

Moortec Semiconductor Limited

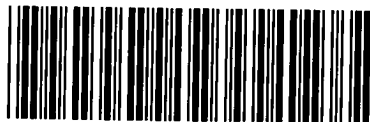
Directors' Report and Financial Statements

Year Ended

31 May 2019

Company Number 05443610

FRIDAY



L8ZRMBJC

LD2

28/02/2020

#262

COMPANIES HOUSE

Moortec Semiconductor Limited

Contents

	Page
Company Information	
Directors' Report	1 - 2
Independent Auditors' Report	3 - 5
Consolidated Statement of Comprehensive Income	6
Consolidated Balance Sheet	7 - 8
Company Balance Sheet	9 - 10
Consolidated Statement of Changes in Equity	11
Company Statement of Changes in Equity	12
Notes to the Financial Statements	13 - 33

Company Information

Directors	Stephen Anthony Crosher Claire Elizabeth King Oliver King Jonathan David Simm Damian Brian Smith Simon Richard White Timothy Penhale-Jones (appointed 1 June 2019)
Registered number	05443610
Registered office	7 Research Way Derriford Plymouth Devon England PL6 8BT
Independent auditors	BDO LLP Arcadia House Maritime Walk Ocean Village Southampton SO14 3TL

Moortec Semiconductor Limited

Directors' Report For the Year Ended 31 May 2019

The directors present their report and the financial statements for the year ended 31 May 2019.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The principal activity of the Group and parent company is that of electronic engineering solutions. The Group provides embedded subsystem IP solutions for Process, Voltage & Temperature (PVT) monitoring, targeting advanced node CMOS technologies on 40nm, 28nm, 16nm, 12nm & 7nm.

Results and dividends

The loss for the year, after taxation, amounted to £27,867 (2018 - profit £1,022,137).

The Group has earned EBITDA amounting to £285,584 (2018- £1,068,719). No dividends (2018 - £Nil) have been proposed.

Moortec has been on a significant growth path in the 2018/19 financial year, despite revenue being relatively static. A change in revenue recognition and a stronger focus on longer term contracts has impacted on the annual accounts but brings long term benefits to the company. Alongside the revenue changes, Moortec has focused on scaling up its operations in line with its growth plans. This has resulted in an increased administrative expense compared to previous years.

Moortec Semiconductor Limited

Directors' Report (continued) For the Year Ended 31 May 2019

Directors

The directors who served during the year were:

Stephen Anthony Crosher
Claire Elizabeth King
Oliver King
Jonathan David Simm
Damian Brian Smith
Simon Richard White
Marcia Jean Zander (appointed 31 October 2018, resigned 29 April 2019)
Nigel Jurgen Toon (appointed 29 October 2018, resigned 13 March 2019)

Issue of shares and acquisition of own shares

During the year, 18,927 Ordinary C shares, with a nominal value of £0.001 per share were issued for total consideration of £6,518.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Auditors

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 27 February 2020 and signed on its behalf.



Mrs C King
Director

Moortec Semiconductor Limited

Independent Auditors' Report to the Members of Moortec Semiconductor Limited

Opinion

We have audited the financial statements of Moortec Semiconductor Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 May 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity and the Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 May 2019 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Moortec Semiconductor Limited

Independent Auditors' Report to the Members of Moortec Semiconductor Limited (continued)

Other Information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report.

Moortec Semiconductor Limited

Independent Auditors' Report to the Members of Moortec Semiconductor Limited (continued)

Responsibilities of directors

As explained more fully in the Statement of Directors Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Arbinder Chatwal (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton
United Kingdom

27 February 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Moortec Semiconductor Limited

Registered number:05443610

Consolidated Statement of Comprehensive Income For the Year Ended 31 May 2019

	Note	2019 £	2018 £
Turnover	4	3,556,596	3,329,739
Cost of sales		(900,241)	(822,913)
Gross profit		2,656,355	2,506,826
Administrative expenses		(2,372,461)	(1,438,107)
Other operating income		1,690	-
EBITDA *		285,584	1,068,719
Depreciation	12	(79,952)	(55,808)
Amortisation of intangible assets	11	(393,326)	(83,864)
Operating (loss)/profit	5	(187,694)	929,047
Interest payable and expenses	9	(151,042)	(112,407)
(Loss)/Profit before taxation		(338,736)	816,640
Tax on (loss)/profit	10	310,869	205,497
(Loss)/profit for the year		(27,867)	1,022,137
Other comprehensive income for the year			
Currency translation differences		547	1,637
Total comprehensive (loss) / income for the year		(27,320)	1,023,774
(Loss)/ profit for the year attributable to:			
Owners of the parent Company		(27,867)	1,022,137
		(27,867)	1,022,137

* EBITDA is earnings before interest, tax depreciation and amortisation

The notes on pages 13 to 33 form part of these financial statements.

Moortec Semiconductor Limited
Registered number:05443610

Consolidated Balance Sheet
As at 31 May 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	11	2,481,444	1,665,369
Tangible assets	12	172,379	165,475
		<u>2,653,823</u>	<u>1,830,844</u>
Current assets			
Debtors: amounts falling due within one year	14	1,568,267	1,576,063
Cash at bank and in hand		709,225	1,252,287
		<u>2,277,492</u>	<u>2,828,350</u>
Creditors: amounts falling due within one year	15	(1,098,065)	(969,288)
Net current assets		<u>1,179,427</u>	<u>1,859,062</u>
Total assets less current liabilities		<u>3,833,250</u>	<u>3,689,906</u>
Creditors: amounts falling due after more than one year	16	(1,711,002)	(1,677,192)
Provisions for liabilities			
Deferred taxation	19	(430,845)	(300,509)
		<u>(430,845)</u>	<u>(300,509)</u>
Net assets		<u><u>1,691,403</u></u>	<u><u>1,712,205</u></u>

Moortec Semiconductor Limited
Registered number:05443610

Consolidated Balance Sheet (continued)
As at 31 May 2019

	Note	2019 £	2018 £
Capital and reserves			
Called up share capital	20	136	117
Share premium account	21	96,440	89,941
Capital redemption reserve	21	(9)	(9)
Profit and loss account	21	1,594,836	1,622,156
Equity attributable to owners of the parent Company		<u>1,691,403</u>	<u>1,712,205</u>
		<u>1,691,403</u>	<u>1,712,205</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 February 2020.

Mrs C King
Director



The notes on pages 43 to 33 form part of these financial statements.

Moortec Semiconductor Limited

Registered number:05443610

Company Balance Sheet As at 31 May 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	11	2,479,596	1,665,369
Tangible assets	12	154,365	142,940
Investments	13	10,979	10,979
		<u>2,644,940</u>	<u>1,819,288</u>
Current assets			
Debtors: amounts falling due within one year	14	1,639,787	1,660,788
Cash at bank and in hand		705,745	1,242,261
		<u>2,345,532</u>	<u>2,903,049</u>
Creditors: amounts falling due within one year	15	(1,083,396)	(963,705)
Net current assets		<u>1,262,136</u>	<u>1,939,344</u>
Total assets less current liabilities		<u>3,907,076</u>	<u>3,758,632</u>
Creditors: amounts falling due after more than one year	16	(1,711,002)	(1,677,192)
Provisions for liabilities			
Deferred taxation	19	(430,845)	(300,509)
		<u>(430,845)</u>	<u>(300,509)</u>
Net assets		<u><u>1,765,229</u></u>	<u><u>1,780,931</u></u>

Moortec Semiconductor Limited

Registered number:05443610

Company Balance Sheet (continued) As at 31 May 2019

	Note	2019 £	2018 £
Capital and reserves			
Called up share capital	20	136	117
Share premium account	21	96,440	89,941
Capital redemption reserve	21	(9)	(9)
Profit and loss account	21	1,668,662	1,690,882
		<u>1,765,229</u>	<u>1,780,931</u>

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The Company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and has not presented its own statement of Comprehensive income in these financial statements. The loss after tax of the parent Company for the year was £22,220 (2018: profit of £1,092,500).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 February 2020.



Mrs C King
Director

The notes on pages 13 to 33 form part of these financial statements.

Moortec Semiconductor Limited

Consolidated Statement of Changes in Equity For the Year Ended 31 May 2019

	Called up share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 June 2017 (as restated)	97	44,961	-	669,227	714,285
Comprehensive income for the year					
Profit for the year	-	-	-	1,022,137	1,022,137
Currency translation differences	-	-	-	1,637	1,637
Total comprehensive income for the year	-	-	-	1,023,774	1,023,774
Purchase of own shares	-	-	(9)	(70,845)	(70,854)
Shares issued during the year	20	44,980	-	-	45,000
At 1 June 2018	117	89,941	(9)	1,622,156	1,712,205
Comprehensive income for the year					
(Loss) for the year	-	-	-	(27,867)	(27,867)
Currency translation differences	-	-	-	547	547
Total comprehensive income for the year	-	-	-	(27,320)	(27,320)
Shares issued during the year	19	6,499	-	-	6,518
At 31 May 2019	136	96,440	(9)	1,594,836	1,691,403

The notes on pages 13 to 33 form part of these financial statements.

Moortec Semiconductor Limited

Company Statement of Changes in Equity For the Year Ended 31 May 2019

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 June 2017 (as restated)	97	44,961	-	669,227	714,285
Comprehensive income for the year					
Profit for the year	-	-	-	1,092,500	1,092,500
Total comprehensive income for the year	-	-	-	1,092,500	1,092,500
Purchase of own shares	-	-	(9)	(70,845)	(70,854)
Shares issued during the year	20	44,980	-	-	45,000
At 1 June 2018	117	89,941	(9)	1,690,882	1,780,931
Comprehensive income for the year					
(Loss) for the year	-	-	-	(22,220)	(22,220)
Shares issued during the year	19	6,499	-	-	6,518
At 31 May 2019	136	96,440	(9)	1,668,662	1,765,229

The notes on pages 13 to 33 form part of these financial statements.

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2019

1. General information

Moortec Semiconductor Limited is a private company limited by shares incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the Company information page and the principal activity is that of electronic engineering solutions.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2019

2. Accounting policies (continued)

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of design licenses

Revenue arises from the sale of a perpetual license that allows the acquirer to use the Company's internally development design in a specified product. Revenue on licences is recognised when all of the following criteria are met:

- the amount can be measured reliably;
- the stage of completion of the contract at the end of the reporting period can be measured reliably;
- persuasive evidence of an arrangement exists. such as a signed contract or purchase order;
- delivery has occurred and no future elements to be delivered are essential to the functionality of the delivered element;
- delivery has occurred and no future elements to be delivered are essential to the functionality of the delivered element;
- the fee is fixed or determinable; and
- collectability is probable.

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2019

2. Accounting policies (continued)

2.5 Operating Leases: the Company as lessee

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.6 Research and Development

Expenditure on pure and applied research is charged to the profit and loss account in the year in which it is incurred.

Development costs are also charged to the profit and loss account in the year of expenditure, unless individual projects satisfy all of the following criteria;

- the project is clearly defined and related expenditure is separately identifiable;
- the project is technically feasible and commercially viable;
- current and future costs are expected to be exceeded by future sales; and
- adequate resources exist for the project to be completed.

In such circumstances the costs are carried forward and amortised over a period not exceeding ten years commencing in the year the Company starts to benefit from the expenditure

2.7 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Development expenditure	-	5	years
Computer software	-	3	years

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2019

2. Accounting policies (continued)

2.8 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

2.9 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.10 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2019

2. Accounting policies (continued)

2.10 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures and fittings	-	33%
Computer equipment	-	33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

2.11 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.12 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2019

3. Judgments in applying accounting policies and key sources of estimation uncertainty

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

Revenue Recognition (see note 4)

- The critical judgements in applying the Company's Accounting Policies and that have the most significant effect on the amounts recognised in the Financial Statements relate to revenue recognition and associated balance sheet accounts. The accounting policies that impact revenue recognition are outlined in note 2.4
- Revenue is recognised from sale of design licenses and provision of support services. Whilst in most cases performance obligations clearly follow the commercial and contractual arrangement we have agreed with the customer, in some cases the revenue streams are combined as within an overall commercial arrangement. Such bundling requires further judgement to assess performance obligations associated with each revenue stream and further judgement as to when and how such performance obligations have been discharged in order to recognise the associated revenue. The estimation of the stage of completion, along with the unbundling of multi-element solution sales, represents risk of incorrect revenue recognition.
- In considering the unbundling of multi-element solutions, instances may arise whereby the substance of the performance obligations differs from the legal form of the contract. In such circumstances judgement is required to assess the fair value of the constituent elements and recognise revenue according.

Provision for debts (see note 14)

- Management apply judgement in respect of aged debts for amounts recoverable on sales recognised in the financial period. Each individual sale is considered separately where a potential risk of recoverability is indicated and judgement is made on whether an allowance for doubtful debts is required in each instance.

Useful life and impairment of intangible assets (see note 11)

- Development costs are accounted for in accordance with FRS 102 Section 18 Intangible Assets and costs that meet the qualifying criteria are capitalised and systematically amortised over the useful economic life of the intangible asset. Determining whether development costs qualify for capitalisation as intangible assets requires judgement, including estimates of the technical and commercial viability of the asset created and its applicable useful economic life. These estimates are continually reviewed and updated based on past experience and reviews of new information available to management. The capitalised development cost is disclosed in note 11.
- The assessment of the useful economic life of capitalised development costs is estimated by management based on past experience and reviews of competitor products available in the market.

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2019

4. Turnover

An analysis of turnover by class of business is as follows:

	2019 £	2018 £
Design licenses	3,135,699	3,115,983
Support services	420,897	213,756
	<u>3,556,596</u>	<u>3,329,739</u>

5. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2019 £	2018 £
Amortisation	393,326	83,864
Exchange differences	13,847	-
Other operating lease rentals	102,905	53,506
Depreciation	79,952	55,808
(Profit)/loss of disposal of fixed assets	(58)	-
Defined contribution pension cost	97,557	53,317
	<u>97,557</u>	<u>53,317</u>

6. Auditors' remuneration

	2019 £	2018 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	12,625	12,250
	<u>12,625</u>	<u>12,250</u>

Fees payable to the Group's auditor and its associates in respect of:

Taxation compliance services	2,575	2,500
Other services relating to taxation	17,500	11,700
All other services	3,875	3,600
	<u>23,950</u>	<u>17,800</u>

7. Employees

The average monthly number of employees, including directors, during the year was 34 (2018 - 23).

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2019

8. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	333,083	306,905
Company contributions to defined contribution pension schemes	46,657	35,482
	<u>379,740</u>	<u>342,387</u>

During the year retirement benefits were accruing to 4 directors (2018 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £106,366 (2018 - £95,875).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £7,547 (2018 - £7,625).

9. Interest payable and similar expenses

	2019 £	2018 £
Other loan interest payable	<u>151,042</u>	<u>112,407</u>

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2019

10. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on (loss) / profit for the year	(441,436)	(506,006)
Adjustments in respect of previous periods	231	-
	<u>(441,205)</u>	<u>(506,006)</u>
Total current tax	<u>(441,205)</u>	<u>(506,006)</u>
Deferred tax		
Origination and reversal of timing differences	131,203	170,348
Adjustment in respect of prior periods	(867)	130,161
Total deferred tax	<u>130,336</u>	<u>300,509</u>
Taxation on (loss) / profit on ordinary activities	<u>(310,869)</u>	<u>(205,497)</u>

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2019

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
(Loss)/profit on ordinary activities before tax	<u>(338,736)</u>	<u>816,640</u>
(Loss)/ profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(64,360)	155,162
Effects of:		
Expenses not deductible for tax purposes	5,696	12,118
Other permanent differences	-	(741)
Additional deduction for R&D expenditure	(373,130)	(322,704)
Surrender of tax losses for R&D tax credit refund	136,997	78,912
Foreign tax credits	-	4,159
Adjustments to tax charge in respect of prior periods	231	(255,892)
Adjustments to tax charge in respect of prior periods - deferred tax	(867)	130,161
Rate changes	(15,436)	28,682
Adjust closing deferred tax to average rate	-	(35,354)
Total tax charge for the year	<u>(310,869)</u>	<u>(205,497)</u>

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2019

11. Intangible assets

Group

	Development expenditure £	Computer software £	Total £
Cost			
At 1 June 2018	1,773,638	-	1,773,638
Additions	1,114,298	80,765	1,195,063
Transfer from tangible fixed assets	-	15,640	15,640
At 31 May 2019	<u>2,887,936</u>	<u>96,405</u>	<u>2,984,341</u>
Amortisation			
At 1 June 2018	108,269	-	108,269
Charge for the year	371,930	21,396	393,326
Transfer from tangible fixed assets	-	1,302	1,302
At 31 May 2019	<u>480,199</u>	<u>22,698</u>	<u>502,897</u>
Net book value			
At 31 May 2019	<u>2,407,737</u>	<u>73,707</u>	<u>2,481,444</u>
At 31 May 2018	<u>1,665,369</u>	<u>-</u>	<u>1,665,369</u>

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2019

11. Intangible assets (continued)

Company

	Development expenditure £	Computer software £	Total £
Cost			
At 1 June 2018	1,773,638	-	1,773,638
Additions	1,114,298	78,471	1,192,769
Transfer from tangible fixed assets	-	15,640	15,640
At 31 May 2019	<u>2,887,936</u>	<u>94,111</u>	<u>2,982,047</u>
Amortisation			
At 1 June 2018	108,269	-	108,269
Charge for the year	371,930	20,950	392,880
Transfer from tangible fixed assets	-	1,302	1,302
At 31 May 2019	<u>480,199</u>	<u>22,252</u>	<u>502,451</u>
Net book value			
At 31 May 2019	<u>2,407,737</u>	<u>71,859</u>	<u>2,479,596</u>
At 31 May 2018	<u>1,665,369</u>	<u>-</u>	<u>1,665,369</u>

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2019

12. Tangible fixed assets

Group

	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation			
At 1 June 2018	77,016	190,276	267,292
Additions	28,180	74,118	102,298
Disposals	(896)	(47,562)	(48,458)
Transfers between classes	-	(15,640)	(15,640)
Exchange adjustments	(46)	(144)	(190)
At 31 May 2019	<u>104,254</u>	<u>201,048</u>	<u>305,302</u>
Depreciation			
At 1 June 2018	19,033	82,784	101,817
Charge for the year on owned assets	11,875	68,077	79,952
Disposals	(896)	(46,643)	(47,539)
Transfers between classes	-	(1,302)	(1,302)
Exchange adjustments	(4)	(1)	(5)
At 31 May 2019	<u>30,008</u>	<u>102,915</u>	<u>132,923</u>
Net book value			
At 31 May 2019	<u>74,246</u>	<u>98,133</u>	<u>172,379</u>
At 31 May 2018	<u>57,983</u>	<u>107,492</u>	<u>165,475</u>

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2019

12. Tangible fixed assets (continued)

Company

	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation			
At 1 June 2018	71,385	172,747	244,132
Additions	28,180	72,381	100,561
Disposals	(896)	(47,562)	(48,458)
Transfers between classes	-	(15,640)	(15,640)
At 31 May 2019	98,669	181,926	280,595
Depreciation			
At 1 June 2018	18,564	82,628	101,192
Charge for the year on owned assets	10,013	63,866	73,879
Disposals	(896)	(46,643)	(47,539)
Transfers between classes	-	(1,302)	(1,302)
At 31 May 2019	27,681	98,549	126,230
Net book value			
At 31 May 2019	70,988	83,377	154,365
At 31 May 2018	52,821	90,119	142,940

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2019

13. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 June 2018	10,979
At 31 May 2019	<u>10,979</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding
Moortec Semiconductor SP. Z.o.o	Ordinary	100%
Moortec Semiconductor Inc	Ordinary	100%

The aggregate of the share capital and reserves as at 31 May 2019 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(Loss) £
Moortec Semiconductor SP. Z.o.o	(61,616)	(5,286)
Moortec Semiconductor Inc	-	-

Moortec Semiconductor SP. Z.o.o operates and is registered at Azymutalna 9, 80-298 Gdansk, Poland. The subsidiary is exempt from an audit by virtue of s479A of Companies Act 2006 and is a direct subsidiary of Moortec Semiconductor Limited by virtue of its 100% holding of the subsidiary's share capital.

Moortec Semiconductor Inc operates and is registered in the United States of America. The subsidiary is a direct subsidiary of Moortec Semiconductor Limited by virtue of its 100% holding of the subsidiary's share capital.

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2019

14. Debtors

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Trade debtors	682,823	738,961	682,823	735,939
Amounts owed by Group undertakings	-	-	81,940	89,751
Other debtors	97,421	28,377	92,676	26,373
Prepayments and accrued income	345,847	209,560	341,102	209,560
Tax recoverable	442,176	599,165	441,246	599,165
	<u>1,568,267</u>	<u>1,576,063</u>	<u>1,639,787</u>	<u>1,660,788</u>

15. Creditors: Amounts falling due within one year

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Trade creditors	378,171	367,453	375,655	365,964
Other taxation and social security	38,148	39,298	38,148	39,298
Other creditors	26,802	10,941	19,934	8,599
Accruals and deferred income	654,944	551,596	649,659	549,844
	<u>1,098,065</u>	<u>969,288</u>	<u>1,083,396</u>	<u>963,705</u>

16. Creditors: Amounts falling due after more than one year

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Other loans	1,711,002	1,677,192	1,711,002	1,677,192
	<u>1,711,002</u>	<u>1,677,192</u>	<u>1,711,002</u>	<u>1,677,192</u>

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2019

17. Loans

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Amounts falling due 1-2 years				
Other loans	-	1,397,933	-	1,397,933
	<u>-</u>	<u>1,397,933</u>	<u>-</u>	<u>1,397,933</u>
Amounts falling due 2-5 years				
Other loans	1,711,002	279,259	1,711,002	279,259
	<u>1,711,002</u>	<u>279,259</u>	<u>1,711,002</u>	<u>279,259</u>
	<u><u>1,711,002</u></u>	<u><u>1,677,192</u></u>	<u><u>1,711,002</u></u>	<u><u>1,677,192</u></u>

Loan notes with a carrying value of £1,711,002 (2018 - £1,677,192) is denominated in pounds sterling. The principal loan totals £1,810,000 and there are £184,469 of debt issue costs being amortised over the period of the loan. As at 31 May 2019 £98,998 (2018 - £123,808) have yet to be released to the profit and loss and sit as a deduction from the principal loan amount.

The rate of interest on the loan notes is 9% per annum on £1,510,000 of the loan notes and interest accrues at 4.5% on the remaining £300,000 of loans notes.

Of the total loan notes of £1,810,000, £427,500 of the loan notes are repayable in July 2021, £1,082,500 are repayable in June and July 2022 and the the remaining £300,000 are repayable in December 2023. The loan notes are carried on the balance sheet net of transaction costs which are amortised over the borrowing term. Refer note 25 for additional information pertaining to loans.

18. Financial instruments

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Financial assets				
Financial assets measured at fair value through profit or loss	1,489,468	2,019,625	1,563,184	2,094,324
	<u>1,489,468</u>	<u>2,019,625</u>	<u>1,563,184</u>	<u>2,094,324</u>
Financial liabilities				
Other financial liabilities measured at fair value through profit or loss	2,372,097	2,441,221	2,357,427	2,435,638
	<u>2,372,097</u>	<u>2,441,221</u>	<u>2,357,427</u>	<u>2,435,638</u>

Financial assets measured at fair value through profit or loss comprise trade debtors, amounts owed by subsidiary undertakings, other debtors and cash.

Other financial liabilities measured at fair value through profit or loss comprise trade creditors, other creditors, accruals and loans.

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2019

19. Deferred taxation

Group

	2019 £
At beginning of year	(300,509)
Charged to profit or loss	(130,336)
At end of year	(430,845)

Company

	2019 £
At beginning of year	(300,509)
Charged to profit or loss	(130,336)
At end of year	(430,845)

The provision for deferred taxation is made up as follows:

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Accelerated capital allowances	435,045	305,320	435,045	305,320
Short term timing differences	(313)	(924)	(313)	(924)
Tax losses carried forward and other deductions	(3,887)	(3,887)	(3,887)	(3,887)
	430,845	300,509	430,845	300,509

20. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
39,744 (2018 - 39,744) Ordinary A shares of £0.001 each	40	40
19,016 (2018 - 19,016) Ordinary B shares of £0.001 each	19	19
76,927 (2018 - 58,000) Ordinary C shares of £0.001 each	77	58
	136	117

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2019

20. Share capital (continued)

During the year, 18,927 Ordinary C shares, with a nominal value of £0.001 per share were issued for total consideration of £6,518.

21. Reserves

Share Capital

Share capital represents three classes of shares, ordinary A, ordinary B and ordinary C. Ordinary A and B shares rank equally and before C shares, on any distribution in the even of winding up the Company.

A and B shares confer to the holder the ability to have one vote for each share held. The holders of A and B shares shall not be entitled to exercise any votes exceeding 35% of all votes attaching to all classes of shares in the Company. If a Second Stage Underperformance Notice (as defined by the Articles) has been served and remains outstanding and if consequence thereof the right to exercise enhanced voting rights has arisen, the holders of the A Shares shall be entitled (with effect from the service of written notice) to exercise such number of votes as they may elect to exercise in the notice up to an aggregate of 76% of all votes attaching to all classes of shares in the Company until the Second Stage Underperformance Notice has been withdrawn or the right to continue to exercise the relevant votes has otherwise come to an end.

In respect of dividends, any dividends declared and paid are apportioned such that 35% of relevant dividends paid to A shares and B shares and 65% to C shares. The 35% attributed to A shares are apportioned using an 80:20 split and paid proportionately to the amount of fully paid share capital of each share class.

Share premium account

Amount subscribed for share capital in excess of the nominal value of shares issued.

Capital redemption reserve

The Capital Redemption Reserve relates to the Group or companies own shares bought back from shareholders during the year ending 31 May 2018.

Profit and loss account

The accumulated residual profits of the Group or Company not distributed to shareholders.

22. Share based payments

At the 31 May 2019 the Group has issued 3,661 options over Ordinary £0.001 shares under an Employee Management Incentive Scheme. These options only vest on an exit event and have been issued with exercise prices between £0.23 and £0.37.

The directors do not consider the value of the EMI share options granted gives rise to a significant charge, and accordingly no share based payment charge has been recorded within the financial statements.

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2019

23. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £97,557 (2018 - £51,105). Contributions totaling £1,845 (2018 - £10,540) were payable to the fund at the balance sheet date and are included in creditors.

24. Commitments under operating leases

At 31 May 2019 the Group had future minimum lease payments under non-cancellable operating leases as follows:

Group	2019 £	2018 £
Not later than 1 year	378,615	102,973
Later than 1 year and not later than 5 years	14,804	413,486
	<u>393,419</u>	<u>516,459</u>

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2019

25. Related party transactions

During a previous year 850,000 loan notes with a total value of £855,000 were issued to a shareholder. The rate of interest on the loan notes is 9% per annum. 50% of the loan notes are repayable in 2021, the remaining 50% repayable in 2022. The loan notes are carried on the balance sheet net of transaction costs which are amortised over the borrowing term.

During the previous year 950,000 loan notes with a total value of £955,000 were issued to a shareholder. The rate of interest on the loan notes is 9% per annum on £650,000 of the loan notes and 4.5% on the remaining £300,000 of loans notes. £655,000 of the loan notes are repayable in 2022, the remaining £300,000 is repayable in 2023. The loan notes are carried on the balance sheet net of transaction costs which are amortised over the borrowing term.

During the year interest totaling £150,776 (2018: £112,407) was charged to the Company and £86,889 (2018: £69,412) was unpaid at the balance sheet date and included in the accruals balance.

During the year Altitude Partners LLP, a company with common directorship, charged the Company £37,309 (2018: £35,708) in respect of monitoring fees, £3,178 (2018: £nil) was outstanding at the balance sheet date and included in the accruals balance.

During the year Augmenta One Limited, a company with common directorship, charged the Company £30,033 (2018: £21,983) in respect of consultancy services and £5,805 (2018: £3,475) was unpaid at the balance sheet date.

Key management personnel are deemed to be the directors and therefore the amounts disclosed in note 8 represents remuneration to key management personnel. All transactions with related parties have been made on an arm's length basis.

During the year, the Parent Company, Moortec Semiconductor Limited, charged services and payroll costs totalling £15,759 (2018: £45,229) to its subsidiary Moortec Semiconductor S.P Z.o.o. It also recharged costs totalling £Nil (2018: £59,075) incurred in relation to the pre-registration of the subsidiary in Poland. The Parent Company incurred design costs totalling £272,945 (2018: £47,763) from its subsidiary Moortec Semiconductor S.P Z.o.o. As the balance sheet date the Company had a debtor of £81,940 (2018: £89,751) due from that subsidiary.

26. Post balance sheet events

There were no post balance sheet events.

27. Controlling party

There is no controlling party.