negotiation of standard counterparty contractual terms. Whilst such terms may not be considered unusual in a procurement context, such contractual terms may include provisions which might ordinarily be regarded as onerous including, without limitation, uncapped indemnities.

In the event of a successful claim against the Group under such contracts, the Group could be liable for substantial damages awards which could materially and adversely affect its financial performance and financial condition.

Some of the Group's contracts with its customers can be terminated at short notice

Certain of the Group's contracts, including those with its largest customers, contain standard terms and may be terminated by customers at short notice (including in case of a change of control undergone by the Company) and without cause. The Directors believe these terms are in line with the majority of the industry, however, if these contracts were to be terminated, it could materially harm the financial condition and results of the Group.

Non-renewal of outsourced design consultancy ("ODC") contracts

The Directors consider that ODC contracts will constitute a decreasing proportion of the Group's business in the future. However, and whilst the Group has to date delivered ODC services to customers in engagements typically spanning 18 months or more, the delivery of services to customers under ODC engagements may be delivered to certain customers under a series of shorter term contracts in keeping with customers' internal process requirements. These short term ODC contracts may cover periods of as little as 3 months and require renewal at the end of each interval of the engagement. There is therefore a risk that underlying ODC engagement contracts may not be renewed at short notice, and if a number of ODC contracts are not renewed as expected, the financial condition of the Group could be impacted.

The Group operates in a competitive environment

The semiconductor market is competitive and the Group's performance could be impeded if competitors possess greater capabilities, processes and products, respond more quickly to changes in demands or provide a more attractive pricing package.

Actions taken by competitors and any response by the Group, such as lowering prices or increasing expenditure, may have a material adverse effect on the Group's business, results of operations and financial condition.

Risk of customer supply chain consolidation

While the Group's core customers rely on third parties, such as the Group, to design and supply custom ASICs and SoCs, it is possible that customers could integrate this stage of the manufacturing process internally through organic growth and vertical integration. Therefore, the Group is exposed to the risk of customers reducing reliance on third party ASIC and SoC designers and suppliers. Any loss of, or material reduction in, demand from key customers due to such internal integration could have a material adverse effect on the Group's business, performance and prospects.

The Group's success depends on its ability to maintain high quality capabilities, processes and products

As a designer and supplier of custom ASICs/SoCs to the automotive, communications, artificial intelligence, industrial and other sectors, a determining factor for the Group's customers in contracting with the Group are the quality of its capabilities, processes and final ASICs/SoCs. A decrease in the actual or perceived quality of the Group's capabilities could damage the Group's image and reputation, which in turn could result in loss of sales and customers. If any of the foregoing were to occur this could have a material adverse effect on the Group's operating results, financial condition and prospects.

Management of growth

The Group's growth plans may place a significant strain on its management and operational, financial and personnel resources. Further, the ability of the Group to implement its strategy requires effective planning and management control systems. Therefore, the Group's future growth and prospects may depend in part on its ability to manage this growth. There can be no guarantee that the Group will achieve or effectively manage the level of success that the Directors expect.

Information technology risks

The Group utilises information technology systems to conduct its operations. Due to this, the Group and its software are at risk from cyber-attacks. Cyber-attacks can result from deliberate attacks or unintentional events and may include, but are not limited to, malicious third parties gaining unauthorised access to the Group's software for the purpose of misappropriating financial assets, intellectual property or sensitive information (such as customer data), corrupting data, or causing operational disruption.

Whilst the Directors consider that the Group has taken appropriate steps to protect its systems, there can be no assurance that its efforts will prevent service interruptions or security breaches in its systems or the unauthorised or inadvertent wrongful access or disclosure of confidential information that could have an adverse impact on the Group's business, prospects, operating results and financial condition or result in the loss, dissemination or misuse of critical or sensitive information. If the Group suffers from a cyber-attack, whether by a third party or insider, it may incur significant costs (including liability for stolen assets or information) in repairing any damage caused to the Group's network infrastructure and systems. The Group may also suffer reputational damage and loss of investor confidence. If the Group suffers a cyber-attack, this could expose the Group to potential financial and reputational harm.

Failure to identify or anticipate future risks

Although the Directors believe that the Group's risk management procedures are adequate, the methods used to manage risk may not identify or anticipate current or future risks or the extent of future exposures, which could be significantly greater than historical measures indicate. Risk management methods depend on the evaluation of information regarding markets or other matters that is publicly available or otherwise accessible to the Group. Failure (or the perception that the Company has failed) to develop, implement and monitor the Group's risk management policies and procedures and, when necessary, pre-emptively upgrade them, could give rise to reputational and trading issues which could have an adverse impact on the Group's business, prospects, operating results and financial condition.

Ability to remain innovative within the competitive semiconductor industry

Technological devices are becoming increasingly complex and are advancing at pace. In order to remain competitive, the Group's design and supply capabilities must be capable of easily adapting to the needs and innovation demanded by customers. Failure to adapt in this way, or to adapt as quickly and effectively as its competitors, could have a material adverse effect on the Group, its operating results, financial condition and prospects.

Critical server failure

The Group is reliant on the availability of servers at third party locations to deliver its services to customers. Both the Group's servers, and those of the Group's customers, on which the Group is dependent, can fail for a variety of reasons, including wear and tear, design, user or operator error. Any such failure is likely to

result in delays in the semiconductor design and supply life cycle which will ultimately adversely affect the revenue and profitability of the Group, its financial condition and the results of its operations.

The Group may not be successful in obtaining, maintaining and/or enforcing sufficient intellectual property rights to protect its business, or in avoiding claims that the Group infringes on the intellectual property rights of others

The Group relies on various types of unregistered intellectual property rights such as copyrights and designs as well as unpatented proprietary knowledge and trade secrets, to protect its business. However, these rights do not afford complete protection against third parties' claims and infringements. While IP laws are fairly harmonised around the world, certain countries' laws may not protect the Group's intellectual property rights to the same extent as afforded in the UK and the USA. Additionally, there can be no assurance that third parties will not independently develop knowledge and trade secrets that are similar to the Group's, or develop products, technology or know how that compete effectively with the Group's products and brands without infringing, misusing or otherwise violating any of the Group's intellectual property rights.

The Directors cannot be certain that any of the Group's unregistered copyrights, designs or know how will provide the Group with sufficient protection from competitors, or that any intellectual property rights which the Group does hold will not be invalidated, circumvented or challenged in the future. In the event of such a challenge, the Group could incur significant costs to defend its intellectual property rights, even if it is ultimately successful.

Third parties may copy or otherwise obtain and misuse the Group's proprietary knowledge, trade secrets, designs or copyrights, or infringe or otherwise violate the Group's intellectual property rights. Additionally, the Group may not be able to prevent current and former employees, contractors and other parties from misappropriating the Group's confidential and proprietary knowledge. Infringement, misuse or other violation of any of the Group's intellectual property rights may dilute or diminish the value and goodwill of its brand, products and services in the marketplace, which could materially and adversely affect the Group's results of operations and make it more difficult for the Group to maintain a strong market position.

The Group may from time to time become involved in claims brought by third parties companies alleging that the Group has infringed their intellectual property rights. Any litigation or adverse proceedings could result in substantial costs and diversion of resources, and, if determined adversely to the Group, could substantially harm the Group's reputation, business, results of operations and financial condition.

Change in the cost of labour

An increase in labour and employee benefit costs in certain low-cost countries in which the Group operates such as India, China and Morocco may adversely affect the Group's operating costs. A shortage in the labour pool or other general inflationary pressures or changes will also increase the Group's labour costs. Any increases in labour costs could have a material adverse effect on the Group's prospects, operating results and financial condition.

Reliance on manufacturing capacity located in areas that have been impacted by natural disasters and other disruptions, which may affect the availability of supplies and services

As the Group focuses on the design and supply of ASICs/SoCs, the Group is reliant on third party manufacturers to produce the physical ASICs. Accordingly, the full production life cycle of the ASICs and/or SoCs is not within the Group's control. Traditionally, the majority of the ASICs are manufactured outside the UK in countries including Taiwan, South Korea and China – all countries that are located in a region with a disposition to natural disasters. The Group's business is therefore exposed to supply chain disturbances caused by natural disasters in these areas and any such disturbances may be expected to adversely affect the Group's revenues, results of operations and financial condition.

Reliance on third parties and contractors

The Group's business relies on certain suppliers, without whom the Group's development strategy, revenue generation, efficiency of operations and cash flow may not be optimised. The Group cannot guarantee that services and products delivered from third parties will remain of a high quality in the future and be provided

without interruption. In the event of a major disruption to the timely supply of high quality third party products and services, alternative suppliers may only be available at higher prices or at the cost of some delay, which could negatively affect the Group's operations, financial results and performance.

The Group selects carefully, and relies on, third-party suppliers, vendors and independent contractors and other service providers for various aspects of its business. Such contractors may include (but are not limited to) manufacturers who have provided warranties in relation to the supply of any equipment, technology and other services, testing, qualification, packaging providers, resellers and other third parties.

The Group's operations and performance could be adversely affected if contractors and third parties do not have sufficient capacity to work with the Group on its chosen projects or the quality of their work or service does not meet the requisite requirements, which could have an adverse effect on the Group's performance and reputation. Any replacement contractor or supplier may be at a higher cost. If it takes a long time to find a suitable contractor, it could potentially lead to delays, lower technical and operating performance or downtime for the relevant contracts. This could have a material adverse effect on the Group's financial position, results of operations and business prospects.

Where a contractor has not fulfilled or is not able to fulfil its contractual duties and/or the performance of the product falls below the guaranteed levels, the Group will pursue all reasonable means to recover any losses resulting therefrom and seek compensation for any costs sustained by the Group to correct any faults uncovered. However, any such legal action, breach of contract or delay in services by these third-party professionals and independent contractors could have a material adverse effect on the Group's business, financial condition and results of operations.

Third party products

The Group's business is dependent on many products, technologies and services provided by third parties for its development strategy and operations. Any changes made by these third parties to functionality, features or settings of these products, technologies and services or to their availability could adversely affect the Group's business and prospects.

Ability to attract and retain key management and employees

The Group's ability to attract and retain key management and employees, including suitably qualified and experienced engineers, is critical to the Group's continued development and innovation. Loss of key management or other key personnel, particularly to competitors, could have adverse consequences. Whilst the Group has entered into service agreements, letters of appointment and/or employment agreements with each of its Directors and other key personnel, the retention of their services cannot be guaranteed.

Furthermore, the very nature of designing and supply ASICs/SoCs requires individuals to possess the core technical skills and knowledge required by a fabless Company in addition to the semiconductor business operation and product engineering process. The Group may not be successful in identifying and engaging suitably qualified people or inducting them into the Group, which may impact the performance of its business. In addition, the ability to attract and incentivise such individuals in the locations where the Group operates requires proportionate budgeting and therefore can affect the revenue of the Group. Recruitment and retention of suitably qualified employees is vital and the loss of key personnel without adequate replacement or an inability to attract, develop and retain additional qualified management and other personnel could have a material adverse effect on the Group's business, performance and prospects.

The Group's business may be impacted by the effects of Russia's invasion of Ukraine

The Group is monitoring the effects of Russia's invasion of Ukraine. The Group has no operations or presence in Russia or Ukraine but the broader economic consequences of the invasion are currently difficult to predict, and geopolitical instability, the imposition of sanctions and other restrictive measures against Russia and any retaliatory actions taken by Russia in response to such measures could adversely affect the global markets and the global geopolitical and economic environment, which could in turn adversely impact the Group's business and/or the trading prices of its securities.

Given the Group's international presence, it is subject to various global sanctions regimes, and similar laws, regulations or orders imposed in response to the Russian invasion, many of which are evolving rapidly. The Group is monitoring changes to applicable global sanctions regimes to ensure it remains in compliance with its obligations, as any failure to comply with the evolving sanctions could present serious legal and reputational risks, which could, in turn, have a material and adverse effect on the Group's business. For example, Sondrel Limited is party to a contract with a company which the Directors believe may be connected to one of the individuals currently subject to UK sanctions as a result of the Ukraine war. Consequently, Sondrel Limited suspended its performance of the contract on the grounds of force majeure. The customer has argued that Sondrel Limited should not have suspended its performance of the contract because a force majeure event had not occurred. Although no legal action has been commenced against Sondrel Limited or any other member of the Group by the counterparty, the costs of defending itself against any litigation and the loss of business arising from any dispute may have a material and adverse impact on the Group's business and financial performance. Furthermore, if the Group did not act fully in accordance with the sanctions regime and suspend the contract in a timely manner, the Group may be subject to a fine or other penalty and may suffer reputational issues as a result which might have a material impact on the Group's business or financial performance.

The situation remains highly uncertain and there may be additional risks to the Group arising out of or relating to the Russian invasion of Ukraine, and the escalating military conflict in the region, which could also have a material and adverse impact on the Group's business.

The Group is subject to risks related to its global operations

The Group currently has operations in various jurisdictions, including the UK, the US, India, China and Morocco.

Each of these jurisdictions has different regulatory, tax, legal environments and economic and political conditions that could change in the future and impact on how the Group conducts its business in these countries. If the Group was to fail to comply with applicable laws and regulations of overseas jurisdictions in which it operates, there is a risk that it could be subject to reputational damage and legal issues, such as government or regulatory enforcement, including the imposition of financial penalties. Such government or regulatory enforcement action may further damage the reputation of the Group and have a material adverse effect on the Group's operating results and financial condition.

The global nature of the Group's operations makes the Group subject to various risks that could have a material adverse effect on those operations and its business as a whole, including exposure to local economic and political conditions, including political disputes, coups, requirements to expend a portion of funds locally, expropriation and nationalisation by a government, increased risk of fraud and political corruption, exposure to local social unrest, including any resultant acts of war, terrorism or similar events, the risk of government-sponsored competition, increased risk of uncontrollable accounts and longer collection cycles (particularly in China), changes to existing free trade agreements and the imposition of export and import restrictions (such as anti-dumping duties, tariffs, embargoes, border controls and additional health checks) and/or variations in protection of intellectual property and other legal rights. Any of these factors could have a material adverse effect on the Group's business, financial condition and results of operations.

International operations and offices

In addition to operations in the United Kingdom, the Group has operations in the USA, China, India and Morocco. Accordingly, the Group is exposed to the risks associated with conducting business in these jurisdictions. These include the risk of non-compliance by international offices with local tax, planning, company, employment and other legislation. Each of these jurisdictions has different regulatory, tax and legal environments that could change in the future and impact on how the Group conducts its business in these countries. If the Group was to fail to comply with laws and regulations of overseas jurisdictions in which it operates, there is a risk that it could be subject to legal and reputational issues, such as government or regulatory enforcement, including the imposition of financial penalties. Such enforcement action may have a material adverse effect on the Group's reputation, results of operation and financial condition.

For example, and following a change in regulations in China, Sondrel (Xi'An) Co., Ltd. (a member of the Group) has been in technical non-compliance with the regulations regarding the requirement for employment

related social security payments for three Shanghai based Group employees to be paid by a local Shanghai-based entity or branch. Sondrel (Xi'An) Co., Ltd. has engaged a third party human resources payroll service provider (the "Payroll Provider") to make the social security payments on its behalf for its Shanghai-based employees. The Directors believe that the Payroll Provider has made the required social security payments in full for Sondrel (Xi'An) Co., Ltd.'s Shanghai-based employees, but following a change of regulations in China in March 2021, Sondrel (Xi'An) Co., Ltd. is no longer able to rely on the services of a third party to make these payments and is in the process of considering the most appropriate means of ensuring full compliance with the applicable regulations. As a result of Sondrel (Xi'An) Co., Ltd. being in technical non-compliance with the relevant regulations, the potential liability of Sondrel (Xi'An) Co., Ltd. as at the date of this document includes but it is not limited to (i) the local social insurance administrative department can order the return of any social insurance benefits received by the relevant employees and impose a fine of up to five times the amount of the relevant social insurance benefits, (ii) Sondrel (Xi'An) Co., Ltd. will need to cover any losses suffered by the employees caused by the non-compliant payments (iii) the relevant authority can order Sondrel (Xi'An) Co., Ltd. to pay the housing provident fund and (iv) financial compensation claimed by the employees if they claim termination of their employment contract. In addition if the Payroll Provider has not made the social security payments in full for Sondrel (Xi'An) Co., Ltd.'s Shanghai-based employees (i) the local social insurance administrative department can order Sondrel (Xi'An) Co., Ltd. to pay or make up any non-compliant social insurance payment and from the date of non-payment, it can impose a penalty of five ten thousandths of the late payment fee per day and (ii) the relevant administrative department can impose a fine of up to three times the amount of non-payment if Sondrel (Xi'An) Co., Ltd. does not pay or make up the non-compliant social insurance payment.

Furthermore, before March 2021, Sondrel (Xi'An) Co., Ltd entrusted the Payroll Provider to pay the social insurance and housing fund on behalf of its employees who are based in Xi'An. Before March 2021, these payments were made on behalf of Sondrel (Xi'An) Co., Ltd by the Payroll Provider in the name of the Payroll Provider. Since March 2021, these payments have been made by Sondrel (Xi'An) Co., Ltd in its own name. As a result of Sondrel (Xi'An) Co., Ltd. not being able to rely on the services of the Payroll Provider because of legislative changes and if the Payroll Provider did not pay the social insurance and housing fund before March 2021, Sondrel (Xi'An) Co., Ltd faces the potential liability noted above.

The risk is lowered if the employees confirm their consent to Sondrel (Xi'An) Co., Ltd. entrusting the Payroll Provider to pay the social insurance and housing fund on behalf of its employees. Sondrel (Xi'An) Co., Ltd. has obtained such consent from their employees.

Sondrel (Xi'An) Co., Ltd. has entered into a labour dispatch contract with the Payroll Provider pursuant to which the Payroll Provider has agreed to assign employees to Sondrel (Xi'An) Co., Ltd. At the date of this document, there is one dispatched employee who works for Sondrel (Xi'An) Co., Ltd. in the role of chief engineer. According to the relevant labour contract law of the People's Republic of China, Sondrel (Xi'An) Co., Ltd. can only use dispatched workers in temporary, auxiliary or alternative jobs. There is a risk that engaging the dispatched employee as a chief engineer amounts to a breach of the relevant labour contract law of the People's Republic of China and the labour administration department can order Sondrel (Xi'An) Co., Ltd. to rectify the breach within a certain period of time. If the correction is not made by Sondrel (Xi'An) Co., Ltd. after the deadline, a fine of not less than five thousand yuan per person can be imposed. If the dispatched employee incurs losses as a result of their engagement with Sondrel (Xi'An) Co., Ltd being in breach of the relevant labour contract law of the People's Republic of China or if the Payroll Provider has not paid the social insurance and housing provident fund or any other payments it is required to make, the Payroll Provider and Sondrel (Xi'An) Co., Ltd. would be jointly and severally liable for those losses and the potential liability noted above.

In addition, and as a result of accumulated losses in Sondrel Morocco, Sondrel Morocco is not compliant with certain Moroccan creditor protection rules which require the value of the shareholder equity in a Moroccan company to be at least equal to one quarter of its share capital. Failure to comply with these provisions could entitle a creditor to apply to court in Morocco to dissolve the relevant company. In such cases, the court may grant the company a period of up to one year to regularise the situation and the court may not order the dissolution if, on the day when it rules on the case, the company has regularised the situation. The Directors have taken the view that regularising the situation at this stage would be an unnecessary expense because Sondrel Morocco has very few trade creditors all of whom are paid in a timely fashion and because the Directors believe the situation could be regularised at reasonably short notice in the future if the need ever arose. The Company has entered into a parent guarantee pursuant to which it has, subject to undertakings from Sondrel Morocco, guaranteed the obligations of Sondrel Morocco to its

third party creditors. In accordance with the terms of the parent guarantee, the Company will continue to provide financial support to Sondrel Morocco so that it can always pay its creditors in a timely fashion and therefore reduce the chances of this risk materialising.

The Group is reliant on third-party overseas advisers for advice in relation to these jurisdictions but is not fully indemnified by such advisers should such advice transpire to be incorrect. A material failure by the Group to comply with applicable laws and regulations in these jurisdictions could result in fines being payable and other losses being suffered by the Group and could therefore have a material adverse effect on the Group's business, performance and prospects.

Failure to comply with regulation regarding the use of personal data could lead to significant fines and regulatory action against the Group

The Group is subject to regulations in the jurisdictions in which it operates regarding the use of personal data. The Group collects and processes personal data from its customers, business contacts and employees as part of the operation of its business, and therefore it must comply with data protection and privacy laws. Those laws generally impose certain requirements on the Group in respect of the collection, retention, use and processing of such personal information. Notwithstanding its efforts, the Group is exposed to the risk that this data could be wrongfully appropriated, lost, disclosed, retained, stolen or processed in breach of data protection laws. Failure to operate effective data collection controls could potentially lead to regulatory censure, fines, reputational and financial costs.

The EU GDPR and the UK GDPR, as well as the increased data protection regulation in other jurisdictions, such as the Personal Information Protection Law 2021, Cybersecurity Law 2016 and Data Security Law 2021 in China (each of which has a significant impact on the processing of data in China) and the California Consumer Privacy Act of 2018 in California, USA, introduced the potential for significant new levels of fines for non-compliance based on turnover. The Group will continue to review and develop existing processes to ensure that personal data is processed in compliance with applicable requirements, to the extent that they are applicable, and it may be required to expend significant capital or other resources and/or modify its operations to meet such requirements, any or a combination of which could have a material adverse effect on the Group's business, financial condition and financial results, or otherwise harm its reputation.

Damage to the Group's reputation could have a material adverse effect on the Group's business

Maintaining the Group's strong reputation and trust with the Group's customers globally is critical to selling the Group's products and services. Negative publicity about the Group, the Group's industry, the Group's use, storage and securing of technology and data, including personal data, the Group's supply chain, threatened or pending litigation or regulatory proceedings, the Group's environmental, social and governance practices, including as they relate to diversity, equality and inclusion, the health, safety and welfare of employees or other stakeholders, or relations with the Group's employees, or regulatory infractions, violations of sanctions or anti-bribery rules, whether or not deserved, could jeopardise the Group's reputation and/or expose it to adverse press and social media attention.

The Group's reputation may also be adversely affected if third parties with whom the Group contracts, including its suppliers and customers, fail to maintain high ethical, social and environmental standards, comply with local laws and regulations or become subject to other negative events or adverse publicity. Such third parties may also enter into relationships with or be acquired by other third parties whose values, business practices and/or reputation expose the Group to the risk of adverse publicity and damage to its existing relationships by association.

Damage to the Group's reputation or loss of confidence in the Group's products and services for these or any other reasons could materially and adversely affect the Group's business, results of operations, cash flows and financial condition.

The Group's business is subject to market fluctuations and general economic conditions, including inflationary pressures, each of which may materially and adversely affect the Group's

business, financial condition, results of operations and prospects

Uncertainty, fluctuations or negative trends in the international economic climate have had, and could continue to have, a material adverse effect on the Group's business and profitability. There will be market fluctuations and economic factors that will be beyond the Group's control, but that will have the potential to materially and adversely affect its business, revenue, financial condition and operating results. Such factors include: (i) inflation or deflation; (ii) changes in government, fiscal and monetary policies; (iii) changes in the financial standing of the Group's customers and suppliers (iv) technological change; (v) exposure to possibly adverse governmental or regulatory actions in countries where the Group operates or conducts business; (vi) levels of volatility in global markets; (vii) exposure to the effects of sanction regimes or other restrictive economic measures; and (viii) any change or development in global, national or regional economic and political conditions.

For example, the Group is exposed to inflationary pressures which generally affect the Group through their impact on payroll and supply costs. Whilst the Group may increase its prices in order to mitigate the impact of inflation, competitive pressures may constrain the Group's ability to fully recover any increased costs in this way, and so the Group may remain subject to market risk with respect to inflationary pressures and increases in prices.

The occurrence of any of these risks could materially and adversely affect the business, revenue, financial condition and operating results of the Group.

The Group is exposed to risks relating to fluctuations in currency exchange rates which could negatively impact the Group's financial condition and prospects

The Group operates internationally and holds assets, incurs liabilities, generates sales and pays expenses in a variety of currencies other than Pounds Sterling (the currency in which it reports its financial results).

The Directors believe that the structure of the Group's business offers a degree of natural hedging protection from currency fluctuations in that any decrease in the value of revenues in a particular currency will typically be off-set by a decrease in the value of costs incurred in the same currency. However, significant fluctuations in exchange rates for foreign currencies (particularly Euros) could reduce the Pounds Sterling value of sales, earnings and cash flows the Group receives from markets outside the UK, increase its supply costs (as measured in Pounds Sterling) in those markets, negatively impact its competitiveness in those markets or otherwise materially and adversely impact its business or financial condition.

The Group does not currently use any hedging instruments but the Directors will keep this under review.

The Company has limited recourse to its legal advisers in Morocco and China

The Group has engaged Moroccan and Chinese counsel to assist with the due diligence exercise carried out on Sondrel Morocco and Sondrel (Xi'An) Co., Ltd in connection with Admission (the "Engagements"). In accordance with usual practice in Morocco and China, Moroccan and Chinese counsels' liability in connection with their respective Engagements is limited to the amount of fees proposed to be charged by them in connection with those Engagements. As a result, in the event of a claim which is connected with either of the Engagements, the Group will not have recourse against Moroccan and Chinese counsel (as applicable) for the total amount of such claim if this exceeds the applicable liability cap.

GENERAL RISKS

General economic conditions

Factors such as inflation, currency fluctuation, interest rates, supply and demand of capital and industrial disruption have an impact on business costs and commodity prices and share prices. The Group's operations, business and profitability can be affected by these factors, which are beyond the control of the Group.

An economic downturn, either globally or locally in any area in which the Group operates, is likely to have a negative effect on the general public's disposable income. This will have an impact on the affordability of many of the end products in which the Group's designs are incorporated. Reduced demand for products, devices and vehicles would be expected to reduce the demand for the Group's design and turnkey services in the longer term and potentially the volumes in which end products are produced.

Economic, political, judicial, administrative, taxation, environmental or other regulatory matters

In addition to the impact of a downturn of the world's economies, the Group may be adversely affected by other changes in economic, environmental, political, judicial, administrative, taxation or other regulatory or other unforeseen matters. The nature of the Group's operations expose it to the risk of liabilities or claims with respect to environmental, regulatory and worker health and safety matters. If the Group violates or fails to comply with (or its predecessors in title violated or failed to comply with) environmental laws, regulations and permits, it could be subject to penalties, fines, restrictions on operations or other sanctions, and the Group's operations or business could be interrupted or suspended.

Operations and financial results have been negatively impacted by the COVID-19 pandemic and the continued COVID-19 pandemic, or the outbreak of other contagious diseases, may have a material adverse effect on the Group's business, financial performance and results

As a designer and supplier of custom ASICs and SoCs, the Group is exposed to substantial risks associated with the performance of the global economy as demand for products and services within those sectors is directly related to the strength of the global economy. Therefore, the Group's income and results of operations have been influenced, and will continue to be influenced by, the general state and performance of the global economy. The global economy has recently been particularly affected by the outbreak of COVID-19, which caused extreme market volatility in the automotive industry in particular since the beginning of 2020.

As a result, the Group's operations and financial results have been negatively impacted by these developments. As the COVID-19 pandemic spread there was a lack of placement of new orders for the Group's products and services due to customer uncertainty and government ordered lockdowns impacting customers. The suspensions started in Europe in the spring of 2020. There can be no assurance that further lockdowns or other developments related to the COVID-19 pandemic will not lead to a suspension or delay in customers placing orders in the future.

Beyond this, the Group may also be adversely affected by the outbreak of any other contagious diseases, which may result in a widespread health crisis that could affect the economies and financial markets of many countries, resulting in an economic downturn and substantial declines in consumer purchasing power that could affect demand for the Group's products and services, limit its ability to collect against existing trade receivables and reduce its operating results.

Further adverse impacts that the Group has experienced or may experience due to the COVID-19 pandemic or the outbreak of a contagious disease in the future include:

- infections and quarantining of employees in areas in which the Group operates;
- cancellations, delays or lower call-offs from customers due to lower demand, government imposed restrictions or other reasons;
- customers, service providers or suppliers experiencing financial distress, filing for bankruptcy protection or insolvency, going out of business or experiencing disruptions to their operations; and
- the need to introduce measures to reduce costs and capital expenditure, including reductions in work force, short time labour and implementation of a hiring or salary freeze.

Any of these factors could have a material adverse effect on the Group's business, financial condition and results of operations.

Current operating results as an indication of future results

The Company's operating results may fluctuate significantly in the future due to a variety of factors, many of which are outside of its control. Accordingly, investors should not rely on comparisons with the Company's results to date as an indication of future performance. It is possible that, in the future, the Company's operating results will fall below the expectations of securities analysts or investors. If this occurs, the trading price of the Company's shares may decline significantly.

Taxation risk

The Company is subject to taxation and the application of such taxes may change over time due to changes in laws, regulations or interpretations by the relevant tax authorities. Whilst no material changes are anticipated in such taxes, any such changes may have a material adverse effect on the Company's financial condition and results of operations.

RISKS RELATING TO THE ORDINARY SHARES

General

An investment in Ordinary Shares is only suitable for investors capable of evaluating the risks (including the risk of capital loss) and merits of such investment and who have sufficient resources to sustain a total loss of their investment. An investment in Ordinary Shares should be seen as long-term in nature and complementary to investments in a range of other financial assets as part of a diversified investment portfolio. Accordingly, typical investors in the Company are expected to be institutional investors, private client fund managers and private client brokers, as well as private individuals who have received advice from their professional advisers regarding investment in Ordinary Shares and/or who have sufficient experience to enable them to evaluate the risks and merits of such investment themselves.

Conditionality of the Placing

The Placing is conditional upon, among other things, the admission to trading on AIM of the Ordinary Shares. In the event that any condition to which Admission is subject is not satisfied or, if capable of waiver, waived, then Admission will not occur.

No prior market for the Ordinary Shares

Before Admission, there has been no prior market for the Ordinary Shares. Although application has been made for the Ordinary Shares to be admitted to trading on AIM, an active public market may not develop or be sustained following Admission.

AIM is a market for emerging or smaller growing companies and may not provide the liquidity normally associated with the Official List and other exchanges. The future success of AIM and liquidity in the market for the Ordinary Shares cannot be guaranteed.

Share price volatility and liquidity

Following Admission, the market price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, including stock market fluctuations and general economic conditions or changes in sentiment that may substantially affect the market price of the Ordinary Shares irrespective of the Group's actual financial, trading or operational performance. These factors could include the performance of the Group, large purchases or sales of the Ordinary Shares (or the perception that the same may occur, as, for example in the period leading up to the expiration of the restrictions contained in the Lock-in Agreements), legislative changes and market, economic, political or regulatory conditions.

The share price for publicly traded companies, including those on AIM, can be highly volatile and shareholdings illiquid. Admission to AIM should not be taken as implying that a liquid market for the Ordinary Shares will either develop or be sustained following Admission. Active, liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors. The liquidity of a securities market is often a function of the volume of the underlying shares that are publicly held by unrelated parties. If a liquid trading market for the Ordinary Shares does not develop, the price of the Ordinary Share may become more volatile and it may be more difficult to complete a buy or sell order for such Ordinary Shares.

The price at which the Ordinary Shares will be quoted and the price which investors may realise for their shares will be influenced by a large number of factors, which could include, but not limited to, the performance of both the Company's and its competitors' businesses, variations in the operating results of the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, large purchases or sales of Ordinary Shares, legislative changes and general

economic, political and regulatory conditions. Prospective investors should be aware that the value of an investment in the Company may go down as well as up. Investors may therefore realise less than, or lose all of, their investment.

The market price of the Ordinary Shares may not reflect the underlying value of the Company. Potential investors should be aware that the value of shares and the income from them (if any) can go down as well as up and that investment in a share which is traded on AIM might be less realisable and might carry a higher risk than a share quoted on the Official List.

Substantial sales of Ordinary Shares

The Locked-in Shareholders and Option Holders have agreed to certain restrictions on the sale of their shareholdings in the Company on or following Admission for periods of between 12 and 18 months from the date of Admission and each of the members of the Concert Party, Nigel Vaughan, Adrian Carey, Sherry Madera, Gordon Orr and the Option Holders has further agreed to an orderly market arrangement for a period of 12 months from the expiry of the relevant lock-in period. There can be no assurance that certain Directors or other Shareholders will not elect to sell their Ordinary Shares following the expiry of the Lock-in Agreements and similar arrangements, details of which are set out in paragraph 14.4 of Part V of this document, or otherwise. In addition, the Company cannot be sure when sales by such holders will occur, how many shares will be sold or the effect that sales may have on the market price of the Ordinary Shares. The market price of Ordinary Shares could decline as a result of any such sales of Ordinary Shares or as a result of the perception that these sales may occur. In addition, if these or any other sales were to occur, the Company may in the future have difficulty in offering Ordinary Shares at a time or at a price it deems appropriate.

Investment in AIM traded securities

The Ordinary Shares will be traded on AIM rather than admitted to the Official List. The AIM market is designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. The rules of AIM are less demanding than those admitted to the Official List and an investment in shares traded on AIM may carry a higher risk than an investment in shares admitted to the Official List. In addition, the market in shares traded on AIM may have limited liquidity, making it more difficult for an investor to realise its investment on AIM than to realise an investment in a company whose shares are admitted to the Official List. Investors should, therefore, be aware that the market price of the Ordinary Shares may be more volatile than that of shares admitted to the Official List and may not reflect the underlying value of the net assets of the Company. Investors may, therefore, not be able to sell at a price which permits them to recover their original investment and could lose their entire investment.

There is no guarantee that the Company will maintain its admission to AIM

The Company cannot assure investors that the Company will always retain admission to AIM. If it fails to retain this, certain investors may decide to sell their shares, which could have an adverse impact on the price of the Ordinary Shares. Additionally, if in the future the Company decides to obtain a listing on another exchange in addition to AIM, the level of liquidity of the Ordinary Shares traded on AIM could decline.

The Concert Party will retain a significant interest in, and could continue to be able to exert substantial influence over, the Group

Immediately following Admission, the Concert Party will continue to have an interest in approximately 44.88 per cent. of the Enlarged Share Capital. As a result, the Concert Party will possess sufficient voting power to have a significant influence over all matters requiring shareholder approval. The Concert Party will be subject to the terms of the Relationship Agreement (details of which are set out at paragraph 14.5 of Part V of this document) whilst Graham Curren and his associates, which will include the other members of the Concert Party, retain an interest of at least 20 per cent. in the Company. The interests of the Concert Party may not always be aligned with those of other holders of Ordinary Shares.

Although applicable law and the terms of the Relationship Agreement contain provisions seeking to restrict the Concert Party from voting on matters in their capacity as Shareholders where there are conflicts of interest, these and other measures may not be sufficient to protect the interests of other Shareholders.

Dilution of Shareholders' interest as a result of additional equity fundraisings

Although the Company's business plan does not involve the issuance of Ordinary Shares other than in connection with the Placing, it is possible that the Company may decide to issue, pursuant to a public offer or otherwise, additional Ordinary Shares in the future at a price or prices higher or lower than the Placing Price. In addition, the exercise of Options granted under the Option Plan (as described in paragraphs 5.6 and 11 of Part V of this document) would result in additional dilution for the Company's shareholders. An additional issue of Ordinary Shares by the Company, or the public perception that an issue may occur, could have an adverse effect on the market price of Ordinary Shares and could dilute the proportionate ownership interest and the proportionate voting interest of Shareholders if, and to the extent that, such an issue of Ordinary Shares is not effected on a pre-emptive basis or Shareholders do not take up their rights to subscribe for further Ordinary Shares under a pre-emptive offer. Shareholders may also experience subsequent dilution and/or such securities may have preferred rights, options and pre-emption rights senior to the Ordinary Shares.

Dividends

The Company's current policy is to retain future distributable profits and only recommend dividends when appropriate and practicable. There can be no assurance as to the level of future dividends (if any) that may be paid by the Company or, in light of the accrued losses of the Group, of the ability to pay dividends. Any determination to pay dividends in the future will be a decision for the Board (and will be subject to applicable laws and generally accepted accounting principles from time to time, and other factors the Board deems relevant).

It should be noted that the risk factors listed above are not intended to be exhaustive and do not necessarily comprise all of the risks to which the Group is, or may be, exposed to or all those associated with an investment in the Company. There may be additional risks and uncertainties that the Directors do not currently consider to be material or of which they are currently unaware, which may also have an adverse effect upon the Company and the Group.

PART IV
HISTORICAL FINANCIAL INFORMATION RELATING TO THE COMPANY AND
UNAUDITED INTERIM FINANCIAL INFORMATION

PART IV – SECTION A

**Accountant’s Report on the Historical Financial Information of Sondrel (Holdings) Ltd for the
years ended 31 December 2019, 31 December 2020 and 31 December 2021**



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13 October 2022

Dear Sir/Madam

**Sondrel (Holdings) plc (the Company) and its Subsidiary Undertakings (together, the Group) –
Accountant’s Report on Historical Financial Information**

We report on the Group historical financial information set out in Section B of Part IV of the Company’s AIM admission document dated 13 October 2022 (the **Admission Document**), for the years ended 31 December 2019, 31 December 2020 and 31 December 2021 (the **Historical Financial Information**).

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at 31 December 2019, 31 December 2020 and 31 December 2021 and of its profits, cash flows, statement of comprehensive income, and changes in equity for each of the years ended 31 December 2019, 31 December 2020 and 31 December 2021 in accordance with United Kingdom (**UK**) adopted international accounting standards.

Responsibilities

The directors of Sondrel (Holdings) plc are responsible for preparing the Historical Financial Information in accordance with UK adopted international accounting standards.

It is our responsibility to form an opinion on the Historical Financial Information and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

Basis of preparation

The Historical Financial Information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out in note 2 to the Historical Financial Information.

This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. We are independent of the Group in accordance with relevant ethical requirements, which in the United Kingdom is the Financial Reporting Council's Ethical Standard as applied to Investment Circular Reporting Engagements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our work included an assessment of evidence relevant to the amounts and disclosures in the Historical Financial Information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the Historical Financial Information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Historical Financial Information is free from material misstatement, whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusions are based on the audit evidence obtained up to the date of our report.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from the publication of the Admission Document.

In forming our opinion on the Financial Information Table, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Historical Financial Information is appropriate.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and that this report makes no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

GRANT THORNTON UK LLP

PART IV – SECTION B

HISTORICAL FINANCIAL INFORMATION OF SONDREL (HOLDINGS) LTD

FOR THE THREE YEARS ENDED 31 DECEMBER 2021

Consolidated Statement of Profit or Loss

	<i>Note</i>	<i>Year ended 31 December 2019 £</i>	<i>Year ended 31 December 2020 £</i>	<i>Year ended 31 December 2021 £</i>
Revenue	6	15,219,111	9,023,995	8,118,236
Cost of sales		<u>(10,558,433)</u>	<u>(8,937,713)</u>	<u>(8,165,554)</u>
Gross profit / (loss)		4,660,678	86,282	(47,318)
Administrative expenses		(3,898,297)	(5,174,815)	(5,480,905)
Impairment losses / (reversal of impairment losses) on financial assets	18	(668,365)	668,365	–
Other operating income	7	<u>1,153,817</u>	<u>622,490</u>	<u>517,178</u>
Operating profit / (loss)	10	1,247,833	(3,797,678)	(5,011,045)
Finance income	11	565	5,174	724
Finance expense	12	<u>(84,486)</u>	<u>(220,137)</u>	<u>(520,777)</u>
Profit / (loss) before taxation		1,163,912	(4,012,641)	(5,531,098)
Tax (expense) / credit	13	<u>(199,247)</u>	<u>185,045</u>	<u>74,711</u>
Profit / (loss) for the year attributable to the owners of the parent company		<u>964,665</u>	<u>(3,827,596)</u>	<u>(5,456,387)</u>
Earnings per share attributable to the owners of the parent company				
Basic	14	0.02	(0.08)	(0.11)
Diluted	14	0.02	(0.08)	(0.11)

Consolidated Statement of Comprehensive Income

	<i>Year ended 31 December 2019 £</i>	<i>Year ended 31 December 2020 £</i>	<i>Year ended 31 December 2021 £</i>
Profit / (loss) for the year	964,655	(3,827,596)	(5,456,387)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	<u>(42,567)</u>	<u>20,548</u>	<u>5,501</u>
Total comprehensive income / (expense) for the year	<u><u>922,098</u></u>	<u><u>(3,807,048)</u></u>	<u><u>(5,450,886)</u></u>

Consolidated Statement of Financial Position

		<i>As at</i>	<i>As at 31</i>	<i>As at 31</i>	<i>As at 31</i>
	<i>Notes</i>	<i>1 January</i>	<i>December</i>	<i>December</i>	<i>December</i>
		<i>2019</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>
		£	£	£	£
ASSETS					
NON-CURRENT ASSETS					
Intangible assets	15	–	275,381	11,507,008	9,346,380
Property, plant and equipment	16	229,469	227,567	200,604	175,181
Right-of-use assets	17	1,019,182	810,028	498,965	525,165
Deferred tax assets	24	226,189	183,857	–	–
		<u>1,474,840</u>	<u>1,496,833</u>	<u>12,206,577</u>	<u>10,046,726</u>
CURRENT ASSETS					
Trade and other receivables	18	3,208,580	4,535,613	3,665,628	3,006,941
Cash and cash equivalents	19	1,662,287	89,082	110,069	29,797
Income tax receivable		–	–	365,267	107,125
		<u>4,870,867</u>	<u>4,624,695</u>	<u>4,140,964</u>	<u>3,143,863</u>
Total assets		<u><u>6,345,707</u></u>	<u><u>6,121,528</u></u>	<u><u>16,347,541</u></u>	<u><u>13,190,589</u></u>
EQUITY AND LIABILITIES					
EQUITY					
Share capital	26	8,345	8,345	8,345	8,345
Share premium		122,431	122,431	122,431	122,431
Retained earnings		1,649,274	1,769,411	(1,947,677)	(6,690,797)
Foreign currency translation reserve		–	(42,567)	(22,019)	(16,518)
Total equity		<u><u>1,780,050</u></u>	<u><u>1,857,620</u></u>	<u><u>(1,838,920)</u></u>	<u><u>(6,576,539)</u></u>
NON-CURRENT LIABILITIES					
Loans and borrowings	22	700,000	–	2,041,667	1,140,625
Trade and other payables	20	–	–	10,555,114	6,791,294
Lease liabilities	17	655,219	377,980	243,003	258,794
		<u>1,355,219</u>	<u>377,980</u>	<u>12,839,784</u>	<u>8,190,713</u>
CURRENT LIABILITIES					
Trade and other payables	20	1,978,675	2,770,766	5,040,054	9,948,585
Loans and borrowings	22	900,000	700,000	58,333	1,351,042
Lease liabilities	17	331,763	415,162	248,290	276,788
		<u>3,210,438</u>	<u>3,885,928</u>	<u>5,346,677</u>	<u>11,576,415</u>
Total liabilities		<u><u>4,565,657</u></u>	<u><u>4,263,908</u></u>	<u><u>18,186,461</u></u>	<u><u>19,767,128</u></u>
Total equity and liabilities		<u><u>6,345,707</u></u>	<u><u>6,121,528</u></u>	<u><u>16,347,541</u></u>	<u><u>13,190,589</u></u>

Consolidated Statement of Changes in Equity

	<i>Share capital</i>	<i>Share premium</i>	<i>Foreign currency translation reserve</i>	<i>Retained earnings</i>	<i>Total</i>
	£	£	£	£	£
As at 1 January 2019	8,345	122,431	–	1,649,274	1,780,050
Profit for the year	–	–	–	964,665	964,665
Currency translation differences	–	–	(42,567)	–	(42,567)
Total other comprehensive income	–	–	(42,567)	–	(42,567)
Total comprehensive income	–	–	(42,567)	964,665	922,098
Transactions with owners in their capacity as owners:					
Share based payment charge	–	–	–	(818,157)	(818,157)
Deferred tax on share options	–	–	–	(26,371)	(26,371)
Total transactions with shareholders	–	–	–	(844,528)	(844,528)
As at 31 December 2019	<u>8,345</u>	<u>122,431</u>	<u>(42,567)</u>	<u>1,769,411</u>	<u>1,857,620</u>
Loss for the year	–	–	–	(3,827,596)	(3,827,596)
Currency translation differences	–	–	20,548	–	20,548
Total other comprehensive income	–	–	20,548	–	20,548
Total comprehensive income	–	–	20,548	(3,827,596)	(3,807,048)
Transactions with owners in their capacity as owners:					
Share based payment charge	–	–	–	150,123	150,123
Deferred tax on share options	–	–	–	(39,615)	(39,615)
Total transactions with shareholders	–	–	–	110,508	110,508
As at 31 December 2020	<u>8,345</u>	<u>122,431</u>	<u>(22,019)</u>	<u>(1,947,677)</u>	<u>(1,838,920)</u>
Loss for the year	–	–	–	(5,456,387)	(5,456,387)
Currency translation differences	–	–	5,501	–	5,501
Total other comprehensive income	–	–	5,501	–	5,501
Total comprehensive income	–	–	5,501	(5,456,387)	(5,450,886)
Transactions with owners in their capacity as owners:					
Share based payment charge	–	–	–	713,267	713,267
Deferred tax on share options	–	–	–	–	–
Total transactions with shareholders	–	–	–	713,267	713,267
As at 31 December 2021	<u>8,345</u>	<u>122,431</u>	<u>(16,518)</u>	<u>(6,690,797)</u>	<u>(6,576,539)</u>

Share capital

The called-up share capital represents the nominal value of shares issued.

Share premium

Share premium represents consideration received for shares issued above their nominal value, net of transaction costs.

Foreign currency translation reserve

The foreign currency translation reserve represents the cumulative translation differences arising on consolidation.

Retained earnings

Cumulative profit and loss attributable to the owners of the parent company, net of distributions to owners. There is no separate share-based payment reserve, consequently, the corresponding entry to the share-based payment charge has been reflected in retained earnings.

Consolidated Statement of Cash Flows

	Year ended 31 December 2019	Year ended 31 December 2020	Year ended 31 December 2021
Note	£	£	£
Cash flows from operating activities:			
Profit / (loss) for the financial year	964,665	(3,827,596)	(5,456,387)
Adjustments for:			
Amortisation of intangible assets	–	578,681	2,154,711
Depreciation of property, plant and equipment	63,941	70,248	79,402
Depreciation of right-of-use assets	373,134	441,255	302,953
Loss on disposal of property, plant and equipment	–	–	6,180
Loss on disposal of intangible assets	–	431,817	–
Interest paid	84,487	220,137	520,777
Interest received	(565)	(5,174)	(724)
Taxation charge	199,247	(185,045)	(74,711)
Working capital adjustments:			
(Increase) / decrease in receivables	(1,066,518)	602,945	666,255
Increase in payables	499,346	947,189	821,086
Corporation tax paid / (received)	(183,286)	(35,979)	332,853
Unrealised foreign currency gains / (losses)	(37,571)	17,761	6,447
Share-based payment charge	(818,157)	150,123	713,267
Net cash generated / (used in) operating activities	<u>78,723</u>	<u>(593,637)</u>	<u>72,109</u>
Cash flows from investing activities			
Purchase of intangible fixed assets	(275,381)	(917,122)	(106,165)
Purchase of property, plant and equipment	(67,076)	(40,273)	(55,319)
Loan repaid by director	–	310,000	–
Loan advanced to director	(260,000)	(50,000)	–
Interest received	50	5,689	724
Net cash used in investing activities	<u>(602,407)</u>	<u>(691,706)</u>	<u>(160,760)</u>
Cash flows from financing activities			
New bank loans	–	1,400,000	450,000
Repayment of bank loans	(400,000)	–	(58,333)
Repayment of shareholder loans	(500,000)	–	–
Interest paid	(48,937)	(83,731)	(610,929)
Interest paid on lease liabilities	(35,549)	(26,726)	(19,527)
Principal element of lease payments	(357,780)	(431,815)	(285,000)
Net cash flows (used in) / generated from financing activities	<u>(1,342,266)</u>	<u>857,727</u>	<u>(523,789)</u>
Net decrease in cash and cash equivalents	(1,865,950)	(427,616)	(612,440)
Cash and cash equivalents at beginning of the year	19 1,662,287	(203,663)	(631,279)
Cash and cash equivalents at end of the year	19 <u>(203,663)</u>	<u>(631,279)</u>	<u>(1,243,719)</u>

Notes to the Historical Financial information for the three years ended 31 December 2021

1. Corporate information

Sondrel (Holdings) Ltd (“the Company”) was incorporated and domiciled in England and Wales under the Companies Act 2006 on 7 June 2010. The registered number is 07275279 and the registered address is Sondrel House, Theale Lakes Business Park, Moulden Way, Sulhamstead, Reading, RG7 4GB.

The consolidated historical financial information presented incorporates the financial information of the Company and its subsidiaries (together referred to as “the Group”).

The Group’s principal activity is the execution of system-on-chip IC designs, and associated engineering services, with particular focus on AI, video, automotive and IoT related applications.

2. Summary of Significant Accounting Policies

2.1 *Basis of preparation*

The consolidated historical financial information does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group’s statutory financial statements for the years ended 31 December 2021, 31 December 2020 and 31 December 2019 were prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland (UK Generally Accepted Accounting Practice – ‘UK GAAP’).

The consolidated historical financial information has been prepared for the purposes of an Admission Document in accordance with the requirements of the AIM Rules for Companies and the basis of preparation, including the accounting policies, is set out below.

The Historical Financial Information has been prepared specifically for the purposes of the Admission Document, in accordance with the requirements of the UK version of Regulation number 2019/980 of the European Commission, which is part of UK law by virtue of the European Union (Withdrawal) Act 2018.

The consolidated historical financial information has been prepared and approved by the Directors in accordance with United Kingdom (“UK”) International Financial Reporting Standards (“IFRS”). IFRS comprise standards and interpretations approved by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) as adopted in the UK that will be in effect as at 31 December 2022.

The consolidated historical financial information has been prepared on a historical cost basis. The consolidated historical financial information is presented in Pounds Sterling, which is also the Company’s functional currency. All amounts are rounded to the nearest Pounds Sterling unless stated otherwise.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in the consolidated historical financial information.

Judgements made by the directors in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed in note 3.

2.2 *First-time adoption of IFRS*

In preparing the consolidated historical financial information, the Group’s opening statement of financial position was prepared as at 1 January 2019, the Group’s transition date to IFRS. Adjustments recognised on transition to IFRS are set out in note 32.

IFRS 1 First-Time Adoption of IFRS grants certain exemptions from the full requirements of IFRS in the transition period. The following exemptions have been taken in these financial statements:

Leases

The Group assessed all contracts existing at 1 January 2019 to determine whether a contract contains a lease based upon the conditions in place as at 1 January 2019.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019. The Group has also applied the following exemptions:

- the lease payments associated with leases for which the lease term ends within 12 months of the date of transition to IFRS have been recognised as an expense on a straight-line basis over the lease term;
- a single discount rate has been applied to a portfolio of leases with reasonably similar characteristics;
- initial direct costs have been excluded from the measurement of the right-of-use asset; and
- hindsight has been used in determining the lease term.

Cumulative translation differences

The cumulative translation differences for all foreign operations has been deemed to be £nil at 1 January 2019, resulting in a balance on the foreign currency translation reserve of £nil as at 1 January 2019.

2.3 Going concern

At 31 December 2021, the Group had cash reserves of £29,797 and net current liabilities of £8,058,649. The directors have prepared detailed future forecasts for the Group taking into account post-year end trading conditions which carefully considers the Group's ability to meet its future forecasted cash requirements.

At December 2021 and at 31 March 2022, the Group breached its quarterly financial covenant with one of its lenders. Since the year end, the Group has received formal covenant waivers for 31 December 2021 and 31 March 2022. As the waivers were not received prior to 31 December 2021, the loan has been reclassified as a current liability in the Historical Financial Information.

The second half of 2021 saw the trading environment for the Group recover significantly from the preceding 12 months, leading to the return to pre-COVID trading conditions for 2022.

Nevertheless, the Group's directors continue to monitor and evaluate the recovery by:

- performing ongoing reviews and close management of the cost base in response to market activity;
- continuing to invest in research and development activities to ensure the business continues to take advantage of market recovery; and
- maintaining strong relationships and open communication with all stakeholders to ensure their ongoing support.

As part of normal business practice, the Group prepares monthly detailed financial forecasts which incorporate year-to-date performance and scenario planning.

The financial forecasts for the Group take into account the Initial Public Offering (IPO) and assume the existing facilities that were in place at the year-end, which were provided by the Group's lenders and shareholders and the additional facility received from the Group's lenders in December 2021 will be maintained and available throughout the period to the date of the IPO, at which point they will be repaid from the committed proceeds of £17.5 million.

As a result, the Directors have concluded that it can operate within post IPO resources and will have sufficient funds to meet its financial liabilities as and when they fall due, for a period of at least

12 months from IPO. The Directors consider that there are no material uncertainties following the IPO that would impact the Group's use of the going concern basis of preparation.

2.4 **Adoption of new and revised standards**

(a) *New and amended standards adopted by the Group*

The Group has adopted all relevant amendments to existing standards and interpretations issued by the IASB that are effective from 1 January 2022, the accounting framework adopted is IFRS as adopted in the UK which will be applied in the next statutory financial statements for the Group for the year ending 31 December 2022.

The following amended standards became effective from 1 January 2021 and 1 January 2022, but did not have any material impact on the Group:

- *Amendments to IFRS 3 – Business combinations, IASB effective date periods commencing on / after 1 January 2022*
- *Amendments to IAS 16 – Property Plant and Equipment – Proceeds before intended use, IASB effective date periods commencing on / after 1 January 2022*
- *Amendments to IAS 37 – Provisions – onerous contracts, IASB effective date periods commencing on / after 1 January 2022*
- *Amendments to IAS 1 – Presentation of financial statements on classification of liabilities, IASB effective date periods commencing on / after 1 January 2022*
- *Annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16, IASB effective date periods commencing on / after 1 January 2022*
- *Interest Rate Benchmark Reform – Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021)*
- *Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020)*

(b) *New standards and interpretations not yet adopted by the Group*

Certain new accounting standards and interpretations have been published that are mandatory for the annual periods beginning on or after 1 January 2023. The new standards will not have any material impact on the Group.

- *IFRS 17 – Insurance contracts, IASB effective date periods commencing on / after 1 January 2023*

The principal accounting policies adopted in the preparation of the Combined Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.5 **Basis of consolidation**

The consolidated historical financial information comprises the financial information of the Company and its subsidiaries as at 1 January 2019, 31 December 2019, 31 December 2020 and 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group controls its investee when it has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

If the Group loses control over a subsidiary, it derecognises the related assets, liabilities and other components of equity, while any resultant gain or loss is recognised in profit or loss.

2.6 **Current versus non-current classification**

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is expected to be realised or intended to be sold or consumed in the normal operating cycle, held primarily for the purpose of trading, expected to be realised within twelve months after the reporting period or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when it is expected to be settled in the normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within twelve months after the reporting period or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.7 **Revenue**

The Group is in the business of providing system-on-chip and associated engineering services.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Project revenue

The Group provides services to customers in project arrangements, covering the Design phase, New Product Integration ("NPI") phase and Production phase.

There are situations where contracts with customers for these phases are entered into simultaneously. Where this is the case, and the contracts are negotiated as a package with a single commercial objective, they are accounted for as a single contract.

In order to identify the performance obligations in the contract, the Directors assess the services provided in the contracts and whether they are capable of being distinct and distinct in the context of the contract. The Group has identified that the Design service, NPI service and Production service are separate performance obligations. The Production services represent a service offering provided by the Group which has not generated revenue for the Group in the three years ended 31 December 2021.

Where the contracts with customers contain more than one performance obligation, any discount provided to the customer in the contract is allocated on a proportionate basis over all performance obligations within the contract.

When project contracts contain only one performance obligation, and are not combined with other performance obligations, the contracts with customers are for fixed price consideration with no variable components.

The Group does not enter into any arrangements with customers which include a significant financing component.

The service provided to customers does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed at contracted rates which include cost plus a reasonable profit margin. Therefore, the Group recognises revenue from these performance obligations over time.

In order to determine a measure of progress of satisfaction of the Design and NPI performance obligations, the Group uses the input method based on time incurred, as this best reflects the progress of satisfaction of the performance obligations and the delivery of the output to the customer.

Contract variations are treated as modifications, as there is only one performance obligation to the design phase of a contract, any variations to scope cannot be distinct and are recognised on a cumulative catch-up basis.

Consultancy revenue

The Group provides consultants to provide services to customers. Each of these consultancy arrangements are separate performance obligations. The customer simultaneously receives and consumes the benefits provided by the Group's performance and so the Group recognises revenue for this performance obligation over time.

The majority of contracts with customers are for fixed price consideration with no variable components. Certain contracts contain fixed rebates payable to the customer for which no distinct service is provided to the Group. These rebates constitute a form of variable consideration and are recognised as a reduction to the revenue.

The Group had one arrangement with a customer which involved the withholding of a retention until completion of the project. The arrangement provided the customer with protection for the Group failing to adequately complete obligations under the contract. Therefore, this is not accounted for as a significant financing component. As this is a contractual payment term, revenue is recognised in full as the Group performs, with a contract asset recognised for the retention element. In order to determine a measure of progress of satisfaction of the performance obligation, the Group uses the input method based on time incurred, as this best reflects the progress of satisfaction of the performance obligation.

Warranties

The Group provides warranties to customers that ensure that the products comply with agreed-upon specifications. The warranty arrangements are not recognised as separate performance obligations because they cannot be purchased separately and do not provide the customer with a service in addition to the assurance that the product complies with agreed-upon specifications. A provision is recognised for warranty claims when they meet the recognition criteria.

Contract balances

Contract assets / receivables

A contract asset is initially recognised for revenue earned from services in advance of an invoice being issued where the Group does not have an enforceable right for payment for work performed. Where the Group does have an enforceable right for payment for work performed, unbilled revenue is recognised as other contract receivables. Upon the issuance of an invoice, the amount recognised is reclassified to trade receivables.

Contract cost – costs to obtain a contract

Costs to obtain a contract relate to sales commission paid which would not be payable if the contract has not been obtained. This cost is recognised as an asset and amortised over the duration of the

contract. Where the amortisation period of the asset would be one year or less, the cost is recognised as an expense when incurred.

Contract cost – costs to fulfil a contract

Costs to fulfil a contract mainly relate to direct labour costs and software tools which are expensed as incurred. The Group does not incur costs to fulfil their obligations under a contract once it is obtained, but before transferring goods or services to the customer and therefore no contract cost asset is recognised.

Trade receivables

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related services. Contract liabilities are recognised as revenue when the Group performs under the contract.

2.7 Foreign currencies

Transactions and balances

Transactions in currencies other than the functional currency are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

Consolidation

On consolidation, the assets and liabilities of foreign operations are translated into Pounds Sterling at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in Other Comprehensive Income and the foreign currency translation reserve.

2.8 Financial instruments

Financial assets

Financial assets comprise trade and other receivables and cash and cash equivalents.

Trade and other receivables are initially measured at transaction price, and subsequently at their amortised cost subject to any impairment in accordance with IFRS 9.

Impairment

For trade receivables, contract receivables and contract assets, the Group applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Group recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group considers a financial asset in default when contractual payments are 60 days past due.

Financial liabilities

Financial liabilities comprise trade and other payables and loans and borrowings and are recognised initially at fair value net of directly attributable transaction costs (if any), and subsequently at amortised cost.

Modification of financial liabilities

Where there is a modification to a financial liability, the discounted present value of the cash flows under the new terms, using the original effective interest rate, is compared to the discounted present value of the remaining cash flows of the original liability. If the difference is greater than 10 per cent., this is considered to be a substantial modification, resulting in a derecognition of the original liability and the recognition of a new liability.

Equity

Equity instruments issued are recorded at fair value on initial recognition net of transaction costs.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are included in cash and cash equivalents for the purposes of presentation in the statement of cash flows because they are an integral part of the Group's cash management. Bank overdrafts are included in trade and other payables in the statement of financial position.

2.10 Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in note 25.

That cost is recognised in the income statement, together with a corresponding increase in equity, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

2.11 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and variable lease payments that depend on an index or a rate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the interest and reduced for the lease payments made.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases, being those leases with a term of 12 months or less. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.12 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

- Office equipment – 3 – 10 years

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. Additions to property, plant and equipment are depreciated from the date the asset becomes available for intended use.

2.13 Intangible assets

Intangible assets are initially recognised at cost and subsequently carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

An intangible asset is derecognised upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Amortisation is included in cost of sales.

Amortisation is recognised as follows:

- Software licence – on a usage basis over the length of licence agreement, licence agreements have lives of between one and three years.

2.14 Research and development

Research expenditure relates primarily to process improvements. Expenditure on the research phase of projects is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the Group intends to and has sufficient resources to complete the project
- the Group has the ability to use or sell the developed software
- the developed software will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

2.15 Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.16 Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

In 2020 and 2021, the Group also benefited from other forms of government assistance through the use of the Coronavirus Business Interruption Loan Scheme and the Recovery Loan Scheme. Under each scheme the Government provides an 80 per cent. guarantee to the banks for the loans granted. Where the loan is at an off-market rate as a result of this assistance a government grant is recorded for the difference in market rates of interest. As this is offset against the interest payable line in the profit and loss account the details of the government assistance is provided in note 22.

2.17 Earnings per share and dividends

Basic EPS

Basic earnings per share is calculated on the Group's profit or loss after taxation attributable to the parent entity and on the basis of weighted average of issued and fully paid ordinary shares at the end of the year.

Diluted EPS

Diluted EPS is calculated by dividing the profit or loss after taxation attributable to the parent entity by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares (after adjusting for outstanding share awards arising from the share-based payment scheme) into ordinary shares.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.18 **Employee benefits**

Short-term employee benefits including holiday pay and annual bonuses are accrued as services are rendered.

Contributions to defined contribution pension schemes are charged to profit or loss as they become payable in accordance with the rules of the scheme. Differences between contributions payable in the year and those actually paid are shown as either accruals or other receivables in the Statement of Financial Position.

2.19 **Taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except if it arises from transactions or events that are recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity respectively.

Current tax

Current tax is based on the taxable profit for the year and is calculated using the tax rates in force or substantively enacted at the reporting date. Taxable profit differs from accounting profit either because some income and expenses are never taxable or deductible, or deductible in other years.

Deferred tax

Deferred tax is recognised in respect of all temporary differences between the carrying value of assets and liabilities in the consolidated statement of financial position and the corresponding tax base, with the exception of temporary differences arising from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax assets and liabilities reflect the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its asset and liabilities.

Deferred tax assets are recognised only to the extent that the Group considers that it is probable (ie more likely than not) that there will be sufficient taxable profits available for the asset to be utilised within the same tax jurisdiction. Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities, they relate to the same tax authority and the Group's intention is to settle the amounts on a net basis.

Tax credits

The Group makes claims for research and development tax relief in the UK under both the Research and Development Expenditure Credit (RDEC) scheme and the small or medium-sized enterprise (SME) research and development tax relief scheme.

Claims under the RDEC scheme are recognised in other operating income. Enhanced expenditure relief under the SME scheme is recognised within the taxation charge / credit.

Research and development tax credits are recognised in the period in which the costs are incurred and the claim submitted on the basis of an established record of successful research and development tax credit claims for the work undertaken by the employees of the Group. There is an inherent risk that the claims may be challenged by and amended by HMRC but given the Group's history the directors assess this as low risk.

3. Significant accounting estimates and judgements

In the application of the Group's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Key Judgements

Operating segments

All strategic decisions are managed centrally and not by location and all results are reported on a group basis. Therefore, the Directors have assessed that there is only one reportable segment.

Development costs

Development expenditure is incurred on improvements to internal processes. However, it is not possible to reliably measure the expected future benefit of the improvements to internal processes. Therefore, the Directors have assessed that the criteria for these costs to be capitalised has not been met and so the costs are expensed as incurred.

Deferred tax assets

As at 1 January 2019 and 31 December 2019, a deferred tax asset was recognised on the basis that it was expected that there would be future taxable profits. However, as at 31 December 2020 and 31 December 2021, on the basis of reasonable sensitivities applied to forecasts, there is no certainty that future taxable profits would be achieved. Therefore, a deferred tax asset was not recognised at those dates.

Estimates

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

Absorption rate for Licences

During 2020 the Group acquired licences with a value of £12.2 million. These licences are amortised based on expected usage of the licences over the period. The absorption rate was reassessed in 2021 due to a decline in revenues against forecast. The revised rate resulted in accelerated amortisation of £780,000. At 31 December 2021 the remaining unamortised element of the licence was £9.1 million which will be amortised over the next two years.

The expected amortisation for 2022 is £3.9 million. If the estimated usage decreased by a further 10 per cent. this would result in additional amortisation in the 2022 financial statements of approximately £450,000.

Share-based payments

The Group has an employee share option scheme in place which a number of the Group's employees participate in. The scheme has a duration of ten years from the grant date. The share options only become exercisable on the successful completion of a change in ownership of the Company.

During the preparation of the historical financial information the directors considered the probability of an exit event crystallising within the vesting period. At the date of each option grant this was assessed as being within five years of grant and at each year end since grant the exit date was re-assessed and extended by a year. At 31 December 2021, the directors reassessed the likelihood and the timing of the exit event, resulting in the directors determining that the most likely exit date was during 2022.

Therefore, the share-based payment charge was accelerated during 2021, resulting in the recognition of a share-based payment charge / (credit) of £713,267 (2020: £150,123; 2019: £(818,157)). A credit arose in 2019 due to leavers who had not been included in the Directors estimated forfeiture rate.

If the exit does not occur then there will be a material reversal of the 2021 share based payment charge of £713,267 reflecting the spread over an extended vesting period.

4. Group information

The Group comprises:

Name	Principal activities	Country of incorporation	1 January 2019	% equity interest		
				31 December 2019	31 December 2020	31 January 2021
Sondrel (Shanghai) IC Design Services Co Limited	Provision of design services	China	100	100	100	100
Sondrel (Finland) Oy	Dormant	Finland	100	100	100	100
Sondrel Limited	Provision of design services	UK	100	100	100	100
Sondrel (Xian) Company Limited*	Provision of design services	China	100	100	100	100
Sondrel Morocco SARL AU	Provision of design services	Morocco	100	100	100	100
Sondrel Inc	Provision of design services	USA	100	100	100	100
Sondrel (SOC Solutions) Ltd	Provision of design services	UK	100	100	100	100
Sondrel India Pvt. Limited	Provision of design services	India	100	100	100	100

* Held indirectly through Sondrel Limited

5. 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. The segment results reported to the CODM have historically been reported under FRS 102. A reconciliation of the information provided to management under FRS 102 and the IFRS financial statements is included in note 32 and is not repeated here.

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

- 2021: 13 per cent. (£1,051,556), 28 per cent. (£2,239,947) and 20 per cent. (£1,626,474);
- 2020: 21 per cent. (£1,872,472), 27 per cent. (£1,534,383), 26 per cent. (£2,349,194) and 12 per cent. (1,054,043); and
- 2019: 66 per cent. (£10,042,344).

Revenue is split as follows:

	Year ended 31 December 2019 £	Year ended 31 December 2020 £	Year ended 31 December 2021 £
UK	13,292,033	7,936,538	5,677,207
Non-UK	1,927,078	1,087,457	2,441,029
Total revenue	<u>15,219,111</u>	<u>9,023,995</u>	<u>8,118,236</u>

The revenue attributed to non-UK includes £300,338 (2020: £184,603, 2019: £942,084) from the USA and £754,891 (2020: £760,244, 2019: £913,548) from China.

Non-current assets are split as follows:

	<i>1 January</i> 2019 £	<i>31 December</i> 2019 £	<i>31 December</i> 2020 £	<i>31 December</i> 2021 £
UK	853,475	1,043,498	12,064,349	9,799,302
Morocco	279,851	181,564	93,155	214,504
Other Non-UK	115,325	87,914	49,073	32,920
Total non-current assets	<u>1,248,651</u>	<u>1,312,976</u>	<u>12,206,577</u>	<u>10,046,726</u>

6. Revenue

6.1 *Disaggregated revenue information*

Service line	<i>Year ended</i> <i>31 December</i> 2019 £	<i>Year ended</i> <i>31 December</i> 2020 £	<i>Year ended</i> <i>31 December</i> 2021 £
Projects	1,393,588	3,928,053	3,082,166
Consultancy	<u>13,825,523</u>	<u>5,095,942</u>	<u>5,036,070</u>
	<u>15,219,111</u>	<u>9,023,995</u>	<u>8,118,236</u>

All revenue is recognised over time.

6.2 *Contract balances*

	<i>As at</i> <i>1 January</i> 2019 £	<i>As at</i> <i>31 December</i> 2019 £	<i>As at</i> <i>31 December</i> 2020 £	<i>As at</i> <i>31 December</i> 2021 £
Trade receivables	1,201,043	1,940,858	2,921,746	2,232,781
Contract receivables	146,423	49,105	19,179	152,236
Contract assets	569,779	1,068,365	–	–
Contract liabilities	(222,726)	(394,070)	(37,494)	(224,189)

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. Therefore, the difference in this timing results 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 2020 and 2021 is as a result of the conclusion of favourable trading terms on the cessation of a particular customer contract, those being payment received 25 days from the start of the month, and a return to standard, commercial receivable terms during the periods.

	<i>Year ended</i> <i>31 December</i> 2019 £	<i>Year ended</i> <i>31 December</i> 2020 £	<i>Year ended</i> <i>31 December</i> 2021 £
Revenue recognised in the year that was included in the contract liability balance at the beginning of the year	222,726	394,070	37,494
Revenue recognised in the year from performance obligations satisfied (or partially satisfied) in previous periods	2,743,955	1,118,364	1,889,640

6.3 Transaction price allocated to remaining performance obligations

	<i>Year ended</i> <i>31 December</i> <i>2019</i> £	<i>Year ended</i> <i>31 December</i> <i>2020</i> £	<i>Year ended</i> <i>31 December</i> <i>2021</i> £
Transaction price relating to performance obligations that are unsatisfied (or partially unsatisfied) at the year end	1,118,364	1,889,640	4,715,857

These amounts are expected to be recognised as revenue as follows: £1,118,364 recognised as revenue in 2020; £1,889,640 recognised as revenue in 2021; £4,167,102 recognised as revenue in 2022; £548,755 recognised as revenue in 2023.

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.

7. Other operating income

	<i>Year ended</i> <i>31 December</i> <i>2019</i> £	<i>Year ended</i> <i>31 December</i> <i>2020</i> £	<i>Year ended</i> <i>31 December</i> <i>2021</i> £
Government grants	–	123,868	–
Tax credit in relation to research and development expenditure	1,153,817	498,622	517,178
	<u>1,153,817</u>	<u>622,490</u>	<u>517,178</u>

Government grants related to amounts received under the Coronavirus Job Retention Scheme as part of a UK Government initiative to provide immediate financial support as a result of the COVID-19 pandemic to reimburse the Company for 80 per cent. of the wages of certain employees who were placed on a temporary period of absence but were kept on the payroll. There are no future related costs in respect of these grants which were received solely as compensation for costs incurred in the prior year.

8. Employees

Staff costs were as follows:

	<i>Year ended</i> <i>31 December</i> <i>2019</i> £	<i>Year ended</i> <i>31 December</i> <i>2020</i> £	<i>Year ended</i> <i>31 December</i> <i>2021</i> £
Wages and salaries	8,253,149	8,340,687	7,058,101
Social security costs	906,176	831,537	615,628
Defined contribution pension cost	473,427	368,518	420,802
Share-based payments	(818,157)	150,123	713,267
	<u>8,814,595</u>	<u>9,690,865</u>	<u>8,807,798</u>

The average monthly number of persons (including Directors) employed in the Group during each year was:

	<i>Year ended</i> <i>31 December</i> <i>2019</i> <i>Number</i>	<i>Year ended</i> <i>31 December</i> <i>2020</i> <i>Number</i>	<i>Year ended</i> <i>31 December</i> <i>2021</i> <i>Number</i>
Sales, administration and management	24	43	48
Engineering	173	146	124
	<u>197</u>	<u>189</u>	<u>172</u>

9. Key management personnel

	<i>Year ended</i> <i>31 December</i> <i>2019</i> £	<i>Year ended</i> <i>31 December</i> <i>2020</i> £	<i>Year ended</i> <i>31 December</i> <i>2021</i> £
Directors:			
Salaries	208,381	280,251	196,875
Social security costs	25,916	35,545	24,599
Pension contributions	4,667	6,250	–
Share based payments	10,006	8,338	78,189
Other key management personnel:			
Salaries	690,713	598,152	380,761
Social security costs	65,862	76,599	47,862
Pension contributions	24,055	30,012	26,178
Share based payments	(150,420)	148,509	489,262
	<u>879,180</u>	<u>1,183,656</u>	<u>1,245,726</u>

Other key management personnel are members of the Senior Leadership Team, not including senior engineering management.

10. Material profit or loss items

The Group has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the Group.

	<i>Year ended</i> <i>31 December</i> <i>2019</i> £	<i>Year ended</i> <i>31 December</i> <i>2020</i> £	<i>Year ended</i> <i>31 December</i> <i>2021</i> £
Research and development expenditure comprises:			
Salaries included in cost of sales	7,434,613	4,051,729	3,653,741
Salaries included in administrative expenses	660,799	681,254	910,378
Contractor costs	1,617,829	123,539	30,139
Other costs included in cost of sales	763,133	989,357	2,412,111
Other costs included in administrative expenses	94,477	82,132	91,535
Impairment losses / (reversal of impairment losses) on financial assets	668,364	(668,365)	–
Amortisation	–	578,681	2,154,711
Loss on asset retirement	–	431,817	–
Depreciation	63,941	70,248	79,402
	<u>63,941</u>	<u>70,248</u>	<u>79,402</u>

Total research and development expenditure for each period was £10,570,851 (2019), £5,928,011 (2020) and £7,097,904 (2021).

11. Finance income

	<i>Year ended</i> <i>31 December</i> <i>2019</i> £	<i>Year ended</i> <i>31 December</i> <i>2020</i> £	<i>Year ended</i> <i>31 December</i> <i>2021</i> £
Interest receivable	<u>565</u>	<u>5,174</u>	<u>724</u>

12. Finance expense

	<i>Year ended</i> 31 December 2019 £	<i>Year ended</i> 31 December 2020 £	<i>Year ended</i> 31 December 2021 £
Interest payable on bank overdraft and loan	9,196	55,016	69,226
Shareholder loan interest payable	39,741	28,715	27,923
Finance costs relating to the purchase of the intangible asset	–	109,680	404,101
Interest expense on lease liabilities	35,549	26,726	19,527
	<u>84,486</u>	<u>220,137</u>	<u>520,777</u>

13. Taxation

	<i>Year ended</i> 31 December 2019 £	<i>Year ended</i> 31 December 2020 £	<i>Year ended</i> 31 December 2021 £
<i>Current tax expense</i>			
Current tax on profits for the year	159,971	(365,756)	(189,100)
Adjustments in respect of previous periods	–	–	81,975
Foreign tax on income for the year	23,315	36,469	32,414
Total current tax charge / (credit)	<u>183,286</u>	<u>(329,287)</u>	<u>(74,711)</u>
<i>Deferred tax expense</i>			
Origination and reversal of temporary differences	15,961	144,242	–
Total deferred tax expense	<u>15,961</u>	<u>144,242</u>	<u>–</u>
Total tax charge / (credit)	<u>199,247</u>	<u>(185,045)</u>	<u>(74,711)</u>

Reconciliation of effective tax rate

UK corporation tax is calculated at 19 per cent. (Dec 2020: 19 per cent.; Dec 2019: 19 per cent.) of the estimated taxable profit for the year. The tax result for the year can be reconciled to the loss per the income statement as follows:

	<i>Year ended</i> 31 December 2019 £	<i>Year ended</i> 31 December 2020 £	<i>Year ended</i> 31 December 2021 £
Profit / (loss) before taxation	<u>1,163,912</u>	<u>(4,012,641)</u>	<u>(5,531,098)</u>
Tax at the UK corporation tax rate of 19%	221,143	(762,402)	(1,050,909)
<i>Adjusted for the effects of:</i>			
Expenses not deductible for tax purposes	13,206	143,481	114,032
Adjustments in respect of prior periods	–	–	81,975
Non-taxable income	–	(28,913)	(23)
Additional deduction for R&D expenditure	(67,827)	(206,457)	(106,882)
Surrender of tax losses for R&D tax credit refund	–	49,287	25,516
Losses carried back	37,637	–	–
Deferred tax movement not recognised	–	643,391	1,014,037
Impact of overseas tax rate	(4,912)	(27,183)	(3,211)
Other	–	3,751	176
Total tax expense	<u>199,247</u>	<u>(185,045)</u>	<u>(74,711)</u>

Factors that may affect future tax charge

A reduction in the UK corporation tax rate from 19 per cent. to 17 per cent. (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19 per cent. would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020.

An increase in the UK corporation rate from 19 per cent. to 25 per cent. (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly. The deferred tax liability at 31 December 2021 has been calculated based on these rates, reflecting the expected timing of reversal of the related timing differences.

14. 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.

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.

	<i>Year ended 31 December 2019 £</i>	<i>Year ended 31 December 2020 £</i>	<i>Year ended 31 December 2021 £</i>
Profit / (loss) for the year	964,665	(3,827,596)	(5,456,387)
Weighted average number of shares	<u>50,068,686</u>	<u>50,068,686</u>	<u>50,068,686</u>
Basic earnings / (loss) per share (£)	<u>0.02</u>	<u>(0.08)</u>	<u>(0.11)</u>
	<i>Year ended 31 December 2019 £</i>	<i>Year ended 31 December 2020 £</i>	<i>Year ended 31 December 2021 £</i>
Profit / (loss) for the year	964,665	(3,827,596)	(5,456,387)
Weighted average number of shares	50,068,686	50,068,686	50,068,686
Dilutive effect of share options	<u>595,878</u>	<u>–</u>	<u>–</u>
Weighted average number of diluted shares	<u>50,664,664</u>	<u>50,942,256</u>	<u>50,942,256</u>
Diluted earnings / (loss) per share (£)	<u>0.02</u>	<u>(0.08)</u>	<u>(0.11)</u>

The weighted average number of shares for each year includes the effect of the bonus issue of 41,723,905 shares after the year end.

During 2020 and 2021, the Group made a loss and so the share options are anti-dilutive.

15. Intangible assets

	<i>Software licences £</i>
Cost:	
At 1 January 2019	518,463
Additions	275,381
Disposals	<u>(518,463)</u>

	<i>Software licences £</i>
At 31 January 2019	275,381
Additions	12,242,125
Disposal	<u>(855,934)</u>
At 31 December 2020	11,661,572
Disposals	<u>(5,917)</u>
At 31 December 2021	<u><u>11,655,655</u></u>
Amortisation:	
At 1 January 2019	518,463
Disposals	<u>(518,463)</u>
	<i>Software licences £</i>
At 31 December 2019	–
Amortisation charge for the year	578,681
Disposal	<u>(424,117)</u>
At 31 December 2020	154,564
Amortisation charge for the year	<u>2,154,711</u>
At 31 December 2021	2,309,275
Net book value	
At 1 January 2019	<u>–</u>
At 31 December 2019	<u>275,381</u>
At 31 December 2020	<u>11,507,008</u>
At 31 December 2021	<u><u>9,346,380</u></u>

Included in the above is a software licence intangible asset with a carrying amount of £9,194,953 (31 December 2020: £11,265,388; 31 December 2019: £nil; 1 January 2019: £nil) and a remaining amortisation period of 2 years (31 December 2020: 3 years; 31 December 2019: nil years; 1 January 2019: nil years).

The software licences are available for utilisation as part of the ordinary course of business. The remaining amortisation period is 1-2 years.

For the year ended 31 December 2020, following the cancellation of a customer project for which a specific brought forward software licence was expected to be fully utilised, the Directors concluded that the asset has no other use to the Group based on its present or pipeline of future projects for the remainder of the licence period. The directors have therefore derecognised the intangible asset, resulting in a loss on disposal of £431,817.

16. Property, plant and equipment

	<i>Office equipment</i>
	£
Cost	
At 1 January 2019	645,997
Additions	67,332
Exchange adjustments	(256)
	<hr/>
At 31 December 2019	713,073
Additions	40,273
Exchange adjustments	11,602
	<hr/>
At 31 December 2020	764,948
Additions	55,319
Disposals	(20,088)
Exchange adjustments	30,849
	<hr/>
At 31 December 2021	<u>831,028</u>
Depreciation	
At 1 January 2019	416,528
Depreciation charge for the year	63,941
Exchange adjustments	5,037
	<hr/>
At 31 December 2019	485,506
Depreciation charge for the year	70,248
Exchange adjustments	8,590
	<hr/>
At 31 December 2020	564,344
Depreciation charge for the year	79,402
Disposals	(19,825)
Exchange adjustments	31,926
	<hr/>
At 31 December 2021	<u>655,847</u>
Net book value	
At 1 January 2019	<u>229,469</u>
At 31 December 2019	<u>227,567</u>
At 31 December 2020	<u>200,604</u>
At 31 December 2021	<u>175,181</u>

17. Leases

The Group has lease contracts for properties, cars and servers, used in its operations. Lease terms are in the range of 1 – 5 years for properties, 2 – 3 years for cars and 1 – 3 years for servers. Certain lease arrangements include options to extend or terminate the leases during the lease term. The Group also has certain leases with lease terms of 12 months or less. The Group applies the recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	<i>Property</i> £	<i>Motor vehicles</i> £	<i>IT equipment</i> £	<i>Total</i> £
Cost				
At 1 January 2019	998,163	–	21,019	1,019,182
Additions	150,156	–	25,073	175,229
Exchange adjustments	(14,941)	–	–	(14,941)
At 31 December 2019	1,133,378	–	46,092	1,179,470
Additions	–	31,093	42,622	73,715
Exchange adjustments	2,900	–	–	2,900
Effect of lease modifications	53,535	–	–	53,535
At 31 December 2020	1,189,813	31,093	88,714	1,309,620
Additions	–	–	123,942	123,942
Exchange adjustments	(6,886)	–	–	(6,886)
Effect of lease modifications	209,453	–	–	209,453
At 31 December 2021	<u>1,392,380</u>	<u>31,093</u>	<u>212,656</u>	<u>1,636,129</u>
Depreciation				
At 1 January 2019	–	–	–	–
Depreciation charge for the year	348,591	–	24,543	373,134
Exchange adjustments	(3,692)	–	–	(3,692)
At 31 December 2019	344,899	–	24,543	369,442
Depreciation charge for the year	402,102	4,917	34,236	441,255
Exchange adjustments	(42)	–	–	(42)
At 31 December 2020	746,959	4,917	58,779	810,655
Depreciation charge for the year	272,424	10,374	20,155	302,953
Exchange adjustments	(2,644)	–	–	(2,644)
At 31 December 2021	<u>1,016,739</u>	<u>15,291</u>	<u>78,934</u>	<u>1,110,964</u>
Net book value				
At 1 January 2019	<u>998,163</u>	<u>–</u>	<u>21,019</u>	<u>1,019,182</u>
At 31 December 2019	<u>788,479</u>	<u>–</u>	<u>21,549</u>	<u>810,028</u>
At 31 December 2020	<u>442,854</u>	<u>26,176</u>	<u>29,935</u>	<u>498,965</u>
At 31 December 2021	<u>375,641</u>	<u>15,802</u>	<u>133,722</u>	<u>525,165</u>

Set out below are the carrying amounts of lease liabilities:

	<i>As at 1 January 2019 £</i>	<i>As at 31 December 2019 £</i>	<i>As at 31 December 2020 £</i>	<i>As at 31 December 2021 £</i>
Current	331,763	415,162	248,290	276,788
Non-current	655,219	377,980	243,003	258,794

The following are the amounts recognised in profit or loss:

	<i>Year ended</i> <i>31 December</i> 2019 £	<i>Year ended</i> <i>31 December</i> 2020 £	<i>Year ended</i> <i>31 December</i> 2021 £
Depreciation expense of right-of-use assets	373,134	441,255	302,953
Interest expense on lease liabilities	35,549	26,726	19,527
Expense relating to short-term leases	78,536	75,507	68,312
Total amount recognised in profit or loss	<u>487,219</u>	<u>543,488</u>	<u>390,792</u>

The maturity of the gross contractual undiscounted cash flows due on the Group's leases is as follows:

	<i>As at</i> <i>1 January</i> 2019 £	<i>As at</i> <i>31 December</i> 2019 £	<i>As at</i> <i>31 December</i> 2020 £	<i>As at</i> <i>31 December</i> 2021 £
Maturity analysis:				
Within one year	365,810	440,090	256,154	293,117
After one year but not more than five years	691,744	393,979	257,272	266,621
More than five years	–	–	–	–
	<u>1,057,554</u>	<u>834,069</u>	<u>513,426</u>	<u>559,738</u>

The total cash outflows from leases are shown in note 27.

18. Trade and other receivables

	<i>As at</i> <i>1 January</i> 2019 £	<i>As at</i> <i>31 December</i> 2019 £	<i>As at</i> <i>31 December</i> 2020 £	<i>As at</i> <i>31 December</i> 2021 £
Trade receivables	1,201,043	2,609,223	2,921,746	2,232,781
Contract receivables	146,423	49,105	19,179	152,736
Contract assets	569,779	1,068,365	–	–
	1,917,245	3,726,693	2,940,925	2,385,517
Allowance for expected credit losses	–	(668,365)	–	–
Related party receivables	–	260,000	–	–
Other receivables	1,185,684	1,040,353	564,795	546,330
Prepayments	105,651	176,932	159,908	75,094
	<u>3,208,580</u>	<u>4,535,613</u>	<u>3,665,628</u>	<u>3,006,941</u>

The Group measures the loss allowance for accounts receivable at an amount equal to lifetime expected credit losses. The expected credit losses on accounts receivable are estimated using a provision matrix prepared by reference to the past account aging records of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor and an assessment of the gross domestic product growth rate, unemployment rate and industrial indicators at the reporting date. The Group estimates expected credit losses based on the number of days that receivables are past due. As the Group's historical credit losses experience does not show significantly different loss patterns for different customer segments, the provision for losses based on past due status of receivables is not further distinguished between the Group's different customer base; poor credit rating customers that have accounts receivable balances past due over 90 days are provided with full amount of loss allowance.

The loss allowance was determined as follows:

	Current	30 – 60	60 – 90	More than	Total
	£	days	days	90 days	£
	£	£	£	£	£
<i>At 1 January 2019</i>					
Expected loss rate	1%	1%	1%	1%	
Gross carrying amount – trade receivables	1,201,043	–	–	–	1,201,043
Gross carrying amount – contract receivables	146,423	–	–	–	146,423
Gross carrying amount – contract assets	569,779	–	–	–	569,779
Loss allowance	19,172	–	–	–	19,172
<i>At 31 December 2019</i>					
Expected loss rate	1%	1%	1%	1%	
Gross carrying amount – trade receivables (excluding specific credit-impaired balances – see below)	1,085,048	291,703	–	564,107	1,940,858
Gross carrying amount – contract receivables	49,105	–	–	–	49,105
Gross carrying amount – contract assets	–	–	–	1,068,365	1,068,365
Loss allowance	11,342	2,917	–	16,325	30,584
<i>At 31 December 2020</i>					
Expected loss rate	1%	1%	1.5%	1%	
Gross carrying amount – trade receivables	2,529,007	247,764	–	144,975	2,921,746
Gross carrying amount – contract receivables	19,179	–	–	–	19,179
Loss allowance	25,519	2,548	–	1,510	29,577
<i>At 31 December 2021</i>					
Expected loss rate	1%	1%	1.5%	1%	
Gross carrying amount – trade receivables	1,403,351	829,430	–	–	2,232,781
Gross carrying amount – contract receivables	152,236	–	–	–	152,236
Loss allowance	15,575	8,438	–	–	24,013

No expected credit loss provision has been recognised for each of the periods based on lifetime expected credit losses because the amounts are not material.

An expected credit loss for one customer included within contract assets was made due to historic and forward-looking information for that specific customer, this was reversed when the uncertainty was resolved.

	<i>As at</i> 31 December 2019 £	<i>As at</i> 31 December 2020 £	<i>As at</i> 31 December 2021 £
Opening balance	–	668,365	–
Provision / (reversal of provision) for expected credit losses on credit impaired financial assets	668,365	(668,365)	–
Closing balance	<u>668,365</u>	<u>–</u>	<u>–</u>

Information about the credit exposures is disclosed in note 23.

19. Cash and cash equivalents

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

	<i>As at</i> 1 January 2019 £	<i>As at</i> 31 December 2019 £	<i>As at</i> 31 December 2020 £	<i>As at</i> 31 December 2021 £
Cash at bank and on hand	1,662,287	89,082	110,069	29,797
Less: bank overdrafts (note 20)	–	(292,745)	(741,348)	(1,273,516)
	<u>1,662,287</u>	<u>(203,663)</u>	<u>(631,279)</u>	<u>(1,243,719)</u>

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

20. Trade and other payables

	<i>As at</i> 1 January 2019 £	<i>As at</i> 31 December 2019 £	<i>As at</i> 31 December 2020 £	<i>As at</i> 31 December 2021 £
Bank overdraft	–	292,745	741,348	1,273,516
Trade payables	269,523	653,387	634,240	927,100
Social security and other taxes	754,145	728,312	2,166,102	2,685,136
Other payables	39,740	12,503	879,572	4,427,547
Accruals	692,541	689,749	581,298	411,097
Contract liabilities (note 21)	222,726	394,070	37,494	224,189
	<u>1,978,675</u>	<u>2,770,766</u>	<u>5,040,054</u>	<u>9,948,585</u>

Trade payables are non-interest bearing and are normally settled on 60-day terms.

The overdraft facility is secured by way of a fixed and floating charge over all assets.

Non-current liabilities included:

	<i>As at</i> 1 January 2019 £	<i>As at</i> 31 December 2019 £	<i>As at</i> 31 December 2020 £	<i>As at</i> 31 December 2021 £
Other payables	–	–	10,555,114	6,791,294

Other payables represent the amounts owed in relation to the acquisition of software licences and are repayable in staged instalments over 3 years. A 4 per cent. interest rate has been charged on this payables balance.

21. Contract liabilities

	<i>As at</i> 31 December 2019 £	<i>As at</i> 31 December 2020 £	<i>As at</i> 31 December 2021 £
Opening balance	222,726	394,070	37,494
Deferred during the year	394,070	37,494	224,189
Recognised as revenue during the year	<u>(222,726)</u>	<u>(394,070)</u>	<u>(37,494)</u>
Closing balance	<u>394,070</u>	<u>37,494</u>	<u>224,189</u>

22. Loans and borrowings

	<i>As at</i> 1 January 2019 £	<i>As at</i> 31 December 2019 £	<i>As at</i> 31 December 2020 £	<i>As at</i> 31 December 2021 £
Amounts falling due within one year				
Bank loans	400,000	–	58,333	1,351,042
Shareholder loan	500,000	700,000	–	–
	<u>900,000</u>	<u>700,000</u>	<u>58,333</u>	<u>1,351,042</u>
Amounts falling due 1 – 2 years				
Bank loans	–	–	1,341,667	112,500
Shareholder loan	700,000	–	–	–
Amounts falling due 2 – 5 years				
Bank loans	–	–	–	328,125
Shareholder loan	–	–	700,000	700,000
	<u>700,000</u>	<u>–</u>	<u>2,041,667</u>	<u>1,140,625</u>

Loans and borrowings relate to the following:

A bank loan of £1,400,000 (*31 December 2020: £1,400,000; 31 December 2019: £nil; 1 January 2019: £nil*) was received under the UK Government's Coronavirus Business Interruption Loan Scheme ("CBILS") during 2020 which is repayable in monthly instalments from November 2021 and fully repayable by October 2025. The loan bears interest of the Bank of England base rate plus 4 per cent. and under the terms of the CBILS, the UK Government pays the interest for the first 12 months of the loan before the Group takes on the payment of the interest for the remaining terms of the loan which will be paid in monthly instalments. The UK Government has guaranteed 80 per cent. of this loan.

As at 1 January 2019, a bank loan of £400,000 was held which was repayable within 12 months. Interest on the loan was charged at rate of Bank of England base rate plus 3 per cent.

A bank loan of £450,000 (*31 December 2020: £Nil; 31 December 2019: £Nil; 1 January 2019: £Nil*) was received under the UK Government's Recovery Loan Scheme ("RLS") which is repayable in monthly instalments from December 2022 and fully repayable by December 2026. The loan bears interest of the Bank of England base rate plus 3.99 per cent. which will be paid in monthly instalments. The bank loan is secured by way of fixed and floating charge over the assets of the Group. The UK Government has guaranteed 80 per cent. of this loan.

Due to a breach in loan covenants the CBILS has been presented within current liabilities as at 31 December 2021.

The shareholder loan is unsecured, attracts contractual interest at a rate of 4 per cent. and was scheduled to be fully repaid in 2020. The lending shareholder has agreed not to seek further repayment on the loan until after the CBILS loan described above has been repaid in full. Interest is still being paid on this loan and the subordination has not resulted in a significant change in the present value of expected future cash flows at the time of modification.

Defaults and breaches

During the year, the Group breached its quarterly financial covenants with one of its lenders relating to the CBILS loan for £1,400,000 for the quarters ended 30 September 2021 and 31 December 2021, subsequent to year end they were also breached for the quarter to 31 March 2022 and to 30 June 2022. The Group has received formal confirmation after the balance sheet date that the lender has waived the covenants for all four periods.

23. Financial instruments risk management objectives and policies

The Group's financial liabilities comprise trade and other payables, lease liabilities and loans and borrowings. The main purpose of these financial liabilities is to finance the Group's operations. The Group's financial assets include trade and other receivables, and cash and cash equivalent that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

	As at 1 January 2019 £	As at 31 December 2019 £	As at 31 December 2020 £	As at 31 December 2021 £
Financial assets				
Cash and cash equivalents	1,662,287	89,082	110,069	29,797
Trade receivables	1,201,043	2,609,223	2,921,746	2,232,781
Other receivables	184,271	46,507	65,687	25,947
Contract receivables	146,423	49,105	19,179	152,736
Contract assets	569,779	1,068,365	–	–
Amounts owed by related parties	–	260,000	–	–
<i>Financial assets at amortised cost</i>	<u>3,763,803</u>	<u>4,122,282</u>	<u>3,116,681</u>	<u>2,441,261</u>
Financial liabilities				
Bank overdrafts	–	292,745	741,348	1,273,516
Trade payables	269,523	653,387	634,240	927,100
Other payables	39,740	12,503	11,434,686	11,218,841
Bank loans	400,000	–	1,400,000	1,791,667
Shareholder loans	1,200,000	700,000	700,000	700,000
Lease liabilities	986,982	793,142	491,293	535,582
<i>Financial liabilities at amortised cost</i>	<u>2,896,245</u>	<u>2,451,777</u>	<u>15,401,567</u>	<u>16,446,706</u>

Fair value

The carrying amounts of the financial assets and financial liabilities are a reasonable approximation of their fair value.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's exposure to market risk comprised of only currency risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency).

Foreign currency sensitivity

The financial assets and liabilities that are exposed to currency risk are trade receivables, trade payables and other payables.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in GBP, was as follows:

	1 January 2019		31 December 2019	
	USD £	EUR £	USD £	EUR £
Trade and other receivables	197,635	25,007	105,110	–
Cash and cash equivalents	224,563	6,497	8,092	11,502
Trade and other payables	(52,299)	(3,158)	2,517	(66,133)
	<u>369,899</u>	<u>28,346</u>	<u>115,719</u>	<u>(54,631)</u>

	31 December 2020		31 December 2021	
	USD £	EUR £	USD £	EUR £
Trade and other receivables	–	11,375	362,845	26,484
Cash and cash equivalents	581	12,025	143	301
Trade and other payables	(304,953)	(11,217)	(1,002,214)	(164,385)
	<u>(304,372)</u>	<u>12,183</u>	<u>(639,226)</u>	<u>(137,600)</u>

The following tables demonstrate the sensitivity of profit and equity to a reasonably possible change in USD and EUR exchange rates, with all other variables held constant. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in USD rate	Effect on profit before tax and equity £	Change in EUR rate	Effect on profit before tax and equity £
As at 1 January 2019	2%	7,398	2%	567
As at 31 December 2019	2%	2,314	2%	1,093
As at 31 December 2020	2%	6,087	2%	236
As at 31 December 2021	2%	12,785	2%	2,752

Trade receivables and contract receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables and contract receivables are regularly monitored.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of the various customers. In making this assessment, the Group considers historical experience of write-offs, which are insignificant, and forward-looking information available at the time of the assessment. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from Management's knowledge, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is their carrying value.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The carrying amount of the Group's financial assets represents its maximum exposure to credit risk.

The Group has assessed the credit risk of its financial assets and has determined that an expected credit loss (ECL) of £nil is required at the year-end (2020: £nil; 2019: £668,365).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing its liquidity is to ensure, as far as possible, that it has sufficient liquidity available to meet its liabilities when due, both under normal and adverse economic conditions, without incurring unacceptable losses or risking damage to its reputation.

The undiscounted contractual maturity analysis for financial liabilities is set out below:

	<i>Within 1 year</i>	<i>Between 1 and 2 years</i>	<i>Between 2 and 5 years</i>	<i>Total contractual cash flows</i>	<i>Carrying amount</i>
	£	£	£	£	£
<i>1 January 2019</i>					
Bank overdrafts	–	–	–	–	–
Trade payables	269,523	–	–	269,523	269,523
Other payables	39,740	–	–	39,740	39,740
Bank loans	406,200	–	–	406,200	400,000
Shareholder loans	527,590	727,590	–	1,255,180	1,200,000
Lease liabilities	365,810	691,744	–	1,057,554	986,982
	<u>1,608,863</u>	<u>1,419,334</u>	<u>–</u>	<u>3,028,197</u>	<u>2,896,245</u>
<i>31 December 2019</i>					
Bank overdrafts	292,745	–	–	292,745	292,745
Trade payables	653,387	–	–	653,387	653,387
Other payables	12,503	–	–	12,503	12,503
Bank loans	–	–	–	–	–
Shareholder loans	727,590	–	–	727,590	700,000
Lease liabilities	440,090	393,979	–	834,069	793,142
	<u>2,126,315</u>	<u>393,979</u>	<u>–</u>	<u>2,520,294</u>	<u>2,451,777</u>
<i>31 December 2020</i>					
Bank overdrafts	741,348	–	–	741,348	741,348
Trade payables	634,240	–	–	634,240	634,240
Other payables	879,569	3,652,841	6,902,276	11,434,686	11,434,686
Bank loans	115,295	406,168	949,986	1,471,449	1,400,000
Shareholder loans	27,590	27,590	782,769	837,949	700,000
Lease liabilities	308,154	257,272	–	565,426	491,293
	<u>2,706,196</u>	<u>4,343,871</u>	<u>8,635,031</u>	<u>15,685,098</u>	<u>15,401,567</u>

31 December 2021	<i>Within 1 year</i>	<i>Between 1 and 2 years</i>	<i>Between 2 and 5 years</i>	<i>Total contractual cash flows</i>	<i>Carrying amount</i>
	£	£	£	£	£
Bank overdrafts	1,273,516	–	–	1,273,516	1,273,516
Trade payables	927,100	–	–	927,100	927,100
Other payables	4,427,547	6,791,294	–	11,218,841	11,218,841
Bank loans	1,429,251	174,425	381,903	1,985,579	1,791,667
Shareholder loans	27,590	27,590	755,179	810,359	700,000
Lease liabilities	293,117	266,621	–	559,738	535,582
	<u>8,378,121</u>	<u>7,259,930</u>	<u>1,137,082</u>	<u>16,775,133</u>	<u>16,446,706</u>

Capital management

The Group's main objective when managing capital is to protect returns to shareholders by ensuring the Company will continue to trade for the foreseeable future. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. The Group meets its objectives for managing capital by re-investing profits to enhance future growth.

The Group considers its capital to include cash and equity.

	<i>As at 1 January 2019</i>	<i>As at 31 December 2019</i>	<i>As at 31 December 2020</i>	<i>As at 31 December 2021</i>
	£	£	£	£
Cash and cash equivalents	1,662,287	(203,663)	(631,279)	(1,243,719)
Equity	<u>1,780,050</u>	<u>1,857,621</u>	<u>(1,838,918)</u>	<u>(6,576,539)</u>
	<u>3,442,337</u>	<u>1,653,958</u>	<u>(2,470,197)</u>	<u>(7,820,258)</u>

24. Deferred tax assets

Deferred tax relates to the following:

	<i>Property, plant and equipment</i>	<i>Share- based payments</i>	<i>Short-term timing differences</i>	<i>Research and development</i>	<i>Total</i>
	£	£	£	£	£
As at 1 January 2019	19,297	206,892	–	–	226,189
Movement in income statement	732	(93,572)	2,446	74,433	(15,961)
Movement in equity	–	(26,371)	–	–	(26,371)
As at 31 December 2019	<u>20,029</u>	<u>86,949</u>	<u>2,446</u>	<u>74,433</u>	<u>183,857</u>
Movement in income statement	(20,029)	(47,334)	(2,446)	(74,433)	(144,242)
Movement in equity	–	(39,615)	–	–	(39,615)
As at 31 December 2020	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Movement in income statement	–	–	–	–	–
Movement in equity	–	–	–	–	–
As at 31 December 2021	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

Deferred tax assets relating to temporary differences of the following have not been recognised because the directors are not certain that there will be sufficient future taxable profits against which to off-set the deferred tax assets:

- Property, plant and equipment – £20,182 (2020: £19,337)
- Share-based payments – £50,134 (2020: £86,949);

- Short-term timing differences – £26,317 (2020: £2,652);
- Research and development – £203,441 (2020: £92,926); and
- Losses – £1,447,884 (2020: £481,917).

There is no expected timing restriction on the carry forward unprovided deferred tax assets.

25. Share-based payments

The Group has an HMRC approved share options scheme for certain employees. Each option entitles the holder to purchase one share at a set exercise price and is an equity-settled transaction. Options are forfeited if the employee leaves the Group before the options vest. The options would only vest on change of ownership of the Group.

The Group recognises an equity settled share-based payment expense based on a reasonable allocation of the total charge for the Group. This allocation is the total charge for the Group pro-rated for the number of participating employees of the subsidiaries in which the employees are employed.

The Group used the Black Scholes model in arriving at the fair value at grant date for the options granted in the period due to no market conditions being attached to the shares.

The following principal assumptions were used in the valuation:

	<i>2021</i>
Share price at grant date	£1.79
Volatility	39%
Option life	1.2 years
Dividend yield	0%
Risk-free rate	0.71%
Exercise price at grant date	£1.50
Fair value per option at grant date	£0.45

The expected volatility was determined by calculating the historical volatility of the Group's share price over the previous period corresponding with the expected vesting period, with the share price determined by applying a revenue multiple.

The total expense in respect of the options amounted to £697,865 (2020: £174,281; 2019: £27,085).

	<i>As at 31 December 2019</i>		<i>As at 31 December 2020</i>		<i>As at 31 December 2021</i>	
	<i>Number</i>	<i>Weighted average exercise price (pence)</i>	<i>Number</i>	<i>Weighted average exercise price (pence)</i>	<i>Number</i>	<i>Weighted average exercise price (pence)</i>
Outstanding at the beginning of the year	1,471,575	0.39	876,575	1.21	591,575	1.07
Granted during the year	705,000	1.50	–	–	150,000	1.5
Forfeited during the year	(1,300,000)	0.44	(285,000)	1.50	–	–
Outstanding at the end of the year	<u>876,575</u>	<u>1.21</u>	<u>591,575</u>	<u>1.07</u>	<u>741,575</u>	<u>1.16</u>
Number of options exercisable at the end of the year	–		–		–	
Weighted average remaining contractual life of those options	8 years		7 years		7 years	
Range of exercise prices	£0.001 – £1.50		£0.001 – £1.50		£0.001 – £1.50	

26. Share capital

	As at 1 January 2019 Number	As at 31 December 2019 Number	As at 31 December 2020 Number	As at 31 December 2021 Number
Ordinary shares of £0.001 each	166,895	166,895	166,895	166,895
Ordinary A shares of £0.001 each	8,177,886	8,177,886	8,177,886	8,177,886
	<u>8,344,781</u>	<u>8,344,781</u>	<u>8,344,781</u>	<u>8,344,781</u>

	As at 31 December 2019 £	As at 31 December 2019 £	As at 31 December 2020 £	As at 31 December 2021 £
Ordinary shares of £0.001 each	167	167	167	167
Ordinary A shares of £0.001 each	8,178	8,178	8,178	8,178
	<u>8,345</u>	<u>8,345</u>	<u>8,345</u>	<u>8,345</u>

A Ordinary shares are prescribed one vote per share. The A ordinary shares rank first on wind up to the assets of the Company.

Ordinary shares do not hold the right to attend or vote at general meetings. The ordinary shares have second right on wind up to the assets of the Company.

27. Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	As at 1 January 2019 £	Financing cash flows £	New leases £	Non-cash changes Effect of lease modifications £	Finance cost £	Foreign currency movement £	As at 31 December 2019 £
Loans and borrowings	1,600,000	(948,937)	–	–	48,937	–	700,000
Lease liabilities	986,982	(393,330)	175,230	–	35,549	(11,290)	793,141
	<u>2,586,982</u>	<u>(1,342,267)</u>	<u>175,230</u>	<u>–</u>	<u>84,486</u>	<u>(11,290)</u>	<u>1,493,141</u>

	As at 1 January 2020 £	Financing cash flows £	New leases £	Non-cash changes Effect of lease modifications £	Finance cost £	Foreign currency movement £	As at 31 December 2020 £
Loans and borrowings	700,000	1,316,269	–	–	83,731	–	2,100,000
Lease liabilities	793,141	(458,542)	73,715	53,535	26,726	2,718	491,293
	<u>1,493,141</u>	<u>857,727</u>	<u>73,715</u>	<u>53,535</u>	<u>110,457</u>	<u>2,718</u>	<u>2,591,293</u>

	As at 1 January 2021 £	Financing cash flows £	New leases £	Non-cash changes Effect of lease modifications £	Finance cost £	Foreign currency movement £	As at 31 December 2021 £
Loans and borrowings	2,100,000	(109,583)	–	–	501,250	–	2,491,667
Lease liabilities	491,293	(304,527)	123,942	209,453	19,527	(4,106)	535,582
	<u>2,591,293</u>	<u>(414,110)</u>	<u>123,942</u>	<u>209,453</u>	<u>520,777</u>	<u>(4,106)</u>	<u>3,027,249</u>

28. Related parties

Key management personnel information is disclosed in note 9.

At the year end, the Group had advanced a loan of £nil (31 December 2020: £nil; 31 December 2019: £260,000; 1 January 2019: £nil) to a director of the Group, who was a key management personnel of the Group. The loan advanced was unsecured, attracted interest at a rate of 2.25 per cent. and was repayable on demand. During the year, £nil (2020: £310,000; 2019: £nil) was repaid to the Group, £nil (2020: £50,000; 2019: £260,000) was advanced to the Director and £nil (2020: £4,398; 2019: £515) was recognised within finance income. At the year end, accrued interest on the loan amounted to £nil (31 December 2020: £nil; 31 December 2019: £515; 1 January 2019: £nil).

Nigel Vaughan, a Director of the Company has provided services via a consultancy agreement through Vaughan Management Solutions Limited. Vaughan Management Solutions Limited is owned by Nigel Vaughan and his wife. The value of the services provided is £12,000 (2020: £15,369; 2019: £12,000). The amount outstanding at the 31 December 2021 was £4,234 (2020: £2,400; 2019: £1,244).

At 31 December 2021, the Group had a loan of £700,000 (31 December 2020: £700,000; 31 December 2019: £700,000; 1 January 2019: £1,200,000) owed to a shareholder of the Group. The loan is unsecured, incurs interest at a rate of 4 per cent., and is due to be repaid upon repayment of the CBILS loan. During the year £27,923 of interest (2020: £28,715; 2019: £39,741) was paid and recognised within interest payable.

The Company sells and purchases services from a related party to the Group (shareholder):

	<i>Sales</i>	<i>Purchases</i>	<i>Outstanding at year end</i>
2021	£38,830	£360,000	£5,610 / £(222,341)
2020	£40,218	£203,216	Nil / £(86,075)
2019	Nil	£22,288	Nil / £(3,451)

29. Ultimate controlling party

The Company's ultimate controlling party is considered to be G S Curren by virtue of his majority shareholding in the Company.

30. Subsequent events

On 1 June 2022, the covenant breaches on the CBILS loan for 31 December 2021 and 31 March 2022 were waived. The covenants were breached at 30 June 2022 and a waiver was received on 18 August 2022.

On 8 September 2022, the Company made a bonus issue of 40,889,430 A shares and 834,475 Ordinary shares, resulting in an increase in share capital to £50,068.69.

On Admission the A shares will be re-designated to Ordinary shares and the Ordinary shares voting restrictions will be removed.

31. Commitments and contingencies

There were no commitments or contingencies.

32. Explanation of transition to IFRS

The accounting policies set out in note 2 have been applied in preparing the historical financial information for the year ended 31 December 2021, the comparative information presented in these financial statements for the year ended 31 December 2020, the year ended 31 December 2019 and in the preparation of an opening IFRS balance sheet at 1 January 2019 (the Group's date of transition).

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its previous basis of accounting (UK GAAP). An explanation of how

the transition from UK GAAP to IFRSs has affected the Group's financial position, financial performance and equity is set out in the following tables and the notes that accompany the tables.

Reconciliation of equity as at 1 January 2019 (date of transition to IFRS)

	Notes	UK GAAP £	Effects of adopting IFRS £	UK GAAP adjustments £	IFRS £
ASSETS					
NON-CURRENT ASSETS					
Intangible assets		–	–	–	–
Property, plant and equipment		229,469	–	–	229,469
Right-of-use assets	A	–	1,019,182	–	1,019,182
Deferred tax assets	D	–	–	226,189	226,189
		<u>–</u>	<u>–</u>	<u>226,189</u>	<u>226,189</u>
CURRENT ASSETS					
Trade and other receivables	A, G	2,671,001	(32,200)	569,779	3,208,580
Cash and cash equivalents		1,662,287	–	–	1,662,287
Income tax receivable		–	–	–	–
		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total assets		<u>4,562,757</u>	<u>986,982</u>	<u>795,968</u>	<u>6,345,707</u>
EQUITY AND LIABILITIES					
EQUITY					
Share capital		8,345	–	–	8,345
Share premium		122,431	–	–	122,431
Retained earnings	D, G	853,306	–	795,968	1,649,274
Foreign currency translation reserve	B	–	–	–	–
		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total equity		<u>984,082</u>	<u>–</u>	<u>795,968</u>	<u>1,780,050</u>
NON-CURRENT LIABILITIES					
Loans and borrowings		700,000	–	–	700,000
Trade and other payables		–	–	–	–
Lease liabilities	A	–	655,219	–	655,219
		<u>–</u>	<u>655,219</u>	<u>–</u>	<u>655,219</u>
CURRENT LIABILITIES					
Trade and other payables		1,978,675	–	–	1,978,675
Loans and borrowings		900,000	–	–	900,000
Lease liabilities	A	–	331,763	–	331,763
		<u>–</u>	<u>331,763</u>	<u>–</u>	<u>331,763</u>
Total liabilities		<u>3,578,675</u>	<u>986,982</u>	<u>–</u>	<u>4,565,657</u>
Total equity and liabilities		<u>4,562,757</u>	<u>986,982</u>	<u>795,968</u>	<u>6,345,707</u>

Reconciliation of equity as at 31 December 2019

	Notes	UK GAAP £	Effects of adopting IFRS £	UK GAAP adjustments £	IFRS £
ASSETS					
NON-CURRENT ASSETS					
Intangible assets		275,381	–	–	275,381
Property, plant and equipment		227,567	–	–	227,567
Right-of-use assets	A	–	810,028	–	810,028
Deferred tax assets	D	–	–	183,857	183,857
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
CURRENT ASSETS					
Trade and other receivables	A	4,529,008	6,525	–	4,535,613
Cash and cash equivalents		89,082	–	–	89,082
Income tax receivable		–	–	–	–
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets		<u>5,121,118</u>	<u>816,553</u>	<u>183,857</u>	<u>6,121,528</u>
EQUITY AND LIABILITIES					
EQUITY					
Share capital		8,345	–	–	8,345
Share premium		122,431	–	–	122,431
Retained earnings		1,493,310	92,244	183,857	1,769,411
Foreign currency translation reserve	B	–	(42,567)	–	(42,567)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total equity		<u>1,624,086</u>	<u>49,677</u>	<u>183,857</u>	<u>1,857,620</u>
NON-CURRENT LIABILITIES					
Loans and borrowings		–	–	–	–
Trade and other payables		–	–	–	–
Lease liabilities	A	–	377,980	–	377,980
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
CURRENT LIABILITIES					
Trade and other payables	A	2,797,032	(26,266)	–	2,770,766
Loans and borrowings		700,000	–	–	700,000
Lease liabilities	A	–	415,162	–	415,162
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities		<u>3,497,032</u>	<u>766,876</u>	<u>–</u>	<u>4,263,908</u>
Total equity and liabilities		<u>5,121,118</u>	<u>816,553</u>	<u>183,857</u>	<u>6,121,528</u>

Reconciliation of equity as at 31 December 2020

	Notes	UK GAAP £	Effects of adopting IFRS £	UK GAAP adjustments £	IFRS £
ASSETS					
NON-CURRENT ASSETS					
Intangible assets		11,507,008	–	–	11,507,008
Property, plant and equipment		200,604	–	–	200,604
Right-of-use assets	A	–	498,965	–	498,965
Deferred tax assets		–	–	–	–
CURRENT ASSETS					
Trade and other receivables	A	4,038,469	(372,841)	–	3,665,628
Cash and cash equivalents		110,069	–	–	110,069
Income tax receivable	F	–	365,267	–	365,267
Total assets		<u>15,856,150</u>	<u>491,391</u>	<u>–</u>	<u>16,347,541</u>
EQUITY AND LIABILITIES					
EQUITY					
Share capital		8,345	–	–	8,345
Share premium		122,431	–	–	122,431
Retained earnings		(1,996,058)	48,381	–	(1,947,677)
Foreign currency translation reserve	B	–	(22,019)	–	(22,019)
Total equity		<u>(1,865,282)</u>	<u>26,362</u>	<u>–</u>	<u>(1,838,920)</u>
NON-CURRENT LIABILITIES					
Loans and borrowings		2,041,667	–	–	2,041,667
Trade and other payables		10,555,114	–	–	10,555,114
Lease liabilities	A	–	243,003	–	243,003
CURRENT LIABILITIES					
Trade and other payables	A	5,066,318	(26,264)	–	5,040,054
Loans and borrowings		58,333	–	–	58,333
Lease liabilities	A	–	248,290	–	248,290
Total liabilities		<u>17,721,432</u>	<u>465,029</u>	<u>–</u>	<u>18,186,461</u>
Total equity and liabilities		<u>15,856,150</u>	<u>491,391</u>	<u>–</u>	<u>16,347,541</u>

Reconciliation of equity as at 31 December 2021

	Notes	UK GAAP £	Effects of adopting IFRS £	UK GAAP adjustments £	IFRS £
ASSETS					
NON-CURRENT ASSETS					
Intangible assets		9,346,380	–	–	9,346,380
Property, plant and equipment		175,181	–	–	175,181
Right-of-use assets	A	–	525,165	–	525,165
Deferred tax assets		–	–	–	–
CURRENT ASSETS					
Trade and other receivables	A	3,200,524	(86,458)	–	3,006,941
Cash and cash equivalents		29,797	–	–	29,797
Income tax receivable	F	–	–	–	107,125
Total assets		<u>12,751,882</u>	<u>438,707</u>	<u>–</u>	<u>13,190,589</u>
EQUITY AND LIABILITIES					
EQUITY					
Share capital		8,345	–	–	8,345
Share premium		122,431	–	–	122,431
Retained earnings		(6,681,758)	(9,039)	–	(6,690,797)
Foreign currency translation reserve	B	–	(16,518)	–	(16,518)
Total equity		<u>(6,550,982)</u>	<u>(25,557)</u>	<u>–</u>	<u>(6,576,539)</u>
NON-CURRENT LIABILITIES					
Loans and borrowings		1,140,625	–	–	1,140,625
Trade and other payables		6,791,294	–	–	6,791,294
Lease liabilities	A	–	258,794	–	258,794
CURRENT LIABILITIES					
Trade and other payables	A	10,019,903	(71,318)	–	9,948,585
Loans and borrowings		1,351,042	–	–	1,351,042
Lease liabilities	A	–	276,788	–	276,788
Total liabilities		<u>19,302,864</u>	<u>464,264</u>	<u>–</u>	<u>19,767,128</u>
Total equity and liabilities		<u>12,751,882</u>	<u>438,707</u>	<u>–</u>	<u>13,190,589</u>

Reconciliation of total comprehensive income for the Year ended 31 December 2019

	Note	UK GAAP £	Effects of adopting IFRS £	UK GAAP adjustments £	IFRS £
Revenue	G	15,788,890	–	(569,779)	15,219,111
Cost of sales	E	(11,226,798)	668,365	–	(10,558,433)
Gross profit		4,562,092	668,365	–	4,660,678
Administrative expenses	A, C	(4,828,765)	85,226	845,242	(3,898,297)
Impairment losses / (reversal of impairment losses) on financial assets	E	–	(668,365)	–	(668,365)
Other operating income		1,153,817	–	–	1,153,817
Operating profit		887,144	85,226	275,463	1,247,833
Finance income		565	–	–	565
Finance expense	A	(48,937)	(35,549)	–	(84,486)
Profit before taxation		838,772	49,677	275,463	1,163,912
Taxation	D	(183,286)	–	(15,961)	(199,247)
Profit for the year		655,486	49,677	259,502	964,665
Other comprehensive income					
Currency translation differences		(42,567)	–	–	(42,567)
Total comprehensive income for the year		612,919	49,677	259,502	922,098

Reconciliation of total comprehensive income for the year ended 31 December 2020

	Note	UK GAAP £	Effects of adopting IFRS £	UK GAAP adjustments £	IFRS £
Revenue		9,023,995	–	–	9,023,995
Cost of sales	E	(8,269,348)	(668,365)	–	(8,937,713)
Gross profit		754,647	(668,365)	–	86,282
Administrative expenses	A, C	(5,028,104)	3,413	(150,124)	(5,174,815)
Impairment losses / (reversal of impairment losses) on financial assets	E	–	668,365	–	668,365
Other operating income		622,490	–	–	622,490
Operating loss		(3,650,967)	3,413	(150,124)	(3,797,678)
Finance income		5,174	–	–	5,174
Finance expense	A	(193,411)	(26,726)	–	(220,137)
Loss before taxation		(3,839,204)	(23,313)	(150,124)	(4,012,641)
Taxation	D	329,288	–	(144,243)	185,045
Loss for the year		(3,509,916)	(23,313)	(294,367)	(3,827,596)
Other comprehensive income					
Currency translation differences		20,548	–	–	20,548
Total comprehensive loss for the year		(3,489,368)	(23,313)	(294,367)	(3,807,048)

Reconciliation of total comprehensive income for the year ended 31 December 2021

	Note	UK GAAP £	Effects of adopting IFRS £	UK GAAP adjustments £	IFRS £
Revenue		8,118,236	–	–	8,118,236
Cost of sales		(8,165,554)	–	–	(8,165,554)
Gross profit		(47,318)	–	–	(47,318)
Administrative expenses	A, C	(5,066,582)	(32,393)	(366,529)	(5,480,905)
Other operating income		517,178	–	–	517,178
Operating loss		(4,596,722)	(32,393)	(366,529)	(5,011,045)
Finance income		724	–	–	724
Finance expense	A	(501,250)	(19,527)	–	(520,777)
Loss before taxation		(5,097,248)	(51,920)	(366,529)	(5,531,098)
Taxation		74,711	–	–	74,711
Loss for the year		<u>(5,022,537)</u>	<u>(51,920)</u>	<u>(366,529)</u>	<u>(5,456,387)</u>
Other comprehensive income					
Currency translation differences		5,501	–	–	5,501
Total comprehensive loss for the year		<u>(5,017,036)</u>	<u>(51,920)</u>	<u>(366,529)</u>	<u>(5,450,887)</u>

Effects of adopting IFRS

A Leases

Under UK GAAP, leases were classified as operating leases and recognised as an expense on a straight-line basis during the lease term. Under IFRS, a right-of-use asset and lease liability is recognised in respect of the leases, as well as finance cost and depreciation. On transition to IFRS, the prepayments balance of £32,200 relating to the leases have been adjusted against the right-of-use asset.

B Foreign currency translation reserve

Under UK GAAP foreign currency movements arising on consolidation were included in equity as part of retained earnings. Under IFRS, it is necessary to present the foreign currency translation reserve as a separate component of equity. At the date of transition to IFRS, the foreign currency translation reserve has been set to £nil, in accordance with the exemptions in IFRS 1.

C Share options

An adjustment has been made to the valuation and vesting periods of the share-based payment transactions. This is not an IFRS conversion adjustment. Previously reported figures included a discounted market value as an input to the option pricing model in error. No vesting period had historically been assumed although there were regular issues of share options as an incentive to employees. These are all exit options providing a strong indicator that an exit was intended and the lack of a previously reported charge was considered to be an error.

D Deferred tax

An adjustment has been made to the recognition of the deferred tax asset. £226,186 arises as under IFRS deferred taxes are provided for the total expected tax-deductible gain on share-based payments. Under IFRS 102 the deferred tax is restricted to the cumulative share-based payments charge through profit and loss. The addition of the deferred tax associated with share-based payments resulted in the deferred tax asset becoming material for recognition in totality, as such an adjustment has also been made to include previously unrecognised deferred tax on fixed assets, research and development and other short term timing differences.

E *Presentation of impairment losses*

IFRS requires material impairment losses on financial assets and the reversal of those impairment losses to be separately presented on the statement of profit or loss. This adjustment is a reclassification of those amounts from cost of sales.

F *Income tax receivable*

IFRS requires income tax receivable to be separately presented on the statement of financial position. This adjustment is a reclassification of those balances from trade and other receivables. The classification of income tax balances under FRS 102 included the RDEC receivable in error. This has been reclassified to other receivables.

G *Revenue*

During 2018 revenue was not recognised, in error, in respect of services provided under a contract. This has resulted in an adjustment to increase retained profit as at 1 January 2019 and reduce previously reported profit in 2019. This has no impact on the 2020 and 2021 results and net assets.

PART IV – SECTION C

UNAUDITED INTERIM FINANCIAL INFORMATION OF THE COMPANY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

Unaudited Interim condensed consolidated statement of profit or loss

For the six months ended 30 June

	<i>Note</i>	2022 £	2021 £
Revenue	5	7,951,648	3,668,695
Cost of sales		<u>(6,643,174)</u>	<u>(3,715,325)</u>
Gross profit / (loss)		1,308,474	(46,630)
Administrative expenses		(2,966,524)	(2,884,307)
Other operating income		<u>261,182</u>	<u>215,367</u>
Operating loss		(1,396,868)	(2,715,570)
Finance income		3	551
Finance expense		<u>(318,381)</u>	<u>(156,454)</u>
Loss before taxation		(1,715,246)	(2,871,473)
Tax expense	6	<u>(35,888)</u>	<u>(38,939)</u>
Loss for the year attributable to the owners of the parent company		<u><u>(1,751,134)</u></u>	<u><u>(2,910,412)</u></u>
Earnings per share attributable to the owners of the parent company			
Basic		(0.03)	(0.06)
Diluted		(0.03)	(0.06)

Unaudited Interim condensed consolidated statement of comprehensive income

For the six months ended 30 June

	<i>2022</i>	<i>2021</i>
	£	£
Loss for the year	(1,751,134)	(2,910,412)
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	<u>(16,518)</u>	<u>(11,336)</u>
Total comprehensive expense for the year	<u><u>(1,767,652)</u></u>	<u><u>(2,921,748)</u></u>

Unaudited Interim condensed consolidated statement of financial position

As at 30 June 2022

	<i>Notes</i>	<i>30 June 2022</i>	<i>31 December 2021</i>
		£	£
ASSETS			
NON-CURRENT ASSETS			
Intangible assets		8,073,386	9,346,380
Property, plant and equipment		299,138	175,181
Right-of-use assets		806,332	525,165
		<u>9,178,856</u>	<u>10,046,726</u>
CURRENT ASSETS			
Trade and other receivables		5,741,557	3,006,941
Cash and cash equivalents		654,626	29,797
Income tax receivable		151,713	107,125
		<u>6,547,896</u>	<u>3,143,863</u>
Total assets		<u>15,726,752</u>	<u>13,190,589</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital		8,345	8,345
Share premium		122,431	122,431
Retained earnings		(8,244,688)	(6,690,797)
Foreign currency translation reserve		(33,036)	(16,518)
Total equity		<u>(8,146,948)</u>	<u>(6,576,539)</u>
NON-CURRENT LIABILITIES			
Loans and borrowings	7	1,084,375	1,140,625
Trade and other payables		3,413,504	6,791,294
Lease liabilities		271,517	258,794
		<u>4,769,396</u>	<u>8,190,713</u>
CURRENT LIABILITIES			
Trade and other payables		17,286,033	9,948,585
Loans and borrowings	7	1,232,292	1,351,042
Lease liabilities		585,979	276,788
		<u>19,104,304</u>	<u>11,576,415</u>
Total liabilities		<u>23,873,700</u>	<u>19,767,128</u>
Total equity and liabilities		<u>15,726,752</u>	<u>13,190,589</u>

Unaudited Interim condensed consolidated statement of changes in equity

For the six months ended 30 June

	<i>Share capital</i> £	<i>Share premium</i> £	<i>Foreign currency translation reserve</i> £	<i>Retained earnings</i> £	<i>Total</i> £
As at 1 January 2021	8,345	122,431	(22,019)	(1,947,677)	(1,838,920)
Loss for the year	–	–	–	(2,910,412)	(2,910,412)
Currency translation differences	–	–	(11,336)	–	(11,336)
Total other comprehensive income	–	–	(11,336)	–	(2,921,748)
Total comprehensive income	–	–	(11,336)	(2,910,412)	(2,921,748)
Transactions with owners in their capacity as owners:					
Share based payment charge	–	–	–	482,393	482,393
Total transactions with shareholders	–	–	–	482,393	482,393
As at 30 June 2021	8,345	122,431	(33,355)	(4,375,696)	(4,278,275)
As at 1 January 2022	8,345	122,431	(16,518)	(6,690,797)	(6,576,539)
Loss for the year	–	–	–	(1,751,134)	(1,751,134)
Currency translation differences	–	–	(16,518)	–	(16,518)
Total other comprehensive income	–	–	(16,518)	–	(16,518)
Total comprehensive income	–	–	(16,518)	(1,751,134)	(1,767,652)
Transactions with owners in their capacity as owners:					
Share based payment charge	–	–	–	197,243	197,243
Total transactions with shareholders	–	–	–	197,243	197,243
As at 30 June 2022	8,345	122,431	(33,036)	(8,244,688)	(8,146,948)

Share capital

The called-up share capital represents the nominal value of shares issued.

Share premium

Share premium represents consideration received for shares issued above their nominal value, net of transaction costs.

Foreign currency translation reserve

The foreign currency translation reserve represents the cumulative translation differences arising on consolidation.

Retained earnings

Cumulative profit and loss attributable to the owners of the parent company, net of distributions to owners. There is no separate share-based payment reserve, consequently, the corresponding entry to the share-based payment charge has been reflected in retained earnings.

Unaudited Interim condensed consolidated statement of cash flows

For the six months ended 30 June

	<i>Note</i>	2022	2021
		£	£
Cash flows from operating activities:			
Loss for the financial year		(1,751,134)	(2,910,416)
Adjustments for:			
Amortisation of intangible assets		1,272,994	501,332
Depreciation of property, plant and equipment		47,176	65,679
Depreciation of right-of-use assets		125,864	163,104
Interest expense		318,381	156,454
Interest income		(3)	(551)
Taxation charge		35,888	38,939
Working capital adjustments:			
(Increase) / decrease in receivables		(2,734,617)	355,869
Increase / (decrease) in payables		6,248,371	(117,603)
Corporation tax paid		(80,476)	(76,359)
Unrealised foreign currency losses		(566)	(1,458)
Share-based payment charge		197,243	482,393
Net cash generated from / (used in) operating activities		<u>3,679,121</u>	<u>(1,342,617)</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(2,281,172)	(184,257)
Purchase of property, plant and equipment		(170,566)	(30,313)
Interest received		3	551
Net cash used in investing activities		<u>(2,451,735)</u>	<u>(214,019)</u>
Cash flows from financing activities			
Repayment of bank loans		(175,000)	–
Interest paid		(161,230)	(26,964)
Interest paid on lease liabilities		(9,278)	(7,877)
Principal element of lease payments		(85,089)	(154,116)
Net cash flows used in financing activities		<u>(430,597)</u>	<u>(188,957)</u>
Net increase / (decrease) in cash and cash equivalents		796,789	(1,745,593)
Cash and cash equivalents at beginning of the period		(1,243,719)	110,069
Cash and cash equivalents at end of the period		<u>(446,930)</u>	<u>(1,635,524)</u>

Notes to the unaudited interim condensed consolidated financial statements

1. Corporate information

The interim condensed consolidated financial statements of Sondrel (Holdings) Ltd (“the Company”) and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2022 were authorised for issue in accordance with a resolution of the directors on 13 October 2022.

Sondrel (Holdings) Ltd (“the Company”) was incorporated and domiciled in England and Wales under the Companies Act 2006 on 7 June 2010. The registered number is 07275279 and the registered address is Sondrel House, Theale Lakes Business Park, Moulden Way, Sulhamstead, Reading, RG7 4GB.

The Group’s principal activity is the execution of system-on-chip IC designs, and associated engineering services, with particular focus on AI, video, automotive and IoT related applications.

2. Summary of Significant Accounting Policies

2.1. Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated historical financial information as at 31 December 2021.

These interim financial statements do however present selected explanatory notes to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since 31 December 2021.

2.2. Going Concern

Notwithstanding the loss for the period from continuing operations and net liabilities the directors have prepared the Unaudited Interim Financial Information under the going concern basis.

At 31 March 2022 and 30 June 2022, the Group breached its quarterly financial covenant with one of its lenders. A formal waiver for 31 March 2022 has been received, the waiver for 30 June 2022 had not been received and therefore the loan has been reclassified as a current liability.

As part of normal business practice, the Group prepares monthly detailed financial forecasts which incorporate year-to-date performance and scenario planning.

The financial forecasts for the Group take into account the initial public offering (IPO) and associated placing of new ordinary shares (Placing) and assume the existing facilities that were in place at the year-end, which were provided by the Group’s lenders and shareholders will be maintained and available throughout the period to the date of the IPO, at which point they will be repaid from the net proceeds of the Placing of £17.5 million.

As a result, the Directors have concluded that it can operate within post IPO resources and will have sufficient funds to meet its financial liabilities as and when they fall due, for a period of at least 12 months from IPO. The Directors consider that there are no material uncertainties following the IPO that would impact the Group’s use of the going concern basis of preparation.

2.3. New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated historical financial information for the year ended 31 December 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

2.4. **Use of judgements and estimates**

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

3. **Significant events and transactions**

During the six months ended 30 June 2022, the Group entered into a new 3.5 year lease of a property in Hyderabad, India, resulting in additions to right-of-use assets and lease liabilities of £406,666.

Amounts owed in relation to the acquisition of software licences which are repayable in staged instalments over 3 years are included within trade and other payables. A 4 per cent. interest rate has been charged on this payables balance, which has decreased by approximately £2.3 million as a result of these repayments.

There no other significant events and transactions during the period.

4. **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 period.

5. **Disaggregation of revenue**

	<i>Six months ended 30 June 2022 £</i>	<i>Six months ended 30 June 2021 £</i>
Service line		
Projects	5,433,970	1,277,556
Consultancy	<u>2,517,678</u>	<u>2,391,139</u>
	<u>7,951,648</u>	<u>3,668,695</u>

The operations are not cyclical and there is no significant seasonality to the operations.

6. **Income tax**

The Group calculated the income tax expense for the period using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim condensed consolidated statement of profit or loss are:

	<i>Six months ended 30 June 2022 £</i>	<i>Six months ended 30 June 2021 £</i>
Income taxes		
Current income tax expense	<u>35,888</u>	<u>38,939</u>
Total current tax charge	<u>35,888</u>	<u>38,939</u>

7. Loans and borrowings

A bank loan of £1,400,000 was received under the UK Government's Coronavirus Business Interruption Loan Scheme ("CBILS") during 2020 which is repayable in monthly instalments from November 2021 and fully repayable by October 2025. The loan bears interest of the Bank of England base rate plus 4 per cent. and under the terms of the CBILS, the UK Government pays the interest for the first 12 months of the loan before the Group takes on the payment of the interest for the remaining terms of the loan which will be paid in monthly instalments. The UK Government has guaranteed 80 per cent. of this loan. The balance at the period end was £1,166,667 (31 December 2021: £1,341,667).

A bank loan of £450,000 was received under the UK Government's Recovery Loan Scheme ("RLS") during 2021 which is repayable in monthly instalments from December 2022 and fully repayable by December 2026. The loan bears interest of the Bank of England base rate plus 3.99 per cent. which will be paid in monthly instalments. The bank loan is secured by way of fixed and floating charge over the assets of the Group. The UK Government has guaranteed 80 per cent. of this loan. The balance at the period end was £450,000 (31 December 2021: £450,000).

A shareholder loan of £700,000 is unsecured, attracts interest at a rate of 4 per cent. and was scheduled to be fully repaid in 2020. During 2021, the term of the loan was extended with the loan now scheduled for repayment in 2025. Interest is still being paid on this loan.

Due to a breach in loan covenants the CBILS has been presented within current liabilities as at 31 December 2021 and 30 June 2022.

The Group had breached its quarterly financial covenants with one of its lenders relating to the CBILS loan for £1,400,000 as at 31 December 2021 and for the quarters ended 31 March 2022 and 30 June 2022. The Group has received formal confirmation after the balance sheet date that the lender has waived the covenants for 31 December 2021, 31 March 2022 and 30 June 2022.

8. Financial assets and financial liabilities

The carrying amounts of the financial assets and financial liabilities are a reasonable approximation of their fair value.

9. Related party transactions

At 30 June 2022, the Group had a loan of £700,000 (31 December 2021: £700,000) owed to another related party of the Group, a shareholder of the Group. The loan is unsecured, incurs interest at a rate of 4 per cent., and is due to be repaid upon repayment of the CBILS loan. During the year, £27,923 of interest (2020: £28,715; 2019: £39,741) was paid and recognised with interest payable.

Nigel Vaughan, a director of the Company has provided his services via a consultancy agreement through Vaughan Management Solutions Limited, a company owned by Nigel Vaughan and his wife. The value of services provided is £6,360, outstanding at the period end is £2,572.

The Company purchases services from a related party to the Group (shareholder) the value of purchases is £192,337, the amount outstanding at the period end is £259,340.

10. Subsequent events

On 8 September 2022, the Company made a bonus issue of 41,723,905 shares, resulting in an increase in share capital to over £50,000.

On Admission, the A shares will be converted to Ordinary shares and the Ordinary shares voting restrictions will be removed.

PART V

ADDITIONAL INFORMATION

1. Responsibility

The Company, whose registered office appears on page 11 of this document, and the Directors, whose names, addresses and functions appear on page 11 of this document, accept individual and collective responsibility for all the information contained in this document and compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

- 2.1 The Company was incorporated and registered in England and Wales under the Companies Act on 7 June 2010 under the name Sondrel (Holdings) Limited with registered number 07275279 as a private company limited by shares.
- 2.2 On 13 September 2022, the Company was re-registered as a public limited company under the Companies Act and changed its name to Sondrel (Holdings) plc.
- 2.3 The Company is a public limited company and accordingly the liability of its members is limited to the amount paid up or to be paid on their shares. The principal legislation under which the Company operates and which the Placing Shares will be issued is the Companies Act and regulations made thereunder.
- 2.4 The registered office and principal place of business of the Company is Sondrel House, Theale Lakes Business Park, Moulden Way, Sulhamstead, Reading, RG7 4GB.
- 2.5 The Company's website, at which the information required by Rule 26 of the AIM Rules for Companies can be found, is www.sondrel.com and its telephone number is +44(0)118 9838 550.
- 2.6 The principal activity of the Company is to act as the holding company for the Group, whose principal activity is the provision of turnkey service in the design and delivery of complex systems on chips from concept to delivered products.
- 2.7 The accounting reference date of the Company is 31 December.

3. Reorganisation

- 3.1 In connection with Admission, the Reorganisation was undertaken by the Company to reorganise its share capital such that it satisfies the minimum capital requirements for registration as a public limited company of at least £50,000 and the commercial listing requirement of having a single class of share. The Reorganisation comprises the following steps which have been or are to be implemented by Admission:

Step 1: Bonus issue on a 5 for 1 basis and adjustment of the existing Options

On 8 September 2022, a bonus issue of 5 for 1 took place in order to take the share capital to just above £50,000, the minimum requirement for registration as a public limited company. The bonus shares issued were A ordinary shares of £0.001 each and ordinary shares of £0.001 each of the same description and in the same proportion to individual existing shareholdings. This ensured that there were no changes in shareholder values.

In order to ensure the Options were not diluted by the bonus issue, each subsisting and unexercised Option was adjusted under Rule 16 of the Company's Option Plan. This adjustment resulted in the number of ordinary shares of £0.001 each to be acquired on exercise of the relevant Option being

increased by a ratio of 5 for 1 (“Adjustment”). The exercise price was correspondingly reduced such that the aggregate exercise price remains the same post Adjustment.

Step 2: Registration and adoption of interim articles of association

On 13 September 2022, the Company was re-registered as a public limited company and new interim articles were adopted containing amendments to reflect the Company’s new status as a public limited company (the “Interim Articles”).

Step 3: Adoption of the Articles, conditional upon and immediately prior to Admission

On 8 September 2022, the shareholders of the Company passed a special resolution to adopt the Articles conditional upon and with effect immediately prior to Admission. As a result of this step, on the Articles becoming effective immediately prior to Admission the rights to the ordinary shares of £0.001 each will be varied such that they will be given voting and all other usual rights.

Step 4: Conditional upon Step 3 and upon Admission, A ordinary shares of £0.001 each are re-designated as ordinary shares of £0.001 each

Conditional upon the Articles being adopted and effective upon Admission, all of the A ordinary shares of £0.001 each will be re-designated as ordinary shares of £0.001 each on Admission.

- 3.2 The Reorganisation has not affected and will not affect the Group’s operations which, post Admission, will continue to be carried out mainly through the Company’s wholly owned operating subsidiary, Sondrel Limited (registered number 04491953).

4. Subsidiary Undertakings

- 4.1 At the date of this document, save for the Company and Sondrel Limited, Sondrel (SoC Solutions) Ltd., Sondrel Inc., Sondrel (Xi’An) Co., Ltd., Sondrel Morocco SARL AU and Sondrel India Private Limited, details of which are provided at paragraph 4.2 below, there are no other companies within the Group and the Group structure, as at the date of this document, is set out in Part I of this document.

- 4.2 The Company has 6 subsidiary undertakings, the details of which are as follows:

<i>Company</i>	<i>Country of Incorporation</i>	<i>Principal Activity</i>	<i>Direct Shareholder</i>	<i>Percentage of Ownership Interest</i>	<i>Percentage of Voting Power</i>
Sondrel Limited	United Kingdom	ASIC design and sales, and group administration	Sondrel (Holdings) plc	100	100
Sondrel, Inc.	United States of America	Sales	Sondrel (Holdings) plc	100	100
Sondrel (SoC Solutions) Ltd	United Kingdom	ASIC/SoC design	Sondrel (Holdings) plc	100	100
Sondrel Morocco SARL AU	Morocco	ASIC design	Sondrel (Holdings) plc	100	100
Sondrel India Private Limited	India	ASIC design	Sondrel (Holdings) plc	99.99	99.99
			Sondrel Limited	0.01	0.01
Sondrel (Xi’An) Co., Ltd	People’s Republic of China	ASIC design and sales	Sondrel Limited	100	100

5. Share Capital of the Company

- 5.1 The register of members of the Company will be maintained by the Company’s registrars from Admission, Link Market Services Limited, whose registered office is at Central Square, 10th Floor, 29 Wellington Street, Leeds, LS1 4DL.

- 5.2 The issued fully paid up share capital of the Company (i) as at the date of this document (ii) as it is expected to be immediately following the Reorganisation but prior to the Placing and (iii) as it is expected to be immediately following the Placing, Admission and the Option Exercise is as follows:

<i>Class of shares</i>	<i>Prior to Placing, Admission and Options Exercise</i>		<i>Immediately following the Placing, Admission and Options Exercise</i>	
	<i>Number of shares</i>	<i>Nominal value (£)</i>	<i>Number of shares</i>	<i>Nominal value (£)</i>
Ordinary	50,068,686	0.001	87,461,772	0.001

- 5.3 On incorporation the share capital of the Company was £100 divided into 100 ordinary shares of £1 each.

- 5.4 The following changes to the share capital have taken place since 7 June 2010, the date of incorporation of the Company, to the date of this document:

- 5.4.1 on 29 October 2010, the Company allotted 900 ordinary shares of £1 each;
- 5.4.2 on 17 January 2011, the 1,000 ordinary shares of £1 each in issue at the time were re-classified as 1,000 A ordinary shares of £1 each and subsequently divided into 1,000,000 A ordinary shares of £0.001 each;
- 5.4.3 on 23 January 2011, the Company allotted 5,542,311 A ordinary shares of £0.001 each;
- 5.4.4 on 25 February 2011, the Company allotted 1,635,575 A ordinary shares of £0.001 each;
- 5.4.5 on 15 May 2013, the Company allotted 166,895 ordinary shares of £0.001 each;
- 5.4.6 on 4 August 2022, Graham Curren transferred 744,906 A ordinary shares of £0.001 each to The Curren 2022 Family Settlement;
- 5.4.7 on 4 August 2022, Claire Curren transferred 186,227 A ordinary shares of £0.001 each to The Curren 2022 Family Settlement;
- 5.4.8 on 8 September 2022, a bonus issue of 5 for 1 took place in the Company and a total of 40,889,430 A ordinary shares of £0.001 each and 834,475 ordinary shares of £0.001 each were allotted by the Company;
- 5.4.9 on 8 September 2022, the re-registration of the Company as a public limited company by the name of Sondrel (Holdings) plc was approved by the shareholders of the Company and the Company was re-registered as a public limited company on 13 September 2022;
- 5.4.10 on 8 September 2022, the adoption of the Interim Articles, which are appropriate for a public limited company, in substitution for and to the exclusion of all other articles of association (with effect from the re-registration of the Company as a public limited company), was approved by the shareholders of the Company;
- 5.4.11 on 8 September 2022, the adoption of Articles, which are appropriate for a public limited company quoted on AIM, in substitution for and to the exclusion of all other articles of association (including the Interim Articles) (conditional upon and with effect immediately prior to Admission), was approved by the shareholders of the Company;
- 5.4.12 on 13 September 2022, the re-registration of the Company as a public limited company by the name of Sondrel (Holdings) plc took effect;
- 5.4.13 on the Articles becoming effective immediately prior to Admission, the rights to the ordinary shares of £0.001 each will be varied such that they will be given voting and all other usual rights and, upon Admission, the A ordinary shares of £0.001 each will be re-designated as ordinary shares of £0.001 each (as described in paragraph 3 of this Part V); and
- 5.4.14 on Admission, 1,029,450 fully paid ordinary shares of £0.001 each will be allotted by the Company pursuant to the Option Exercise.

5.5 As at the date of this document, there are Options outstanding over a total of 4,449,450 Ordinary Shares, details of which are set out at paragraph 5.6 below. 1,029,450 of those Options will be exercised on Admission pursuant to the Option Exercise.

5.6 Details of the total number of Options (all granted for nil consideration) outstanding as at 12 October 2022 (being the latest practicable date prior to the publication of this document) are as follows:

<i>Option Holder</i>	<i>Date of Grant</i>	<i>Earliest date of exercise</i>	<i>Expiry Period</i>	<i>Maximum number of Options granted and unexercised</i>	<i>Exercise price per share</i>
Directors					
Jose (“Joe”) Lopez	22 October 2019	Admission	22 October 2029	900,000	£0.25
PDMRs					
Hilary Rico	15 May 2013	Admission	15 May 2023	1,029,450	£0.0002
Edwin Loveseed	22 October 2019	Admission	22 October 2029	900,000	£0.25
Richard Silley	16 June 2022	Admission	16 June 2032	60,000	£0.33
Other Option Holders					
–	22 October 2019	Admission	22 October 2029	660,000	£0.25
–	22 July 2021	Admission	22 July 2031	900,000	£0.25
<i>Total</i>				<u>4,449,450</u>	

5.7 On 8 September 2022, the shareholders of the Company passed resolutions on the following terms:

5.7.1 to authorise the directors generally and unconditionally in accordance with section 551 of the Companies Act to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company (“Rights”), provided that such authority shall be limited to:

- (a) the allotment of shares and/or grant of Rights with an aggregate nominal value of up to £45,000 in connection with the Placing;
- (b) the grant of Rights with an aggregate nominal value of up to £1,000 in connection with the proposed issue of warrants to Cenkos (“Warrants”); and
- (c) in addition to sub-paragraphs (a) and (b) above, the allotment of shares and/or grant of Rights with an aggregate nominal value of up to £30,000 (being approximately 33 per cent. of the expected issued share capital of the Company immediately following Admission.

provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the earlier of (i) the next annual general meeting of the Company and (ii) 31 December 2023, save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or Rights to be granted and the directors may allot shares or grant Rights in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This authority revokes and replaces all unexercised authorities previously granted to the directors but without prejudice to any allotment of shares or grant of Rights already made or offered or agreed to be made pursuant to such authorities.

5.7.2 subject to the resolution described in paragraph 5.7.1 (“Resolution 1”) being passed, in accordance with section 570 of the Companies Act and the Company’s articles of association, to generally authorise the directors to allot equity securities (as defined in section 560 of the Companies Act) pursuant to the authority conferred by Resolution 1, as if section 561(1) of the Companies Act and the pre-emption rights contained in the Company’s articles of association at the relevant time did not apply to any such allotment, provided that this power shall be limited to:

- (a) the allotment of equity securities with an aggregate nominal value of up to £45,000 in connection with the Placing;
- (b) the allotment of equity securities with an aggregate nominal value of up to £1,000 in connection with the Warrants; and

- (c) in addition to sub-paragraphs (a) and (b) above, the allotment of equity securities with an aggregate nominal value of up to £9,000 (being approximately 10 per cent. of the expected issued share capital of the Company immediately following Admission),

provided that this authority shall expire on the earlier of (i) the next annual general meeting of the Company and (ii) 31 December 2023, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

5.8 Save as set out in this Part V:

- 5.8.1 no unissued share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option;
- 5.8.2 no person has any preferential subscription rights for any share capital of the Company;
- 5.8.3 there are no shares in the capital of the Company currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in place whereby future dividends are waived or agreed to be waived;
- 5.8.4 there are no shares of the Company held by or on behalf of itself or any member of the Group;
- 5.8.5 there are no outstanding convertible securities issued by the Company; and
- 5.8.6 no share capital or loan capital of the Company is in issue and no such issue is proposed.

5.9 None of the Ordinary Shares have been sold or made available to the public in conjunction with the application for Admission.

5.10 Save as disclosed in this document, no commission, discounts, brokerages or other specific terms have been granted by the Company in connection with the issue or sale of any of its share or loan capital.

5.11 The Ordinary Shares were created under the Companies Act and are in registered form and capable of being held in uncertificated form. Application has been made to Euroclear UK & International for the Ordinary Shares to be enabled for dealings through CREST as a participating security. No temporary documents of title will be issued. It is expected that definitive share certificates will be posted to those Shareholders who have requested the issue of Ordinary Shares in certificated form by 10 working days after Admission. The International Securities Identification Number (ISIN) for the Ordinary Shares is GB00BJN54579.

5.12 The Placing Price of £0.55 per Ordinary Share represents a premium of £0.54999 over the nominal value of £0.001 per Ordinary Share and is payable in full on Admission under the terms of the Placing.

5.13 The net asset value of an Existing Ordinary Share prior to the issue of the Placing Shares, based on the net assets of the Company as at the date of this document, is £(0.09) (the "Net Asset Value Per Share").

6. Articles of Association

The Articles, which were adopted conditional upon and with effect immediately prior to Admission by a special resolution of the Company passed on 8 September 2022, include, amongst others, provisions to the following effect:

6.1 *Limited liability*

The liability of the Company's members is limited to the amount (if any) unpaid on the shares in the Company held by them.

6.2 *Unrestricted objects*

The objects of the Company are unrestricted.

6.3 **Change of name**

The Articles allow the Company to change its name by resolution of the Board. This is in addition to the power of the Company under section 77 of the Companies Act to change its name by special resolution.

6.4 **Rights of different classes of shares**

Subject to any rights attached to any existing shares, the Company may issue shares with such rights or restrictions as the Company may by ordinary resolution determine or, in the absence of any such determination, as the Board may decide. Subject to any rights attached to any existing shares, the Company may also issue shares which are to be redeemed or which, at the option of the Company or the holder, are liable to be redeemed. The Board may decide the terms, conditions and manner of redemption of any redeemable shares which are issued.

6.5 **Voting rights**

Subject to any rights or restrictions as to voting attached to any shares and to any suspension or abrogation of voting rights pursuant to the Articles:

- (a) on a vote on a resolution on a show of hands, every member present (not being present by proxy) and entitled to vote on the resolution has one vote and every proxy present who has been duly appointed by a member entitled to vote on the resolution has one vote (save that a proxy who has been appointed by more than one member has one vote for and one vote against if he has been instructed to vote in different ways on the resolution); and
- (b) on a vote on a resolution on a poll, every member who is present in person or by proxy and entitled to vote on the resolution has one vote for every share of which he is the holder.

Unless the Board otherwise decides, no member is entitled in respect of any share held by him to vote on any resolution at a shareholders meeting, either in person or by proxy, if any call or other sum presently payable by him to the Company in respect of that share remains unpaid.

6.6 **Variation of rights**

If at any time the capital of the Company is divided into different classes of share, the rights attached to any class may be varied either with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate meeting of the holders of the issued shares of that class and may be so varied either while the Company is a going concern or during or in contemplation of a winding up. The quorum at any such separate meeting (other than an adjourned meeting) shall be not less than two persons entitled to vote and holding or representing by proxy at least one-third in nominal value of the issued shares of the relevant class (excluding any shares of that class held as treasury shares).

6.7 **Transfer of shares**

A member may transfer all or any of his or her shares which are in certificated form by an instrument of transfer in any usual form or common form or in any other form approved by the Board. The instrument of transfer must be signed by or on behalf of the transferor and, if the share is not fully paid, by or on behalf of the transferee. A member may transfer all or any of his or her shares which are in uncertificated form by means of a relevant system in accordance with the CREST Regulations.

The Board may refuse to register the transfer of a share which is not fully paid or on which the Company has a lien provided that, in the case of a class of shares admitted to trading on AIM, such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis.

The Board may refuse to register a transfer of a certificated share unless the instrument of transfer is:

- (a) in respect of only one class of share;
- (b) in favour of not more than four persons jointly; and
- (c) lodged (duly stamped if required) at the place where the register of members is situated (or such other place as the Board may appoint) accompanied (except in the case of a transfer by a person to whom the Company is not by law required to issue a certificate and to whom a certificate has not been issued) by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer.

The Board may refuse to register a transfer of an uncertificated share in the circumstances set out in the CREST Regulations or if the transfer is in favour of more than four persons jointly.

Subject to the above and subject to the transfer restrictions summarised in the paragraph headed "Suspension of rights attaching to shares" below, the Articles contain no restrictions on the free transferability of fully paid shares.

6.8 **Pre-emption rights**

There are no pre-emption rights under the Articles in respect of transfers of issued shares or the allotment of new shares.

Section 561 of the Companies Act confers on holders of Ordinary Shares rights of pre-emption in respect of the allotment by the Company of equity securities (as defined in section 560 of the Companies Act) which are, or are to be, paid up in cash. Under these statutory pre-emption rights, the Company is, subject to certain limited exceptions, required to offer to allot the equity securities concerned to holders of Ordinary Shares on a *pro rata* basis before allotting them to other persons. These statutory pre-emption rights have been disapplied to the extent set out in paragraph 5.7.

6.9 **Suspension of rights attaching to shares**

Under section 793 of the Companies Act, the Company may send out a notice (a "section 793 notice") to any person whom the Company knows or has reasonable cause to believe to be interested in its shares (or to have been so interested at any time during the preceding three years) asking for information concerning his or her interest in the shares and information concerning any other interest in the shares of which he is aware. Where a person receives a section 793 notice and fails to provide the information required by the notice within the time specified in it, the Company can apply to the court for an order directing that the relevant shares be subject to restrictions. The effect of a court order imposing restrictions is that (i) any transfer of the shares is void, (ii) no voting rights are exercisable in respect of the shares, (iii) no further shares may be issued in right of the shares or in pursuance of an offer made to the holder of them, and (iv) except in a liquidation, no payment may be made of sums due from the Company on the shares (whether in respect of capital or otherwise). The Articles also contain provisions for the imposition of restrictions on shares in circumstances where a person fails to comply with a section 793 notice which are described below.

If a member, or any other person appearing to be interested in shares held by that member, has been served with a section 793 notice and has failed in relation to any shares (the "default shares" which expression includes any further shares issued in respect of those shares) to give the Company the information required by the notice for a period of 14 days from the date of its service, then (unless the Board otherwise determines) the following sanctions apply:

- (a) the member is not entitled in respect of the default shares to attend or to vote (either in person or by proxy) at any meeting or on a poll or to exercise any other right conferred by membership in relation to shareholder meetings;
- (b) where the default shares represent 0.25 per cent. or more in nominal value of the issued shares of any class of shares (excluding any shares of that class held as treasury shares):
- (c) any dividend or any other amount payable in respect of the default shares is to be withheld by the Company (without the Company being liable to pay interest on it) and the member is not entitled to elect to receive shares in lieu of dividend; and

- (d) save for an excepted transfer, no transfer of any default shares is to be registered unless the member is not himself in default in supplying the information required and he proves to the satisfaction of the Board that no person in default in supplying the information required is interested in any of the shares included the subject of the transfer.

Where the sanctions described above apply, they cease to have effect (and any dividend or other money withheld becomes payable) at the expiry of seven days (or such shorter period as the Board may decide) following the earlier of:

- (a) the date on which the Company receives notification that the default shares have been transferred by means of an excepted transfer; and
- (b) the date on which the Company receives, in a form satisfactory to the Board, all of the information required by the relevant section 793 notice.

For the purposes of the above, an “excepted transfer” is (i) a transfer by way of acceptance of a takeover offer, (ii) a transfer in consequence of a sale made through a recognised investment exchange or any other stock exchange outside the UK on which the Company’s shares are normally traded or (iii) a transfer which is shown to the satisfaction of the Board to be made in consequence of a sale of the whole of the beneficial interest in the shares to a person who is unconnected with the member and with any other person appearing to be interested in the shares.

6.10 **Dividends**

The Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of the Company. However, no dividend shall exceed the amount recommended by the Board. If and so far as in the opinion of the Board, the profits of the Company available for distribution justify such payments, the Board may declare and pay (i) interim dividends on shares of any class of such amounts and on such dates and in respect of such periods as the Board thinks fit and (ii) fixed dividends on any class of shares carrying a fixed dividend on the dates prescribed for the payment of those dividends.

Except as otherwise provided by the rights attaching to, or the terms of issue of, any shares, all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is declared and paid and shall be apportioned and paid proportionately to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For this purpose, no amount paid up on a share in advance of the date on which a call is payable shall be treated as paid up on the share.

Unless otherwise provided by the rights attaching to the share, no dividend payable in respect of a share shall bear interest as against the Company. The Board may deduct from any dividend payable to any person in respect of a share all such sums as may be due from that person to the Company on account of calls or otherwise in relation to shares in the Company.

Any unclaimed dividend may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. Any dividend which has remained unclaimed for a period of 12 years after it was declared or became due for payment shall, if the Board so resolves, be forfeited and shall cease to remain owing by the Company.

The Board may, with the prior authority of an ordinary resolution of the Company, offer holders of Ordinary Shares (excluding Ordinary Shares held as treasury shares) the right to elect to receive new Ordinary Shares, credited as fully paid, instead of cash in respect of all or any part of any dividend specified by the ordinary resolution. The ordinary resolution may specify a particular dividend or dividends (whether declared or not) or may specify all or any dividends declared within a specified period but such period may not end later than the fifth anniversary of the date of the meeting at which the resolution is passed.

6.11 *Distribution of assets on liquidation*

If the Company is wound up (whether the liquidation is voluntary, under supervision of the court or by the court), the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by legislation, divide among the members in specie the whole or any part of the assets of the Company. For this purpose, the liquidator may set such value as he considers fair on any one or more class or classes of property and may determine how such division shall be carried out as between members or classes of members. The liquidator may, with the same authority, may transfer the whole or any part of the assets to trustees on such trusts for the benefit of members as he thinks fit.

6.12 *Annual general meetings*

In accordance with the requirements of the Companies Act, the Company must hold a general meeting as its annual general meeting in each six month period following its accounting reference date.

6.13 *Convening of general meetings*

The Board may call a general meeting whenever it thinks fit. The Board must, on the requirement of the members under the Companies Act, call a general meeting in accordance with the requirements of the Companies Act.

The Board may make whatever arrangements it considers fit to allow those entitled to do so to attend and participate in any general meeting (including by electronic means and/or from multiple locations), provided that general meetings are not held exclusively on an electronic basis.

6.14 *Notice of general meetings*

General meetings must be called by at least such minimum period of notice as is required under the Companies Act which, in the case of an annual general meeting, is 21 clear days' notice and, in the case of other general meetings, is 14 clear days' notice. Notice of the meeting must be given to the members (other than any members who, under the Articles or by virtue of any restrictions imposed on any shares, are not entitled to receive notice from the Company), to the Directors and to the auditors of the Company. The accidental omission to send notice of a general meeting to any person entitled to receive it does not invalidate the proceedings of the meeting.

Every notice of a general meeting must specify (i) the time, date and place of the meeting, (ii) (in the case of an annual general meeting) that the meeting is an annual general meeting, (iii) the general nature of the business to be transacted at the meeting and (iv) any intention to propose a resolution as a special resolution. In addition, the notice must specify, with reasonable prominence, that a member is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote at the meeting, that a member may appoint more than one proxy in relation to a meeting provided that each proxy is appointed to exercise the rights attached to different shares and that a proxy need not be a member.

6.15 *Quorum*

No business is to be transacted at any general meeting unless a quorum is present. The quorum for a general meeting is two members present in person or by proxy and entitled to vote on the business to be transacted at the meeting.

6.16 *Method of voting*

At any general meeting, a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result on a show of hands) a poll is demanded in accordance with the Articles.

6.17 *Number and appointment of Directors*

Unless and until otherwise determined by the Company by ordinary resolution, the number of Directors shall not be less than two but shall not be subject to any maximum number. Directors may be appointed

by the Company by ordinary resolution or by the Board, in each case either to fill a casual vacancy or as an addition to the existing Board.

A Director is not required to hold any shares in the Company by way of qualification.

6.18 **Retirement of Directors**

At each annual general meeting, any Director:

- (a) who has been appointed by the Board since the preceding annual general meeting; or
- (b) who held office at the time of the two preceding annual general meetings and who did not retire at either of them; or
- (c) who has held office with the Company, other than employment or executive office, for a continuous period of nine years or more at the date of the meeting, shall retire from office but shall be eligible for re-appointment.

6.19 **Removal of a Director by resolution of the Company**

In addition to any power of removal conferred by the Companies Act, the Company may by ordinary resolution remove any Director from office and appoint another person in place of a Director so removed.

6.20 **Vacation of office**

The Articles provide for the office of a Director to be vacated in the following circumstances:

- (a) if he or she resigns or offers to resign and the Board resolves to accept such offer;
- (b) if he or she ceases to be a Director by virtue of any provision of the Companies Act, is removed from office pursuant to the Articles or the Companies Act or becomes prohibited by law from acting as a Director;
- (c) if he or she becomes bankrupt, has an interim receiving order made against him or her, makes any arrangement with or compounds with his or her creditors generally or applies to the court for an interim order under the Insolvency Act 1986 in connection with a voluntary arrangement under that Companies Act;
- (d) if he or she is, or may be, suffering from mental disorder or is otherwise incapable of managing his or her affairs and either:
- (e) an order is made by any court or official having jurisdiction (whether in the UK or elsewhere) in matters concerning mental disorder for his or her detention or for the appointment of a receiver, curator bonis or other person to exercise powers with respect to his or her property or affairs; or
- (f) he or she is admitted to hospital following an application for admission for treatment under the Mental Health Act 1983 or any similar legislation in any other jurisdiction, and the Board resolves that his or her office be vacated;
- (g) if he or she is absent from meetings of the Board for a period of six consecutive months without the permission of the Board and his or her alternate Director (if any) has not attended in his or her place during that period and the Board resolves that his or her office be vacated;
- (h) (without prejudice to any claim for damages which he or she may have for breach of any contract between him or her and the Company) if he or she is removed from office by a notice in writing addressed to him or her at his or her last known address signed by at least three fourths in number of his or her co-Directors; or
- (i) in the case of any Director who holds any executive office with the Company, if his or her appointment as such is terminated or expires and the Board resolves that his or her office be vacated.

6.21 **Alternate directors**

Any Director may appoint any other Director to be his or her alternate and may remove any alternate appointed by him or her. Any appointment or removal of an alternate Director is effected by notice to the Company signed by the Director making or revoking the appointment and sent to or received by the Company at the registered office of the Company or at an address specified by the Company for the purpose of communication by electronic means or tabled at a meeting of the Board or in any other manner approved by the Board.

6.22 **Directors' remuneration and expenses**

Each Director is entitled to be paid by way of remuneration for his or her services as a Director such fee as may be decided by the Board but the aggregate of all fees so paid to Directors must not exceed £500,000 per annum (or such higher amount as may be decided by ordinary resolution of the Company). Such fee shall be distinct from and additional to any salary, remuneration or other benefits which may be paid or provided to a Director under any other provision of the Articles, including any salary of remuneration payable to an Executive Director.

Any Director who performs any special or extra services which in the opinion of the Board are outside the scope of his or her ordinary duties as a Director and not in his or her capacity as a holder of employment or executive office may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may decide in addition to any remuneration paid or provided for pursuant to any other provision of the Articles.

The salary or remuneration of any Director appointed to hold any employment or executive office shall be such as the Board may decide and may be either a fixed sum of money or may, in whole or in part, be governed by business done or profits made or otherwise decided by the Board. Any such salary or remuneration may be in addition to or in lieu of any fee payable to him for his or her services as a Director under the Articles.

Each Director is entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him or her in or about the performance of his or her duties as a Director, including any expenses incurred in attending meetings of the Board or any committee of the Board or shareholder meetings.

6.23 **Pensions and other benefits**

The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits, death or disability benefits or other allowances or gratuities (whether by insurance or otherwise) to or for the benefit of, amongst other persons, any past or present director of the Company or any of its subsidiary undertakings, members of his or her family and his or her dependents.

The Board may also exercise all the powers of the Company to purchase and maintain insurance for or for the benefit of, amongst other persons, any past or present director of the Company or any of its subsidiary undertakings.

6.24 **Borrowing powers**

The Board may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (but, as regards subsidiary undertakings, only so far as by the exercise of such rights or powers of control, the Board can secure) that the aggregate principal amount outstanding at any time in respect of all borrowings by the Company after deducting cash deposited shall not, save with the previous sanction of an ordinary resolution of the Company, exceed an amount equal to three times

the adjusted capital and reserves (as defined in the Articles) or any higher limited fixed by ordinary resolution of the Company which is applicable at the relevant time.

6.25 *Proceedings of the Directors*

Subject to the provisions of the Articles, the Board may regulate its proceedings as it thinks fit. The quorum necessary for the transaction of business may be determined by the Board and, unless so determined at any other number, shall be two. A duly convened meeting of the Board at which a quorum is present is competent to exercise all or any of the powers vested in or exercisable by the Board. Questions arising at any meeting of the Board shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting has a second or casting vote.

A resolution in writing signed by all the Directors who would have been entitled to vote on the resolution at a meeting of the Board (provided that those Directors would have formed a quorum at such a meeting) is as valid and effective as a resolution duly passed at a meeting of the Board.

6.26 *Directors' conflicts of interest*

The Board may authorise any situation or matter in which a Director (an "Interested Director") has, or can have, a direct or indirect interest which conflicts, or possibly may conflict, with the interests of the Company and which would, if not so authorised, result in the Interested Director being in breach of his or her statutory duty to avoid conflicts of interest. An Interested Director seeking authorisation of a conflict of interest must declare to the Board the nature and extent of his or her interest giving rise to the conflict as soon as reasonably practicable. An Interested Director must not be counted in the quorum or vote in respect of any resolution of the Board giving such authorisation.

Where the Board authorises a situation or matter, it may impose on the Interested Director such terms for the purpose of dealing with the conflict of interest as the Board may determine.

6.27 *Permitted interests of Directors*

A Director, notwithstanding his or her office, may:

- (a) be a party to or otherwise interested in any transaction or arrangement with the Company or in which the Company is directly or indirectly interested;
- (b) hold any other office or place of profit with the Company (except that of auditor) in conjunction with the office of Director or act by himself or herself through a firm with which he or she is associated in a professional capacity for the Company or any body corporate in which the Company is directly or indirectly interested (otherwise than as auditor);
- (c) be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested (including by the holding of shares or other securities) in, any body corporate promoted by the Company or in which the Company is otherwise directly or indirectly interested or as regards which the Company has any powers of appointment; and
- (d) be a director of any body corporate in which the Company is not directly or indirectly interested if, at the time of his or her appointment as a director of that other company, such appointment cannot reasonably be regarded as giving rise to a conflict of interest.

If a Director has any interest referred to above, he must, subject to certain exceptions, declare the nature and extent of that interest to the Board. The declaration must be made as soon as is reasonably practicable and, in the case of an interest in a proposed transaction or arrangement with the Company, before the Company enters into the transaction or arrangement.

6.28 *Directors not liable to account*

A Director is not liable to account to the Company for any benefit which he or she derives from any transaction or arrangement or from any office, employment, position or relationship or from any interest in any body corporate if the relevant matter has been authorised by the Board (subject, in any such case, to the terms of such authorisation) or is permitted under the Articles.

No transaction or arrangement is liable to be avoided on the grounds that a Director has an interest in it (or derives a benefit from it) if the interest has been authorised by the Board or is permitted under the Articles.

6.29 **Restrictions on voting by Directors**

A Director must not vote on (or be counted in the quorum in relation to) any resolution of the Board (or of a Board committee) concerning any transaction or arrangement in which he or she has a direct or indirect interest. However, this prohibition does not apply to any resolution concerning a transaction or arrangement in which his or her interest cannot reasonably be regarded as likely to give rise to a conflict of interest or to any resolution concerning:

- (a) the giving of any guarantee, security or indemnity to the Director or any other person in respect of (i) money lent or obligations incurred by him or her or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings or (ii) a debt or other obligation of the Company or any of its subsidiary undertakings for which the Director has assumed responsibility (in whole or in part and whether alone or jointly with others) under a guarantee or indemnity or by the giving of security;
- (b) an offer by the Company or any of its subsidiary undertakings of securities for subscription, purchase or exchange, in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he or she is to participate;
- (c) a transaction or arrangement in which he or she has an interest only by virtue of an interest in shares, debentures or other securities of the Company or by reason of any other interest in or through the Company;
- (d) a transaction or arrangement concerning any other body corporate in which the Director (or any person connected with him or her) is interested (directly or indirectly) and whether as an officer, shareholder, creditor, employee or otherwise, if he or she and any persons connected with him or her do not to his or her knowledge hold an interest in shares representing one per cent. or more of either any class of the equity share capital of that body corporate or the voting rights available to members of that body corporate;
- (e) a transaction or arrangement concerning the adoption, modification or operation of a pension fund, superannuation or similar scheme or retirement, death or disability benefit scheme or employees' share scheme which relates both to directors and employees of the Company or any of its subsidiary undertakings and does not accord to any Director as such any privilege or benefit not accorded to the employees to whom the fund or scheme relates;
- (f) a transaction or arrangement for the benefit of employees of the Company or of any of its subsidiary undertakings under which the Director benefits in a similar manner to the employees and which does not accord to any Director as such any privilege or benefit not accorded to the employees to whom the transaction or arrangement relates;
- (g) any proposal relating to the purchase or maintenance of insurance against any liability for the benefit of any Directors (or of persons who include Directors);
- (h) the giving of indemnities in favour of Directors; and
- (i) the funding of expenditure incurred or to be incurred by any Director in defending any criminal or civil proceedings or in connection with an application to the court for relief or in defending him in any investigation by, or against action proposed to be taken by, a regulatory authority or the doing of anything to enable any Director to avoid incurring any such expenditure.

A Director must not vote on (or be counted in the quorum in relation to) any resolution of the Board concerning his or her own appointment as the holder of any office or place of profit with the Company or any company in which the Company is interested.

6.30 **Indemnification of Directors**

Subject to the Companies Act, every Director is entitled to be indemnified by the Company against any liability incurred by him or her in connection with any negligence, default, breach of duty or breach of trust in relation to the Company or any associated company (other than any liability to the Company

or any associated company or any liability of the kind referred to in section 234(3) of the Companies Act) and any other liability incurred by him or her in the performance of his or her duties.

Subject to the Companies Act, the Company may provide a Director with funding to meet his or her expenditure in defending any criminal or civil proceedings in connection with any alleged negligence, default, breach of duty or breach of trust in relation to the Company or any associated company. The Company may also provide a Director with funding to meet his or her expenditure in connection with any investigation or action undertaken by a regulatory authority.

The above is a summary only of certain provisions of the Articles. The full provisions of the Articles are available on the Company's website at www.sondrel.com.

7. Takeover Code, Mandatory Bids, Squeeze-Out and Sell-Out Rules

7.1 Takeover Code

7.1.1 The Takeover Code is issued and administered by the Takeover Panel. At the date of this document the Company, as a public limited company, is subject to the Takeover Code and therefore its Shareholders will be entitled to the protections afforded by the Takeover Code.

7.2 Mandatory takeover bids

7.2.1 Under Rule 9 of the Takeover Code, any person who acquires an interest in Ordinary Shares which, taken together with Ordinary Shares in which that person or any person acting in concert with that person is interested, carry 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code is normally required to make an offer to all the remaining shareholders to acquire their Ordinary Shares. Similarly, when any person, together with persons acting in concert with that person, is interested in Ordinary Shares which in the aggregate carry not less than 30 per cent. of the voting rights of such a company but does not hold Ordinary Shares carrying more than 50 per cent. of the voting rights of the company, an offer will normally be required if any further interests in Ordinary Shares carrying voting rights are acquired by such person or any person acting in concert with that person. An offer under Rule 9 must be made in cash at the highest price paid by the person required to make the offer, or any person acting in concert with such person, for any interest in Ordinary Shares of the Company during the 12 months prior to the announcement of the offer.

7.2.2 The Takeover Code defines persons "acting in concert" to comprise "persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of a company or to frustrate an offer for a company". The Takeover Code defines "control" to mean "an interest, or interests, in shares carrying in aggregate 30 per cent. or more of the voting rights of a company, irrespective of whether such interest or interest give de facto control."

7.3 Concert Party position and Rule 9 implications

7.3.1 Under paragraph (9) of the definition of "Acting in concert" in the Takeover Code, it is presumed (unless the contrary can be established) that a concert party arises in relation to shareholders in a private company who sell their shares in that company in consideration for the issue of new shares in a company to which the Takeover Code applies, or who, following the re-registration of that company as a public company in connection with an initial public offering or otherwise, become shareholders in a company to which the Takeover Code applies.

In consultation with the Takeover Panel it has been agreed that Graham Curren, Claire Curren and Graham Curren and Claire Curren as trustees of The Curren 2022 Family Settlement (the "Concert Party") should be regarded as acting in concert for the purposes of the Takeover Code.

Following Admission, the members of the Concert Party will be interested in Ordinary Shares carrying more than 30 per cent. of the voting rights of the Company but will not hold Ordinary Shares carrying more than 50 per cent. of the voting rights of the Company. For so long as they continue to be acting in concert, any increase in their aggregate interest in Ordinary Shares will be subject to the provisions of Rule 9.

7.3.2 The table below shows the number of Existing Ordinary Shares held by members of the Concert Party as at the date of this document, as well as the percentage holdings of the Enlarged Share Capital and the voting rights in the Company of each member of the Concert Party on Admission.

	<i>Prior to Admission</i>		<i>On Admission</i>	
	<i>No. of Existing Ordinary Shares held</i>	<i>Percentage of Existing Ordinary Shares</i>	<i>No. of Ordinary Shares</i>	<i>Percentage of Ordinary Shares</i>
Graham Curren	26,933,652	53.79	26,933,652	30.79
Claire Curren	6,733,416	13.45	6,733,416	7.70
Graham Curren and Claire Curren as trustees of The Curren 2022 Family Settlement	5,586,798	11.16	5,586,798	6.39
Total	<u>39,253,866</u>	<u>78.40</u>	<u>39,253,866</u>	<u>44.88</u>

7.4 **Compulsory acquisition – squeeze out**

Under the Companies Act, if a person who has made a general offer to acquire Ordinary Shares were to acquire 90 per cent. of the Ordinary Shares which are the subject of such offer within four months of making its offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their Ordinary Shares and then, six weeks later, it would execute a transfer of the outstanding Ordinary Shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to the Shareholders whose Ordinary Shares are compulsorily acquired under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

7.5 **Compulsory acquisition – sell out**

7.5.1 The Companies Act also gives minority Shareholders in the Company a right to be bought out in certain circumstances by an offeror who has made a general offer as described in the above paragraph. If, at any time before the end of the period within which the general offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of Ordinary Shares to which the general offer relates who has not accepted the general offer can require the offeror to acquire his or her Ordinary Shares. The offeror would be required to give any Shareholder notice of his or her right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises its rights, the offeror is bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

7.5.2 As at the date of this document, the Company is not in receipt of, nor subject to, a takeover offer (as defined in section 974 of the Companies Act).

8. **Disclosure of Interests in the Company**

8.1 **Directors' and other interests**

8.1.1 The interests of each of the Directors in the ordinary share capital of the Company (all of which are beneficial except where expressly provided otherwise) which have been or will be required to be notified to the Company pursuant to section 5 of the Disclosure Guidance and Transparency Rules or which will be required to be maintained under the provisions of section 808 of the Companies Act, or which are interests of a person connected with any of the Directors (within the meaning of section 252 of the Companies Act), which interests would be required to be disclosed pursuant to the Disclosure Guidance and Transparency Rules, and the existence of which is known to the Directors or could with reasonable diligence be

ascertained by them as at 12 October 2022 (being the last date practicable prior to the publication of this document) and as at Admission are as set out below:

<i>Shareholder</i>	<i>At the date of this document</i>		<i>Immediately following the Placing, Admission and the Option Exercise</i>		
	<i>No. of Existing Ordinary Shares held</i>	<i>Percentage of Existing Ordinary Shares</i>	<i>No. of Ordinary Shares</i>	<i>Percentage of Enlarged Ordinary Shares</i>	<i>Number of Options on Admission</i>
Nigel Vaughan	1,001,370	2.00%	1,001,370	1.14%	–
Graham Curren ¹	39,253,866	78.40%	39,253,866	44.88%	–
Jose (“Joe”) Lopez	–	–	–	–	900,000
Adrian Carey	–	–	90,500	0.10%	–
Sherry Madera	–	–	45,000	0.05%	–
Gordon Orr	–	–	318,000	0.36%	–

¹ includes 6,733,416 Ordinary Shares held by Claire Curren (Graham Curren’s spouse) and 5,586,798 Ordinary Shares held by Graham Curren and Claire Curren as trustees of The Curren 2022 Family Settlement (the “Trust Shares”). Neither Graham Curren and Claire Curren have any beneficial interest in the Trust Shares, of which their five children are possible beneficiaries.

- 8.1.2 Save as disclosed in this paragraph 8 none of the Directors nor any member of their families, nor any person connected with them within the meaning of section 252 of the Companies Act, has any interest in the issued share capital of the Company or any other member of the Group.
- 8.1.3 Save as disclosed in this paragraph 8 as at the date of this document, no Director has an option over or warrant to subscribe for any Ordinary Shares in the Company.
- 8.1.4 Save as disclosed in this document, there are no agreements, arrangements, or understandings (including compensation agreements) between any of the Directors, previous directors of the Company, Shareholders, or recent shareholders of the Company connected with or dependent upon Admission or the Placing.

9. Significant Shareholders

- 9.1 Other than set out in paragraph 8 above, the Company is aware of the following persons who, as of 12 October 2022 (being the latest practicable date before publication of this document) and on Admission, have interests in voting rights over 3 per cent. or more of the issued share capital of the Company (“Significant Shareholders”):

<i>Shareholder</i>	<i>At the date of this document</i>		<i>Immediately following the Placing, Admission and the Option Exercise</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of Existing Ordinary Shares</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital</i>
Siemens	9,813,450	19.60%	9,813,450	11.22%
Otus Capital Management	–	–	6,363,000	7.28%
Joh. Berenberg, Gossler & Co.	–	–	5,182,000	5.92%
CRUX Asset Management	–	–	4,727,000	5.40%
Sarasin & Partners	–	–	3,636,000	4.16%
Herald Investment Management	–	–	3,636,000	4.16%

- 9.2 Save as disclosed above, the Directors are not aware of any person or persons who, directly or indirectly, have an interest in the Company which represents 3 per cent. or more of its issued share capital or voting rights who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.
- 9.3 Neither the Directors nor any Significant Shareholders have different voting rights to other holders of the share capital of the Company.

- 9.4 Save as disclosed in this document, there are no arrangements known to the Company, the operation of which may at a subsequent date result in a change in control of the Company.
- 9.5 The Company's share capital consists of one class of ordinary share with equal voting rights (subject to the Articles). No Significant Shareholder of the Company has any different voting rights from the other Shareholders.

9.6 **Arrangements with Directors**

- 9.6.1 Save as disclosed in this document, no Director is or has been interested in any transactions which are or were unusual in their nature or conditions or significant to the business of the Company or the Group during the current or immediately preceding financial year or which were affected during any earlier financial year and remain in any respect outstanding or unperformed.
- 9.6.2 Save as disclosed in this document, there are no outstanding loans or guarantees provided by the Company or the Group or to or for the benefit of any of the Directors.
- 9.6.3 There are no actual or potential conflicts of interest between any Director's duties to the Company and any private interests and/or other duties they may have.
- 9.6.4 No Director nor any member of his or her immediate family nor any person connected with him or her (within the meaning of section 252 of the Companies Act) has a Related Financial Product (as defined in the AIM Rules for Companies) referenced to Ordinary Shares.

9.7 **Additional information on the Directors**

- 9.7.1 The Directors and their respective functions are set out in Part II of this document.
- 9.7.2 Details of any directorship that is or was in the last five years held by each of the Directors, and any partnership of which each of the Directors is or was in the last five years a partner or member, in addition to their directorship of the Company, are set out below:

<i>Name</i>	<i>Current Directorships and Partnerships</i>	<i>Past Directorships and Partnerships</i>
Graham Stephen Curren	Sondrel Limited Sondrel (SoC Solutions) Ltd. Sondrel Inc. Sondrel (Xi'An) Co., Ltd. Sondrel Morocco SARL AU Sondrel India Private Limited	China Britain Business Council Sondrel IC Design Services (Shanghai) Co., Ltd. Sondrel (Finland) Oy
Jose ("Joe") Robert Lopez	Sondrel India Private Limited Reynard Racing Cars Limited	Airways Aviation Academy Limited
Nigel Leslie Richard Vaughan	Vaughan Management Solutions Limited Jurassic Coast Holdings Limited	Quantex Arc Limited Jurassic Coast Holdings Ltd
Adrian Courtney Carey	Blacktrace Holdings Limited	Gazoob Holdings Limited Oxford Metrics Plc Oxford Parent-Infant Project BC Arch Limited Kerridge Commercial Systems (KSE) Limited (formerly Lakeview Computers Limited)

<i>Name</i>	<i>Current Directorships and Partnerships</i>	<i>Past Directorships and Partnerships</i>
Gordon Robert Halyburton Orr	China Britain Business Council Lenovo Group Limited Meituan Swire Pacific Limited EQT AB MIO Partners, Inc. True Light Capital Pte. Ltd Westchel Limited	Naga UK Topco Limited Phynova Group Limited PCH Ltd
Sherry Anne Madera	Landseer House (Consulting Limited)	None

9.7.3 Save as disclosed below in paragraph 9.7.4 of this document, none of the Directors:

- (a) is currently a director of a company or a partner in a partnership or has been a director of a company or a partner in a partnership within the five years immediately preceding the date of this document;
- (b) has any unspent convictions in relation to indictable offences;
- (c) has been declared bankrupt or has entered into an individual voluntary arrangement;
- (d) was a director of any company at the time of or within the 12 months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors with which such company was concerned;
- (e) was a partner in a partnership at the time of or within the 12 months preceding any compulsory liquidation, administration or voluntary arrangement of that partnership;
- (f) has had any asset which has been subject to a receivership or was a partner in a partnership at the time of or within the 12 months preceding any asset of the partnership being subject to a receivership; or
- (g) has been the subject of any public criticism by any statutory or regulatory authority (including any recognised professional body) nor has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

9.7.4 Adrian Carey was a director of Gazoob Holdings Limited when it was placed into creditors voluntary liquidation by a resolution passed on 23 February 2016. Prior to the dissolution of Gazoob Holdings Limited on 1 August 2018, the creditors were paid in full.

9.7.5 Details of the length of service of each Director with the Group to date are set out below:

<i>Name</i>	<i>Commencement date</i>
Graham Curren	23 July 2002
Jose ("Joe") Lopez	1 April 2019
Nigel Vaughan	1 July 2011
Adrian Carey	Admission
Gordon Orr	Admission
Sherry Madera	Admission

10. Directors' Service Agreements and Letters of Appointment

10.1 The Directors have entered into service contracts or letters of appointment which are summarised below.

Set out below are details of the terms and conditions governing the engagement by the Company of the Executive Directors:

10.2 **Executive Directors**

10.2.1 *Graham Curren*

On 13 October 2022, Mr. Curren entered into a new service agreement with the Company pursuant to which his appointment as Chief Executive Officer was confirmed. The agreement can be terminated by either party giving to the other not less than 6 months' prior notice in writing. The Company may, in its absolute discretion, terminate the agreement at any time and with immediate effect by notifying Mr. Curren that it is doing so and making a payment in lieu of notice. In addition, the agreement contains provisions for summary termination by the Company (without payment in lieu of notice or compensation), *inter alia*, in the event of serious or repeated breach or non-observance of any of the provisions of the agreement or gross misconduct in connection with or affecting the business of the Company or the Group. The basic salary payable to Mr. Curren is £255,000 per annum. This is to be reviewed from time to time without any obligation on the Company to increase the same. Under the terms of the agreement the Company has agreed to supply Mr Curren with a car of such make, model and value as is determined by the Board from time to time for his sole business and private use. The service agreement contains non-compete restrictive covenants for a period of 6 months and other restrictive covenants for a period of 12 months following the termination of his employment. The Company may, in its absolute discretion and following all due consideration by the Company's remuneration and nomination committee, pay Mr. Curren a bonus of such amount, at such intervals and as it may in its absolute discretion determine from time to time provided the amount of any discretionary bonus awarded to Mr. Curren cannot exceed the amount of his basic salary. Any bonuses will be paid subject to all applicable deductions and withholdings which are required to be made by law. The bonus will not form part of Mr. Curren's contractual remuneration and will not be pensionable. In connection with his engagement with the Company, Mr Curren has opted out of the maximum weekly time limit imposed by regulation 4(1) of the Working Time Regulations 1998. The agreement is governed by English law.

10.2.2 *Jose ("Joe") Lopez*

On 13 October 2022, Mr. Lopez entered into a new service agreement with the Company pursuant to which his appointment as Chief Financial Officer was confirmed. The agreement can be terminated by either party giving to the other not less than 6 months' prior notice in writing. The Company may, in its absolute discretion, terminate the agreement at any time and with immediate effect by notifying Mr. Lopez that it is doing so and making a payment in lieu of notice. In addition, the agreement contains provisions for summary termination by the Company (without payment in lieu of notice or compensation), *inter alia*, in the event of serious or repeated breach or non-observance of the agreement or gross misconduct in connection with or affecting the business of the Company or the Group. The basic salary payable to Mr. Lopez is £142,800 per annum. This is to be reviewed from time to time without any obligation on the Company to increase the same. The service agreement contains non-compete restrictive covenants for a period of 6 months and other restrictive covenants for a period of 12 months following the termination of his employment. The Company may, in its absolute discretion and following all due consideration by the Company's remuneration and nomination committee, pay Mr. Lopez a bonus such amount, at such intervals and as it may in its absolute discretion determine from time to time provided the amount of any discretionary bonus awarded to Mr. Lopez cannot exceed the amount of his basic salary. Any bonuses paid will be subject to all applicable deductions and withholdings which are required to be made by law. The bonus will not form part of Mr. Lopez's contractual remuneration and will not be pensionable. In connection with his engagement with the Company, Mr Lopez has opted out of the maximum weekly time limit imposed by regulation 4(1) of the Working Time Regulations 1998. The agreement is governed by English law.

10.3 **Non-Executive Directors**

10.3.1 *Adrian Carey*

Pursuant to a non-executive letter of appointment with the Company dated 13 October 2022, Mr. Carey will be appointed by the Company as a non-executive Director with effect from Admission.

The appointment is for an initial term of three years, subject to shareholder review and re-election and is terminable earlier by either side giving three months' notice at any time. The Company can also terminate the appointment with immediate effect on written notice in certain circumstances, including where Mr. Carey becomes unable to perform his duties to the reasonable satisfaction of the Board.

The fee payable to Mr. Carey will be £50,000 per annum before tax, payable monthly in arrears, and Mr. Carey is required to devote at least 2 days per month to working for the Company.

The letter of appointment is governed by English law and contains customary confidentiality obligations.

10.3.2 *Gordon Orr*

Pursuant to a non-executive letter of appointment with the Company dated 13 October 2022, Mr. Orr will be appointed by the Company as a non-executive Director with effect from Admission.

The appointment is for an initial term of three years, subject to shareholder review and re-election and is terminable earlier by either side giving three months' notice at any time. The Company can also terminate the appointment with immediate effect on written notice in certain circumstances, including where Mr. Orr becomes unable to perform his duties to the reasonable satisfaction of the Board.

The fee payable to Mr. Orr will be £40,000 per annum before tax, payable monthly in arrears, and Mr Orr is required to devote at least 2 days per month to working for the Company.

The letter of appointment is governed by English law and contains customary confidentiality obligations.

10.3.3 *Sherry Madera*

Pursuant to a non-executive letter of appointment with the Company dated 13 October 2022, Mrs. Madera will be appointed by the Company as a non-executive Director with effect from Admission.

The appointment is for an initial term of three years, subject to shareholder review and re-election and is terminable earlier by either side giving three months' notice at any time. The Company can also terminate the appointment with immediate effect on written notice in certain circumstances, including where Mrs Madera becomes unable to perform her duties to the reasonable satisfaction of the Board.

The fee payable to Mrs. Madera will be £50,000 per annum before tax, payable monthly in arrears, and Mrs. Madera is required to devote at least 2 days per month to working for the Company.

The letter of appointment is governed by English law and contains customary confidentiality obligations.

10.3.4 *Nigel Vaughan*

Pursuant to a non-executive letter of appointment with the Company dated 13 October 2022, Mr. Vaughan will be appointed by the Company as a non-executive Director and independent non-executive chairman of the Company with effect from Admission.

The appointment is for an initial term of three years, subject to shareholder review and re-election and is terminable earlier by either side giving three months' notice at any time. The Company can also terminate the appointment with immediate effect on written notice in certain circumstances, including where Mr Vaughan becomes unable to perform his duties to the reasonable satisfaction of the Board.

The fee payable to Mr. Vaughan will be £70,000 per annum before tax, payable monthly in arrears, and Mr. Vaughan is required to devote at least 2 days per month to working for the Company.

The letter of appointment is governed by English law and contains customary confidentiality obligations.

11. Share Option Plan

Introduction

The Company recognises the importance of ensuring that the management and employees of the Group are effectively and appropriately incentivised and their interests aligned with those of the Group. The ongoing success of the Group depends to a high degree on retaining and incentivising the performance of key members of senior management. To that end, the Company established a management share option plan (the "Option Plan") in 2011 which allowed for the grant of enterprise management incentive share options, which are intended to qualify for favourable tax treatment under the provisions of Schedule 5 of the Income Tax (Earnings and Pensions) Act 2003 ("ITEPA") ("EMI Options") and non-qualifying options (EMI Options and non-qualifying options together "Options").

The rules of the Option Plan were adopted by the Company on 17 January 2011 and were later amended on 8 May 2013 and subsequently on 8 September 2022 (the "Scheme Rules"). Details of the total number of Options (all granted for nil consideration) outstanding as at 12 October 2022 (being the latest practicable date prior to the publication of this document) are set out in paragraph 5.6 of Part V of this document.

Options are not transferable and cannot be assigned or charged, and on any purported transfer, assignment or charge the Option shall automatically lapse. The Scheme Rules do not prevent the Option of a deceased Option Holder being exercised by his personal representative(s) within the terms of these Scheme Rules. Only the person to whom an Option is granted (the "Option Holder") or his or her personal representative(s) may acquire Ordinary Shares pursuant to an Option.

Neither the grant of any Option nor any benefit which may accrue to an Option Holder on the exercise of an Option will form part of that Option Holder's pensionable remuneration for the purposes of any pension scheme or similar arrangement which may be operated by any member of the Group.

The grant of an Option does not form part of an Option Holder's entitlement to remuneration or benefits under their contract of employment.

Administration

The Option Plan is in all respects administered by the Board who may from time to time make and vary such rules and regulations for its conduct not inconsistent with the Scheme Rules and may from time to time establish such procedures for administration and implementation of the Option Plan and Scheme Rules as it thinks fit.

Subject to the articles of association of the Company, an Option Holder who is a director of the Company may, notwithstanding his interest, vote on any resolution concerning the Option Plan (other than in respect of his own participation therein) and may retain any benefits under the Option Plan.

Eligibility

In order to be granted an Option, an individual must be an employee or executive director of the Company or any other member of the Group.

The Company has discretion to select the persons to whom Options are to be granted under the Option Plan. An Option intended to qualify as an EMI Option may only be granted to an eligible employee and will be granted subject to the provisions of Schedule 5 of the Income Tax (Earnings and Pensions) Act 2003.

Grant of Options

No Options can be granted under the Option Plan after the tenth anniversary of the date of its adoption. Some of the Options granted by the Company and listed in paragraph 5.6 of Part V of this document were granted after the tenth anniversary of the date of adoption of the Option Plan. The Company will not grant any further Options under this Option Plan.

Options granted under the Option Plan to employees in the UK take the form of share options with a strike price that cannot be less than the nominal value of the relevant shares on the date of grant.

EMI Options

The Company may grant EMI Options for as long as the Company satisfies the qualifying conditions set out in the EMI Code (as defined in Section 527(3) of ITEPA).

Under the EMI Code, an employee may hold EMI Options over Ordinary Shares with a value (as at the date of grant) of up to £250,000. Where this threshold is exceeded, the employee may not receive EMI Options for three years. He or she may, however, receive non-qualifying Options.

The maximum number of shares which may be placed under option for subscription under the Option Plan, when added to the number of shares issued or capable of being issued by way of subscription on the exercise of employee Options during the previous 10 years (but excluding Options which have lapsed or been surrendered) cannot exceed 5,000,000 shares, subject to any adjustment made by the Board with the prior approval by ordinary resolution of the Company in general meeting.

Exercise Conditions

The Company can determine that certain conditions are required to be satisfied before the Option can be exercised and these will be set out in the Appendix to the option certificate issued by the Company to the Option Holder (the "Option Certificate"). The Board has discretion to amend and waive any exercise conditions. In the event that exercise conditions are imposed, they must be fulfilled prior to the exercise of the Option.

Vesting of Options

The date that an Option first becomes exercisable is set out in the Option Certificate.

Subject to any exercise conditions being met, the Option is exercisable in whole or in part upon payment of the relevant exercise price and, subject to the Scheme Rules, upon the earliest to occur of:

- (a) Admission; or
- (b) in respect of a change of control of the Company or demerger as set out in Scheme Rules; or
- (c) from the date of a notice duly given of a general meeting of the Company at which a resolution will be proposed for the voluntary liquidation of the Company, until the commencement of such winding-up pursuant to the Scheme Rules.

Leavers

If an Option Holder ceases employment within the Group otherwise than by reason of cessation of employment with any member of the Group due to redundancy then any Option will cease to be exercisable and will lapse 40 days after such cessation unless within that period of 40 days the Board in its absolute discretion permits the Option to be exercised in whole or in part within a period specified by the Board (not exceeding the exercise period which is 10 years of the date of grant of the Option).

If an Option Holder ceases employment by reason of redundancy and if the Board in its discretion so determines, the Option Holder may exercise such Options within the period not exceeding 6 months from their Leaving Date (as defined in the Scheme Rules), if there is a change of control as set out in the Scheme Rules. If exercise has not taken place within such period, such Option will then lapse and cease to be exercisable.

Rights attaching to shares

Ordinary Shares issued in connection with the exercise of Options will rank equally with Ordinary Shares then in issue save that the Ordinary Shares issued under the Option Plan will not rank for any dividends or other distributions declared or recommended by reference to a record date which falls on or prior to the date when the Option is exercised. Application will be made for admission to trading on AIM of new Ordinary Shares issued.

Variation of share capital

If there is any alteration of the issued share capital of the Company, the number of Ordinary Shares subject to an Option and the exercise price of a market value option will be subject to adjustments. The Board may adjust Options in such manner as it determines to be appropriate, however no adjustment should be made to EMI Options without HMRC's prior approval, if so required. As soon as reasonably practicable after making any adjustment, the Company is required to give notice in writing of the adjustment to each Option Holder.

Alteration of the Scheme Rules

The Board has discretion from time to time to amend the Scheme Rules. However, alterations or additions that adversely affect the subsisting rights of an existing participant may only be made with the consent in writing of the relevant participant.

Taxation

To the extent options are qualifying EMI options and granted with an exercise price equivalent to the actual market value of the underlying share for tax purposes on the date of grant, no income tax or national insurance contributions should arise.

To the extent Options are granted as non-qualifying options income tax and national insurance contributions will arise on exercise of the option on the amount which is the difference between the value of the shares acquired on exercise and the exercise price paid.

There are circumstances where qualifying options give rise to income tax and NIC on exercise. To the extent Options are granted as qualifying options but are either granted at a discount to their actual market value of the shares or fail to qualify (which may be due to a failure to notify the option or a failure to meet requirements set out in the plan documentation or legislation) income tax and national insurance contributions will arise. Where income tax and national insurance contributions arise, the employer entity is obliged to account for the same via PAYE on a 'best estimate' basis.

Under the terms of the option documents, option holders agree to bear employer national insurance contributions and so the exercise of Options should not in any event trigger an actual cash cost to the Company.

A UK employer within the Group, may be able to claim a deduction from profits for the purposes of calculating corporation tax, in respect of the option exercise. The deduction would be in the amount of the difference between the option exercise price and the value for tax purposes of the shares acquired on the date of exercise.

Options have been granted to employees who are resident overseas and the Company has confirmed its withholding obligations in those jurisdictions.

12. Employees

12.1 At the date of this document, the Group employs 168 permanent employees.¹⁰

¹⁰ Figure as at 5 October 2022

12.2 The following table shows a number of permanent employees working for Sondrel as of 31 December 2019, 31 December 2020 and 31 December 2021:

<i>Year</i>	<i>Number of employees</i>
31 December 2019	197
31 December 2020	189
31 December 2021	172

12.3 The following table shows the number of permanent employees, in addition to the statutory directors of Sondrel, working for the Group as of 30 June 2022:

<i>Activity</i>	<i>Number of employees</i>
Executive management	5
Engineering	133
Sales and marketing	8
Human resources and administration (including finance and IT)	20
Total	166

12.4 It is anticipated that following Admission, the Group will retain its current employee levels and will look to increase the level of employees in line with the anticipated growth of the Group. During the year ended 31 December 2021 the Group had 2 temporary employees.

13. Principal establishments

13.1 The Company's registered office, head office, principal place of business and principal establishment is at Sondrel House, Theale Lakes Business Park, Moulden Way, Sulhamstead, Reading, RG7 4GB.

13.2 The Group also has the following design centres, offices and operations:

- 13.2.1 two design centres in the UK, one since 2002, which is currently in Reading, and a second design centre since 2017, which is currently in Bristol;
- 13.2.2 a design centre in Xi'an, China, which opened in 2008;
- 13.2.3 a design centre in Rabat, Morocco, which opened in 2015;
- 13.2.4 a design centre in Hyderabad, India, which opened in 2018; and
- 13.2.5 sales and technical support operations in California, the United States, which began in 2020.

14. Material contracts

14.1 The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company or another member of the Group during the two years immediately preceding the date of this document and are, or may be, material:

14.2 *Placing Agreement*

Under an agreement dated 13 October 2022 and made between the Company, the Directors and Cenkos (the "Placing Agreement"), Cenkos has agreed conditionally, *inter alia*, on Admission becoming effective not later than on 10 November 2022, as agent for the Company, to use its reasonable endeavours, as agent for the Company, to procure subscribers and purchasers for the Placing Shares at the Placing Price.

Under the Placing Agreement, the Company and the Directors have given Cenkos certain customary representations, warranties and undertakings regarding, *inter alia*, the accuracy of the information contained in this document and the Group's business and assets. The Placing Agreement may be terminated prior to Admission by Cenkos in certain limited circumstances, including breach of any of the representations, warranties and undertakings, or where a force majeure event or a material adverse change in the Group's business, financial condition or prospects has arisen.

Under the Placing Agreement and subject to it becoming unconditional, the Company has agreed to pay to Cenkos:

- (a) a corporate finance fee; and
- (b) a placing commission on the total aggregate gross proceeds of the Placing Shares.

The Company has also granted Cenkos warrants to subscribe at the Placing Price for such number of new Ordinary Shares as shall represent 1 per cent. of the Enlarged Share Capital, exercisable at any time from the first anniversary of admission until the fourth anniversary of Admission. A summary of the warrant agreement is set out in paragraph 14.6 of Part V of this document.

The Company will pay certain other costs and expenses (including all applicable VAT) of, or incidental to, the Placing including all fees and expenses payable in connection with Admission, expenses of the Registrars, printing and advertising expenses, postage and all other legal, accounting and other professional fees and expenses.

14.3 *Nominated Adviser and Broker Agreement*

Under the nominated adviser and broker agreement dated 13 October 2022 and made between the Company and Cenkos (the “Nomad and Broker Agreement”), the Company has, conditional on Admission, appointed Cenkos to act as nominated adviser and broker to the Company for the purposes of the AIM Rules.

The Nomad and Broker Agreement contains certain indemnities and undertakings given by the Company.

The agreement is for a fixed initial term of 12 months and thereafter is terminable upon not less than 3 months’ prior written notice by either the Company or Cenkos. The agreement is governed by English law and any disputes are to be settled in the English courts.

14.4 *Lock-in Agreements*

The Company and Cenkos have entered into lock-in agreements with each of the members of the Concert Party, pursuant to which each of them has agreed not to dispose of any of their interests in Ordinary Shares for a period of 18 months from the date of Admission and thereafter, for the following 12 months, only to deal in their Ordinary Shares through the Company’s nominated broker at the time with a view to maintaining an orderly market. The lock-in agreements contain customary exceptions to these restrictions.

The Company and Cenkos have entered into lock-in agreements with each of Nigel Vaughan, Adrian Carey, Sherry Madera, Gordon Orr, Siemens and the Option Holders, pursuant to which each of them has agreed not to dispose of any of their interests in Ordinary Shares for a period of 12 months from the date of Admission. In addition, each of Nigel Vaughan, Adrian Carey, Sherry Madera, Gordon Orr and the Option Holders have undertaken not to deal in their Ordinary Shares during the 12 month period from the first anniversary of Admission other than through the Company’s nominated broker at the relevant time, in such manner as they may reasonably require with a view to maintaining an orderly market in the Ordinary Shares. The lock-in agreements contain customary exceptions to these restrictions.

14.5 *Relationship Agreement*

On 13 October 2022 the Company and Cenkos entered into a relationship agreement with Graham Curren (the “Controlling Shareholder”) (the “Relationship Agreement”) conditional upon Admission pursuant to which the Controlling Shareholder agreed, amongst other things, that:

- (a) the Group shall be managed for the benefit of shareholders as a whole and shall be capable at all times of carrying on its business independently of the Controlling Shareholders and/or his associates;
- (b) all transactions, agreements and arrangements between any member of the Group and the Controlling Shareholder (or his associates) shall be on an arm’s length basis and on normal commercial terms;

- (c) at least 2 directors who are considered to be independent shall at all times be appointed to the Board;
- (d) any dispute between the Controlling Shareholder and/or his associates and the Company (including any matter relating to the terms of the Relationship Agreement) shall be dealt with by a committee comprising only independent directors; and
- (e) the remuneration and nomination committee and audit and risk committee established by the Board from time to time shall comprise a majority of independent directors and shall be chaired by an independent Director.

The Relationship Agreement is effective for so long as the Controlling Shareholder and together with his associates and any persons acting in concert with him hold in aggregate shares in the capital of the Company representing 20 per cent. or more of the rights to vote at a general meeting of the Company.

14.6 Cenkos Warrant Agreement

The Company has executed a warrant agreement creating warrants to subscribe for, in aggregate, 874,617 Ordinary Shares (being 1.0 per cent. of the Enlarged Share Capital) at an exercise price of £0.55 per share ("Warrants"). The Warrants have been issued to Cenkos conditional upon Admission.

Under the terms of the warrant agreement the Warrants become exercisable from the first anniversary of Admission until the fourth anniversary of Admission and shall lapse on the fourth anniversary of Admission.

The Warrants can be exercised, in whole or in part by the warrant holder submitting a completed exercise notice and the relevant exercise monies. A request to exercise the Warrants is irrevocable once submitted to the Company, save with the consent of the Company.

The number of Ordinary Shares which would be granted upon exercise of the Warrants and/or the applicable subscription price may be adjusted in the event that changes are made to the Ordinary Shares (including sub-division and consolidation of the Ordinary Shares).

14.7 Registrar Agreement between the Company and Link Market Services Limited

Pursuant to an agreement dated 13 October 2022, the Company has engaged Link Market Services Limited to provide share registrar services to the Company from Admission.

14.8 Receiving Agent Agreement between the Company and Link Market Services Limited

Pursuant to an agreement dated 30 August 2022, the Company has engaged Link Market Services Limited to provide receiving agent services to the Company on Admission.

14.9 Coronavirus Business Interruption Loan (22 October 2020) – HSBC UK Bank plc

On 22 October 2020, Sondrel Limited entered into a Coronavirus Business Interruption Loan Agreement (dated 16 September 2020) with HSBC UK Bank plc for £1,400,000 ("CBIL Facility"). The loan was obtained by the company for general working capital requirements. This loan is supported by the Coronavirus Business Interruption Loan Scheme, managed by the British Business Bank, on behalf of, and with the financial backing of, the Secretary of State for Business, Energy and Industrial Strategy.

This loan was drawn down on 30 October 2020. Under the terms of the loan agreement, the company was not required to make any repayments of capital for the first 12 months after the draw down date.

The first repayment of capital was made by the company on the date that was 13 months after the draw down date and it is now required to repay the loan in 47 monthly instalments of £29,166.67 (exclusive of interest). The company is required to make a final repayment of £29,166.51 on the final repayment date (which is 5 years from the date of the drawdown of the loan).

Interest is payable on the loan at a rate of 3.99 per cent. per annum over the Bank of England Base Rate on the outstanding principal amount of the loan monthly and on the final repayment date.

A debenture dated 22 October 2020 was entered into by Sondrel (SOC Solutions) Ltd in connection with this CBIL Facility and a group guarantee was given by Sondrel Limited, the Company and Sondrel (SOC Solutions) Ltd in favour of HSBC UK Bank plc guaranteeing the obligations of each other to the bank.

Furthermore, in connection with this loan, Siemens, a shareholder of the Company, agreed on 23 October 2020 to postpone repayment of £700,000 which the Company owes to it under the terms of the loan agreement detailed in note 28 of section B of Part IV of this document until the loan under the CBIL Facility is paid in full.

14.10 *Overdraft facility (27 July 2021) – HSBC UK Bank plc*

Sondrel Limited has an overdraft facility for £1,300,000 which has been provided by HSBC Bank plc since 27 July 2021. Under the terms of the facility agreement, the bank can withdraw the facility at any time and demand repayment of all sums owing to it. The overdraft facility is secured by way of a fixed and floating charge over all assets. The facility is reviewed by the bank on a regular basis.

14.11 *Recovery Loan (5 October 2021) – HSBC UK Bank plc*

On 5 October 2021 Sondrel Limited entered into a term loan in respect of £450,000 with HSBC UK Bank plc. This facility has been obtained for general working capital requirements and is supported by the Recovery Loan Scheme, managed by the British Business Bank, on behalf of, and with the financial backing of, the Secretary of State for Business, Energy and Industrial Strategy. This loan was drawn down on 6 October 2021.

Under the terms of the loan agreement, the company is not required to make any repayments of capital for the first 12 months after the draw down date. During this period the company is only required to pay accrued interest on the loan which is paid monthly.

The first repayment of capital will be made by the company on the date that is 13 months after the draw down date and then it will repay the loan in 47 monthly instalments of £9,375.00 (exclusive of interest). The company is then required to make a final repayment of £9,375.00 on the final repayment date (which is the date 60 months from the date of the drawdown of the loan).

Interest is payable on the loan at a rate of 3.99 per cent. per annum over the Bank of England Base Rate on the outstanding principal amount of the loan monthly and on the final repayment date.

14.12 *Lease Agreement (5 August 2021) – De Lage Landen Leasing Limited*

Sondrel Limited entered into a lease agreement with De Lage Landen Leasing Limited on 5 August 2021 pursuant to which it has rented a number of HP Gen 10 Servers and other goods (as detailed in the agreement) for a term of 36 months.

In connection with this lease agreement, the Company entered into a guarantee and indemnity in favour of De Lage Landen Leasing Limited on 5 August 2021. Under the terms of this guarantee and indemnity, the Company has irrevocably and unconditionally guaranteed to De Lage Landen Leasing Limited the due and punctual performance, payment and observance by Sondrel Limited of all of its present and future obligations, liabilities and indebtedness (whether actual or contingent, and whether owed jointly or severally or in any other capacity whatsoever) due, owing or incurred under the lease agreement.

14.13 *Rental Agreement (16 August 2021) – Siemens Financial Services Limited*

On 16 August 2021 Sondrel Limited entered into a rental agreement with Siemens Financial Services Limited pursuant to which it has rented certain IT equipment (as detailed therein) for a minimum period of 36 months. In relation to this rental agreement, the Company has entered into a guarantee and indemnity agreement pursuant to which the Company has irrevocably and unconditionally guaranteed to Siemens Financial Services Limited the full and proper performance of Sondrel Limited's obligations, present and future under the rental agreement.

15. Related party transactions

Save as disclosed in this paragraph, paragraph 14.13 of Part V, and section B (note 28) and section C (note 9) of Part IV of this document, there have been no related party transactions of the kind set out in the standards adopted according to the UK version of Regulation (EC) No 1606/2002 as it forms part of domestic law pursuant to the European Union (Withdrawal) Act 2018, that the Group has entered into since 30 June 2022.

15.1 **Consultancy agreement between Vaughan Management Solutions Limited (CRN: 04833568) and Sondrel Limited**

Since 26 November 2009, Sondrel Limited has been a party to a consultancy agreement with Vaughan Management Solutions Limited (CRN: 04833568) ("VMS"). Pursuant to the terms of this agreement, VMS has agreed to provide consultancy services in connection with Sondrel Limited's business. Nigel Vaughan, who is a director of the Company, is also a director and controlling shareholder of VMS. Under the terms of this contract, Sondrel Limited pays a monthly fee of £1,000 plus expenses for services supplied by VMS and consequently, in the past 12 months, £12,000 had been paid by Sondrel to VMS. This agreement will be terminated with effect from Admission.

15.2 **Independent Contractor Agreement between Mentor Graphics (France) and Sondrel Limited**

On 14 January 2020, Sondrel Limited entered into an independent contractor agreement with Mentor Graphics (France) pursuant to which Sondrel Limited agreed to supply certain services to Mentor Graphics (France) and/or Mentor Graphics (France)'s customers.

Siemens and Mentor Graphics (France) are part of the same group of companies.

The independent contractor agreement was governed by the laws of Ireland and it expired on 14 January 2022.

15.3 **Off-Site Contractor Agreement between, inter alia, Siemens Electronic Design Automation Ltd (CRN: 01694833) and Sondrel Limited**

On 1 July 2020, Sondrel Limited entered into an off-site contractor agreement with, *inter alia*, Siemens Electronic Design Automation Ltd (formerly Mentor Graphics (UK) Limited) which governed Siemens Electronic Design Automation Ltd's right to temporarily permit software licensed to another third party ("Third Party") to be accessed by Sondrel Limited and Sondrel Morocco SARL AU as off-site contractors.

Siemens is the parent company of Siemens Electronic Design Automation Ltd.

This agreement expired on the earlier of (i) the term of such software as provided in the quotations defined in the agreement or, (ii) expiration or termination of off-site contractor's agreement with the Third Party. The term of the software licensed under those quotations has expired and consequently this agreement has expired.

15.4 **Temporary Software Licence Agreement between Siemens Industry Software Limited and Sondrel Limited**

On 23 January 2020, Sondrel Limited entered into a temporary software licence agreement with Siemens Industry Software Limited. The temporary licences for the software described therein expired on 30 January 2020.

15.5 **Temporary Software Licence Agreement between Siemens Industry Software Limited and Sondrel Limited**

On 30 January 2020, Sondrel Limited entered into a temporary software licence agreement with Siemens Industry Software Limited. The temporary licences for the software described therein expired on 29 February 2020.

15.6 *Remote Hosting Addendum between Siemens Electronic Design Automation Ltd and Sondrel Limited*

On 26 January 2021, Sondrel Limited entered into a remote hosting addendum which sets out additional terms on remote hosting for software licences granted to Sondrel Limited by Siemens Electronic Design Automation Ltd. These additional terms applied solely to the software licences identified in Siemens Electronic Design Automation Ltd's quotations referenced in the agreement. Those software licences have expired and consequently the agreement has expired.

15.7 *2021 Business Model Addendum to End User Licence Agreement (Version 8.0) Together With the EDA Software Supplemental Terms (Version 1.2)*

Sondrel Limited entered into a business model addendum to end user licence agreement with Siemens Electronic Design Automation Ltd on 26 February 2021 which governs the terms under which Sondrel Limited purchases from Siemens Electronic Design Automation Ltd certain software licences and services.

The licence term for software licensed to Sondrel Limited for a limited term begins on 1 March 2021 and ends on 28 February 2023.

15.8 *Deed of Termination between Siemens and Sondrel (Holdings) plc*

On 22 February 2011 Siemens, the Company and Graham Curren entered into a share purchase agreement ("Subscription Agreement") setting out the terms on which Siemens would acquire shares in the Company. The Subscription Agreement conferred pre-emption and certain other rights on Siemens which, whilst usual for a private company, would not be appropriate for a company whose shares are traded on AIM. On 13 October 2022 Siemens, the Company, Sondrel Limited and Graham Curren entered into a deed of termination in respect of the Subscription Agreement ("Deed of Termination"). The Deed of Termination terminates the Subscription Agreement conditional upon and with effect from Admission. The Deed of Termination also confirms that Siemens will be the Group's preferred supplier of electronic design automation software ("EDA Software") for the period of 36 months following Admission, provided that any such EDA Software is supplied at a competitive commercial rate and has at least the equivalent functionality of any competing EDA Software being considered by the Group.

16. Litigation

No member of the Group is or has been involved in any governmental, legal or arbitration proceedings which may have, or have had during the last 12 months preceding the date of this document, a significant effect on the Company's financial position or profitability of the Company and/or the Group nor, so far as the Company is aware, are any such proceedings pending or threatened.

17. Working Capital

The Directors are of the opinion, having made due and careful enquiry and taking into account the net proceeds of the Placing, that the Group will from the time of Admission have sufficient working capital for its present requirement, that is for at least 12 months from the date of Admission.

18. Taxation

Taxation in the United Kingdom

The following information is based on UK tax law and HM Revenue and Customs ("HMRC") practice currently in force in the UK. Such law and practice (including, without limitation, rates of tax) is in principle subject to change at any time. The information that follows is for guidance purposes only. Any person who is in any doubt about his or her position should contact their professional advisor immediately.

18.1 *Tax treatment of UK investors*

The following information, which relates only to UK taxation, is applicable to persons who are resident in the UK and who beneficially own Ordinary Shares as investments and not as securities to be realised

in the course of a trade. It is based on the law and practice currently in force in the UK. The information is not exhaustive and does not apply to potential investors:

- who intend to acquire, or may acquire (either on their own or together with persons with whom they are connected or associated for tax purposes), more than 10 per cent., of any of the classes of shares in the Company; or
- who intend to acquire Ordinary Shares as part of tax avoidance arrangements; or
- who are in any doubt as to their taxation position.

Such Shareholders should consult their professional advisers without delay. Shareholders should note that tax law and interpretation can change and that, in particular, the levels, basis of and reliefs from taxation may change. Such changes may alter the benefits of investment in the Company.

Shareholders who are neither resident nor temporarily non-resident in the UK and who do not carry on a trade, profession or vocation through a branch, agency or permanent establishment in the UK with which the Ordinary Shares are connected, will not normally be liable to UK taxation on dividends paid by the Company or on capital gains arising on the sale or other disposal of Ordinary Shares. Such Shareholders should consult their own tax advisers concerning their tax liabilities.

18.2 *Dividends*

Where the Company pays dividends, no UK withholding taxes are deducted at source. Shareholders who are resident in the UK for tax purposes will, depending on their circumstances, be liable to UK income tax or corporation tax on those dividends.

UK resident individual Shareholders who are domiciled in the UK, and who hold their Ordinary Shares as investments, will be subject to UK income tax on the amount of dividends received from the Company.

Dividend income received by UK tax resident individuals will have a £2,000 per annum dividend tax allowance. Dividend receipts in excess of £2,000 per annum will be taxed at 8.75 per cent. for basic rate taxpayers, 33.75 per cent. for higher rate taxpayers and 39.35 per cent. for additional rate taxpayers.

Shareholders who are subject to UK corporation tax should generally and, subject to certain anti-avoidance provisions, be able to claim exemption from UK corporation tax in respect of any dividend received, but will not be entitled to claim relief in respect of any underlying tax.

18.3 *Disposals of Ordinary Shares*

Any gain arising on the sale, redemption or other disposal of Ordinary Shares will be taxed at the time of such sale, redemption or disposal as a capital gain.

The rate of capital gains tax on disposal of Ordinary Shares by basic rate taxpayers is 10 per cent. and for higher rate and additional rate taxpayers is 20 per cent.

Subject to certain exemptions, the corporation tax rate applicable to a Shareholder's corporate taxable profits is currently 19 per cent. In the Budget on 3 March 2021, it was announced that the rate would increase to 25 per cent. for profits over £250k from 1 April 2023. A small profits rate of 19 per cent. will apply to profits of not more than £50k with marginal relief available for profits up to £250k.

18.4 *Further information for Shareholders subject to UK income tax and capital gains tax*

"Transactions in securities"

The attention of Shareholders (whether corporates or individuals) within the scope of UK taxation is drawn to the provisions set out in, respectively, Part 15 of the Corporation Tax Act 2010 and Chapter 1 of Part 13 of the Income Tax Act 2007, which (in each case) give powers to HMRC to raise tax assessments so as to cancel "tax advantages" derived from certain prescribed "transactions in securities".

18.5 *Stamp Duty and Stamp Duty Reserve Tax*

The statements below are intended as a general guide to the current position. They do not apply to certain intermediaries who are not liable to stamp duty or stamp duty reserve tax or (except where stated otherwise) to persons connected with depositary arrangements or clearance services who may be liable at a higher rate.

No stamp duty or stamp duty reserve tax will generally be payable on the issue of Ordinary Shares.

Neither UK stamp duty nor stamp duty reserve tax should arise on transfers of Ordinary Shares on AIM (including instruments transferring Ordinary Shares and agreements to transfer Ordinary Shares) based on the following assumptions:

- the Ordinary Shares are admitted to trading on AIM, but are not listed on any market (with the term “listed” being construed in accordance with section 99A of the Finance Act 1986), and this has been certified to Euroclear UK & International; and
- AIM continues to be accepted as a “recognised growth market” as construed in accordance with section 99A of the Finance Act 1986).

In the event that either of the above assumptions does not apply, stamp duty or stamp duty reserve tax may apply to transfers of Ordinary Shares in certain circumstances.

Any transfer of Ordinary Shares for consideration prior to admission to trading on AIM is likely to be subject to stamp duty or stamp duty reserve tax.

The above comments are intended as a guide to the general stamp duty and stamp duty reserve tax position and may not relate to persons such as charities, market makers, brokers, dealers, intermediaries and persons connected with depositary arrangements or clearance services to whom special rules apply.

THIS SUMMARY OF UK TAXATION ISSUES CAN ONLY PROVIDE A GENERAL OVERVIEW OF THESE AREAS AND IT IS NOT A DESCRIPTION OF ALL THE TAX CONSIDERATIONS THAT MAY BE RELEVANT TO A DECISION TO INVEST IN THE COMPANY. THE SUMMARY OF CERTAIN UK TAX ISSUES IS BASED ON THE LAWS AND REGULATIONS IN FORCE AS OF THE DATE OF THIS DOCUMENT AND MAY BE SUBJECT TO ANY CHANGES IN UK LAWS OCCURRING AFTER SUCH DATE. LEGAL ADVICE SHOULD BE TAKEN WITH REGARD TO INDIVIDUAL CIRCUMSTANCES. ANY PERSON WHO IS IN ANY DOUBT AS TO HIS OR HER TAX POSITION OR WHERE HE OR SHE IS RESIDENT, OR OTHERWISE SUBJECT TO TAXATION, IN A JURISDICTION OTHER THAN THE UK, SHOULD CONSULT HIS OR HER PROFESSIONAL ADVISER.

19. Significant Change

19.1 There has been no significant change in the financial position or financial performance of the Company since 30 June 2022.

20. General

20.1 The net proceeds of the Placing and Admission are expected to be approximately £17.5 million net of expenses of the Placing which are estimated at approximately £2.5 million, excluding VAT, and are payable by the Company.

20.2 Cenkos is registered in England and Wales under number 05210733 and its registered office is at 6.7.8 Tokenhouse Yard, London, EC2R 7AS. Cenkos is authorised and regulated in the United Kingdom by the FCA. Cenkos has given and not withdrawn its written consent to the issue of this document with the inclusion of the references to its name in the form and context in which they are included.

20.3 Grant Thornton UK LLP (“Grant Thornton”), a member of the Institute of Chartered Accountants in England and Wales, is registered in England and Wales under number OC307742 and its registered

office is at 30 Finsbury Square, London EC2A 1AG. Grant Thornton has given and not withdrawn its written consent to the inclusion in this document of its reports set out in Section A of Part IV in the form and context in which they appear and has authorised the contents of its reports for the purpose of Schedule Two of the AIM Rules for Companies.

20.4 The auditors for the period covered by the historical financial information in Part IV of this document were CLA Evelyn Partners Limited (formerly Nexia Smith & Williamson Audit Limited), in respect of the historical information for the years ended 31 December 2021 and 31 December 2020, and Grant Thornton, in respect of the year ended 31 December 2019. CLA Evelyn Partners Limited of 45 Gresham Street, London, EC2V 7BG is also a member of the Institute of Chartered Accountants in England and Wales.

20.5 In the 12 months preceding the date of this document, the Company has entered into:

- (a) a contractual arrangement with Mazars LLP pursuant to which Mazars LLP will receive a fee of £10,000 or more after Admission in respect of work undertaken in relation to IFRS conversion; and
- (b) contractual agreements with each of Brown Gee & Wenger LLP, Bennani & Associés LLP, Maheshwari & Co. and Grandall Law Firm (Nanjing) pursuant to which each of these legal advisers is expected to charge a fee of £10,000 or more after Admission in respect of legal due diligence work undertaken by them on Sondrel Inc (Brown Gee & Wenger LLP), Sondrel Morocco (Bennani & Associés LLP), Sondrel India Private Limited (Maheshwari & Co.) and Sondrel (Xi'An) Co., Ltd (Grandall Law Firm (Nanjing)).

At the date of this document Sondrel Limited has also entered into a contractual arrangement with One Advisory Limited pursuant to which One Advisory Limited will receive an annual fee of £10,000 or more after Admission in respect of certain company secretarial services to be provided after Admission to the Company and other members of the Group which are incorporated in the United Kingdom.

20.6 Save as disclosed in this document, including paragraphs 15.1 and 20.5 above, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has received, directly or indirectly, within the 12 months preceding the date of this document or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission:

- (a) fees totalling £10,000 or more;
- (b) securities where these have a value of £10,000 or more calculated by reference to the Placing Price; or
- (c) any other benefit with a value of £10,000 or more at the date of Admission.

20.7 Information in this document which has been sourced from third parties has been accurately reproduced and so far as the Company is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

20.8 The Directors are not aware of any other information that they reasonably consider necessary for the investors to form a full understanding of (i) the assets and liabilities, financial position, profits and losses and prospects of the Company and the securities for which Admission is being sought, (ii) the rights attached to those securities and (iii) any other matter contained in this document.

20.9 Save as disclosed in this document, the Directors are not aware of any exceptional factors which have influenced the Group's activities.

20.10 Save as disclosed in this document, the Directors are not aware of any environmental issues that may affect the Group's utilisation of its tangible fixed assets.

20.11 Save as disclosed in this document, the Directors are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for the current financial year.

20.12 Save as disclosed in this document, there are no investments in progress and there are no future investments on which the Directors have already made firm commitments which are significant to the Group.

20.13 Save as disclosed in this document, there are no patents or other intellectual property rights, licences or contracts that are of fundamental importance to the Group's business.

21. Availability of this document

21.1 Copies of this document will be available on the Company's website www.sondrel.com.

Dated 13 October 2022



sondrel

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