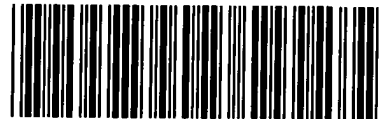


**SIVERS PHOTONICS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
**REGISTERED NO: SC211759**

TUESDAY



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13/09/2022

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COMPANIES HOUSE

# Sivers Photonics Limited

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## **Company Information**

### **Directors**

W McLaughlin  
A Storm

### **Company Secretary**

WJM Secretaries Limited

### **Registered Office**

Wright, Johnston & Mackenzie LLP  
12/13 The Capital Building  
St. Andrew Square  
Edinburgh  
EH2 2AF

### **Independent auditor**

BDO LLP  
4 Atlantic Quay  
70 York Street  
Glasgow  
G2 8JX

# Sivers Photonics Limited

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# Sivers Photonics Limited

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## **Strategic report**

### **For the year ended 31 December 2021**

The directors present their strategic report for the year ended 31 December 2021 for Sivers Photonics Limited ('SP').

## **Principal activity**

The principal activity of the company is to design and produce III-V compound semiconductors for photonics products. This includes providing custom-designed, foundry services and standard, high-volume, laser devices.

## **Business review**

SP supplies multiple, high growth, optical communications, sensing and wireless markets. The company's optical communications devices enable cloud computing, Passive Optical Networks (PON), 5G Fronthaul, artificial intelligence and machine learning. Its optical sensing devices enable the development of the core technologies used in autonomous vehicle, consumer biological identification, hazard detection, security systems and augmented/merged reality markets. Its optical wireless devices are used in secure, free-space communications such as LiFi.

The company has developed its modular approach to a consolidated Indium Phosphide production platform. This enables the company to scale up production more easily, with consistent quality, as demand for volume increases. It also allows for a variety of device performance specifications, within the common build platform, to suit the needs of the different markets.

The company continues to develop Silicon Photonics expertise. This supports the increasing use of optical datacoms in new, board-to-board and chip-to-chip applications, as well as established and existing, long-haul optical fibre applications such as Gigabit Passive Optical Network (GPON). Critical development success in Silicon Photonics devices has been achieved in collaboration with IMEC; a world-leading R&D and innovation hub in nanoelectronics and digital technologies.

SP now exports over 79% of its production output to the US. The company is a critical supply partner and approved vendor to some of the largest companies in the world, receiving new and repeat orders from Fortune 100 companies in most of its vertical markets.

The company continues to be strongly involved with many universities in collaborative projects, developing both new technologies and unique, process library IP. It also remains involved with UK and European Technology Consortium Programmes where it receives UK-government funding and overseas funding for innovation and development work.

## **Financial key performance indicators**

The company achieved revenue of £5.8m during the year, 13% lower than 2020, primarily attributed to outsource supplier customer project delays at year end and the strengthening of the pound against the dollar. Gross Profit has decreased from 71% to 60%, due to this foreign exchange variance and a change in the mix of business during the year.

EBITDA reduced from a profit of £0.2m in 2020 to a loss of £0.6m in 2021, this is primarily driven by the factors above and an increase in people costs as the company prepares for growth.

Investment in research and development eligible for a tax credit showed an increase in 2021 (from £2.2m to £2.4m), this spend reflecting 41% of revenue in 2021 versus 34% in 2020. There are several highly scalable commercial opportunities underlying this investment which the directors expect will increase revenue and profit in the next 1-5 years.

Fixed Assets increased to £8.4m (2020: £5.8m), due to capital additions and capitalisation of development spend in the period being offset by depreciation and amortisation.

The issue of £6.0m share capital during the year offset against the operating loss has increased the overall Net Liability position at 2020 of £1.0m to a Net asset of £3.5m.

# Sivers Photonics Limited

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## **Strategic report**

### **For the year ended 31 December 2021 (continued)**

The operating losses, to the extent that they are realised losses, have been funded by loans from SP's parent company, Sivers Semiconductors AB.

Given the nature of the business and during this transitional development phase, the Company's directors are of the opinion that analysis of further KPI's beyond the key financial metrics given above are not relevant in understanding the development, performance or position of the business.

\*EBITDA is defined as earnings before interest, tax, depreciation and amortisation. It can be calculated by taking operating loss of £1,683,000 (2020: £953,000) (as per the profit and loss account), and adding back depreciation and amortisation of £1,117,000 (2020: £755,000), as shown in note 6 to the financial statements.

### **Principal risks and uncertainties**

The Company's operations, financial position and profit are exposed to a number of risks and uncertainties. These risks may adversely affect the Company's operations, profit and financial position.

The risk factors described below are not ranked by importance, nor do they constitute a comprehensive description of all the risks the Company is exposed to.

#### ***Technology Risk***

In common with all new technologies, price performance and rate of market expansion / consumer take up of services which depend on new hardware systems is a significant risk factor which will determine the Company's future business growth and profitability. The Company has a strong research and development focus. There are established processes for project management and follow-up to ensure future profitability. The projects involve experienced collaboration partners with contact networks that help speed up market launch. The Company also works hard on targeted recruitment to attract competent staff. Collaborations with universities and other institutions provide a good recruitment pipeline.

#### ***Market Risk***

The Company is active globally with customers in many different parts of the world. This exposes the Company to risks such as deteriorating trade policy terms, changes to regulatory frameworks, limited protection of intellectual property rights, varying accounting standards, tax systems and changed payment terms. The Company is active in markets that are expected to generate continued growth and earnings potential over the coming years. However, there is a risk that market developments could become unfavourable as a result of changes in the macroeconomic environment, new regulatory frameworks, limited protection of intellectual property rights or other unforeseen external factors. A significant proportion of the Company's revenue is derived from customers in the US. Geopolitical disputes between the US, China and Europe may disrupt customers' procurement processes, which could, in turn, have an adverse impact on the Company.

#### ***Dependence on customers***

The Company has one customer that represents more than 10% of total sales. In the event that this customer should decrease or cease purchasing the Company's products, this could have a negative impact on sales for a shorter or longer period which, in turn, would have a negative impact on the Company's operations, result and financial position. The Company focuses sharply on customer satisfaction and quality testing of the products it delivers. The Company is currently in a growth phase, with an existing and potential customer base that could generate increased sales in future. The Company continuously seeks to broaden its customer base to reduce dependence on a limited number of customers.

#### ***War in Ukraine***

Sivers Photonics has no customers or suppliers in Russia or Ukraine. The impact of the increase in energy prices will be mitigated by fixed-price energy contracts already in place. Management will take action to mitigate the impact of any indirect impacts on our wider cost base, including switching to alternative suppliers, consolidating supplies to secure bulk discounts, insourcing production, etc. In the last resort, any cost increases that cannot be mitigated will be passed on to customers via increased pricing.

# Sivers Photonics Limited

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## Strategic report

For the year ended 31 December 2021 (continued)

### ***Brexit***

The UK's exit from the European Union, Brexit, has generated significant uncertainty in the European market, and it is difficult to predict the impact on the Company's European operations. Continued or increased economic instability due to Brexit could have a negative impact on the Company's operations, profit and financial position. The Company has carried out an assessment of the impact on its operations on the basis of currently available information. Because a large part of the Company's customer base is located outside Europe, the primary risk associated with sales is considered to be Brexit related USD exchange rate effects. A proportion of the Company's input goods are imported from European countries, although most are not subject to customs duty on imports from third party countries. Some of the Company's personnel are citizens of other EU countries. The Company is actively seeking to ensure that these individuals complete the steps required to allow them to remain

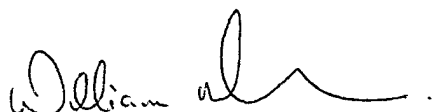
### ***Covid-19***

It has now been more than two years since Covid-19 spread around the world and changed how society operates. The pandemic has complicated field testing for some of the organisation's end customers, which could delay roll-out of end customers' products in the short term, as witnessed in 2021. For Sivers Photonics, this could imply some delays to potential volume sales to these customers, but in the longer term the company has not seen any impact on underlying demand. In a modern society, the Internet is a cornerstone of all functions, including home offices and the healthcare system. The company's products are important hardware components that enable increased bandwidth and thereby improves the technology that enables modern society to function. This means that the company has excellent prospects of becoming a successful market operator by playing a part in the global preventative management of the current crisis and similar situations in future.

### **Future developments**

The Directors expect a continuation of growth in 2022 in key expansive markets and have taken steps to ensure that the company has the right product roadmaps and sales infrastructure in place to maximise its activity in them as and when these markets fully emerge. These markets include inter alia, PON, 5G Fronthaul, artificial intelligence and machine learning, autonomous vehicle, consumer bio, hazard, security and augmented reality markets.

The strategic report was approved by the board and signed on its behalf by:



W McLaughlin  
Director  
8<sup>th</sup> September 2022

# Sivers Photonics Limited

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## **Directors' report**

### **For the year ended 31 December 2021**

The Directors present their report and the audited financial statements of Sivers Photonics Limited for the year ended 31 December 2021.

## **Results, dividends and future developments**

The results for the year to 31 December 2021 are set out in the statement of comprehensive income on page 10 and have been discussed alongside the future developments of the Company in the Strategic Report on pages 1 to 3. The directors do not propose a dividend (2020: £nil).

## **Directors**

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

W McLaughlin  
A Storm

## **Directors' indemnities**

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

## **Research and development**

Details of research and development performed by the company can be found in the Strategic Report on pages 1 to 3 and form part of this report by cross-reference.

## **Subsequent events**

On 19th May 2022, the company announced a receipt of an initial order with a value of over \$0.6m from a Fortune 100 company to deliver next generation laser sources.

The company borrowed £0.7m on 22nd February 2022, followed by a further £1.0m on 30th May 2022 from their parent entity.

There have been no other significant events which have taken place after the balance sheet date but before the date of signing which are considered to give significant and further information relevant to these financial statements.

## **Financial risk management objectives and policies**

The company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is agreed and monitored by the board of directors. The board of directors review these risks being addressed by the contracts in advance of entering into contracts and approve the use of these instruments. The company does not use derivative financial instruments for speculative purposes.

### ***Cash flow risk***

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates.

The company previously used foreign exchange forward contracts to hedge these exposures however no new contracts have been entered into. The hedging strategy is regularly reviewed with regard to the current business position.

# Sivers Photonics Limited

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## **Directors' report For the year ended 31 December 2021 (continued)**

### ***Credit risk***

The company's principal financial assets are bank balances and cash, and trade and other receivables.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The company has established a model for calculating expected credit losses in accordance with IFRS 9. An allowance for impairment is made based on the expected credit losses that are expected to result from all possible default events over the life of the instrument.

The company has historically experienced very few credit losses. The company actively pursues timely payment of outstanding invoices and frequently follows up unpaid customer invoices to determine the reason and collect overdue amounts.

### ***Liquidity risk***

The company uses short-term intercompany debt finance to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments.

The directors have made enquiries and understand that the ultimate parent company expects to have adequate resources to be able to provide this financial support, through a mix of its existing funds. Further details are included below, 'Going concern'.

### ***Going concern***

The company has made a loss for the year of £1.7m and has net current liabilities of £1.0m at 31 December 2021, of which amounts due to group undertakings via intercompany loans contribute £2.3m. The directors have carried out a detailed review of the budgets and a stress test for the 12 months after the signing date of the financial statements, with due regard for the risks and uncertainties to which the business is exposed, including the current market conditions explained on page 2, as well as available mitigating actions such as controlling certain expenditures.

As highlighted in the strategic report, the company has remained open and trading during the Covid-19 pandemic. In reviewing any forecasts and budgets, the directors have addressed and incorporated any potential impacts from the pandemic that they consider could impact on operational results.

The directors have concluded that it is reasonable to expect that the company will continue to operate in the foreseeable future. The directors have also taken into consideration the available support via the financial commitment received from its ultimate parent company in forming this judgement. During 2021, the parent company converted £6m intercompany loan to equity in the form of ordinary shares and in addition to the £1.7m funding already provided year to date in 2022 the parent company has provided the directors of the company with a letter confirming that Sivers directors are confident that the parent company can financially support SP and that it will make available such funds as may be required to enable SP to operate as a going concern and therefore meet its liabilities as they fall due for a period of at least 12 months from the signing of the financial statements. This includes delaying, if necessary, the repayment of any intercompany loans due from SP to Sivers Semiconductors AB. The directors have made enquiries and understand that the ultimate parent company expects to have adequate resources to be able to provide this financial support.

After considering the above facts, the directors therefore reasonably expect that the company has adequate resources to continue to operate for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

# Sivers Photonics Limited

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## **Directors' report For the year ended 31 December 2021 (continued)**

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

### **Directors' confirmations**

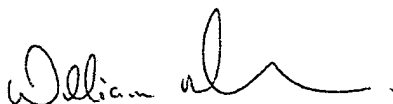
In the case of each director in office at the date the Directors' Report is approved:

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

### **Independent auditors**

Pursuant to a shareholders' resolution, the Company is not obliged to re-appoint its auditors annually and BDO LLP will therefore continue in office. As at the date of these financial statements the Directors are not aware of any resolution to terminate the appointment of the auditors.

The directors' report was approved by the board and signed on its behalf by:



William McLaughlin  
Director  
8<sup>th</sup> September 2022

# Sivers Photonics Limited

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## **Independent Auditor's Report to the Members of Sivers Photonics Limited**

### ***Opinion on the financial statements***

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Sivers Photonics Limited ("the company") for the year ended 31 December 2021 which comprise the statement of comprehensive income, the statement financial position, the statement of changes in equity and 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 FRS 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

### ***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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Independence***

We are independent of the 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.

### ***Conclusion relating to going concern***

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

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

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

### ***Other information***

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

We have nothing to report in this regard.

# Sivers Photonics Limited

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## **Independent auditors' report to the members of Sivers Photonics Limited (continued)**

### ***Other Companies Act 2006 reporting***

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

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

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

### ***Responsibilities of directors***

As explained more fully in the 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 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 company or to cease operations, or have no realistic alternative but to do so.

### ***Auditors' 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.

#### ***Extent to which the audit was capable of detecting irregularities, including fraud***

We are independent of the 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

# Sivers Photonics Limited

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## Independent auditors' report to the members of Sivers Photonics Limited (continued)


- discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- evaluation and testing of the operating effectiveness of management's controls designed to prevent and detect irregularities; such as the authorisation of expenditure;
- identifying the fraud risk within revenue and performing detailed substantive testing procedures to verify the existence of revenue and completeness of deferred income recognised within the financial statements;
- determining whether the accounting policies and presentation adopted in the financial statements are in accordance with applicable law and United Kingdom accounting standards, including FRS 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice);
- challenging assumptions made by management in their accounting estimates;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- vouching balances and reconciling items in management's key control account reconciliations to supporting documentation as at 31 December 2021; and
- carrying out detailed testing, on a sample basis, of material transactions, financial statement categories and balances to appropriate documentary evidence to verify the completeness, occurrence and accuracy of the reported financial statements.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

DocuSigned by:  
  
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Mark McCluskey (Senior Statutory Auditor)  
For and on behalf of BDO LLP, statutory auditor  
Glasgow, United Kingdom

09 September 2022

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

## Sivers Photonics Limited

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### Statement of comprehensive income For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Turnover	4	<b>5,805</b>	6,538
Cost of sales		<b>(2,301)</b>	(1,886)
<b>Gross profit</b>		<b>3,504</b>	4,652
Distribution costs		<b>(70)</b>	(190)
Administrative expenses		<b>(5,579)</b>	(5,658)
Other operating income	5	<b>462</b>	441
<b>Operating loss</b>	6	<b>(1,683)</b>	(755)
Interest payable and similar charges	11	<b>(338)</b>	(271)
Investment income	15	<b>4</b>	-
<b>Loss before tax</b>		<b>(2,017)</b>	(1,026)
Tax on loss	12	<b>344</b>	378
<b>Loss for the financial year</b>		<b>(1,673)</b>	(648)

All operations are continuing operations.

There was no other comprehensive income for 2021 (2020 - £Nil).

The notes on pages 13 to 30 form an integral part of these financial statements.

# Sivers Photonics Limited

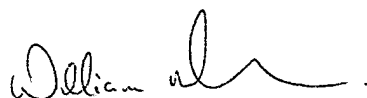
## Statement of Financial Position

As at 31 December 2021

	Note	2021 £'000	2020 £'000
<b>Fixed assets</b>			
Intangible assets	13	1,570	1,526
Tangible assets	14	6,832	4,318
Investments	15	14	-
		<b>8,416</b>	5,844
<b>Current assets</b>			
Inventories	16	754	449
Debtors	17	2,039	2,361
Cash and cash equivalents		679	2,025
		<b>3,472</b>	4,835
<b>Creditors amounts falling due within one year</b>	18	<b>(4,513)</b>	(9,769)
<b>Net current liabilities</b>		<b>(1,041)</b>	(4,934)
<b>Total assets less current liabilities</b>		<b>7,375</b>	910
Deferred tax liabilities		-	-
<b>Creditors amounts falling due after one year</b>	20	<b>(3,912)</b>	(1,889)
<b>Net assets/(liabilities)</b>		<b>3,463</b>	(979)
<b>Capital and reserves</b>			
Called up share capital	23	6,361	361
Share premium account	24	11,961	11,961
Capital redemption reserve	24	191	191
Retained earnings	24	(15,050)	(13,492)
<b>Total shareholder's funds</b>		<b>3,463</b>	(979)

The notes on pages 13 to 30 form an integral part of these financial statements.

The financial statements on pages 10 to 30 were approved by the Board of Directors on 8<sup>th</sup> September 2022 and were signed on its behalf by:



William McLaughlin  
Director

Sivers Photonics Limited  
Registered number: SC211759

## Sivers Photonics Limited

### Statement of changes in equity

For the year ended 31 December 2021

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	TOTAL £'000
At 1 January 2021	361	11,961	191	(13,492)	(979)
Loss for the year	-	-	-	(1,673)	(1,673)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,673)</b>	<b>(1,673)</b>
Share issue	6,000	-	-	-	6,000
Credit to equity for equity settled share-based payments	-	-	-	115	115
<b>As at 31 December 2021</b>	<b>6,361</b>	<b>11,961</b>	<b>191</b>	<b>(15,050)</b>	<b>3,463</b>

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	TOTAL £'000
At 1 January 2020	361	11,961	191	(12,984)	(471)
Loss for the year	-	-	-	(648)	(648)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(648)</b>	<b>(648)</b>
Credit to equity for equity settled share-based payments	-	-	-	140	140
<b>As at 31 December 2020</b>	<b>361</b>	<b>11,961</b>	<b>191</b>	<b>(13,492)</b>	<b>(979)</b>

The notes on pages 13 to 30 form an integral part of these financial statements.

# Sivers Photonics Limited

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## Notes to the financial statements For the year ended 31 December 2021

### 1) General information

Sivers Photonics Limited design and produce III-V compound semiconductors for photonics products. This includes providing custom-designed, foundry services and standard, high-volume, laser devices.

Sivers Photonics Limited is a private limited company incorporated on 9 October 2000 in Scotland, where it is domiciled. Copies of these financial statements are available from the registered office at 12/13 The Capital Building, St Andrew Square, Edinburgh, EH2 2AF.

### 2) Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently throughout the year unless otherwise stated. The financial statements are prepared in Sterling and are rounded to the nearest thousand Pounds (£'000) unless otherwise stated.

#### Basis of preparation

The financial statements of Sivers Photonics Limited have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

The financial statements have been prepared under the historical cost convention, as modified by financial assets and liabilities (including derivative instruments) at fair value through profit or loss, and in accordance with the Companies Act 2006.

The preparation of the financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures

# Sivers Photonics Limited

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## Notes to the financial statements For the year ended 31 December 2021 (continued)

### 2) Summary of significant accounting policies (continued)

- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

The financial statements of the company are consolidated into the financial statements of Sivers Semiconductors AB. The consolidated financial statements of Sivers Semiconductors AB are available from its registered office; Box 1274, 164 29 Kista, Sweden.

### Going concern

The company has made a loss for the year of £1.7m and has net current liabilities of £1.0m at 31 December 2021, of which amounts due to group undertakings via intercompany loans contribute £2.3m. The directors have carried out a detailed review of the budgets and a stress test for the 12 months after the signing date of the financial statements, with due regard for the risks and uncertainties to which the business is exposed, including the current market conditions explained on page 2, as well as available mitigating actions such as controlling certain expenditures.

As highlighted in the strategic report, the company has remained open and trading during the Covid-19 pandemic. In reviewing any forecasts and budgets, the directors have addressed and incorporated any potential impacts from the pandemic that they consider could impact on operational results.

The directors have concluded that it is reasonable to expect that the company will continue to operate in the foreseeable future. The directors have also taken into consideration the available support via the financial commitment received from its ultimate parent company in forming this judgement. During 2021, the parent company converted £6m intercompany loan to equity in the form of ordinary shares and in addition to the £1.7m funding already provided year to date in 2022 the parent company has provided the directors of the company with a letter confirming that Sivers directors are confident that the parent company can financially support SP and that it will make available such funds as may be required to enable SP to operate as a going concern and therefore meet its liabilities as they fall due for a period of at least 12 months from the signing of the financial statements. This includes delaying, if necessary, the repayment of any intercompany loans due from SP to Sivers Semiconductors AB. The directors have made enquiries and understand that the ultimate parent company expects to have adequate resources to be able to provide this financial support.

After considering the above facts, the directors therefore reasonably expect that the company has adequate resources to continue to operate for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

### Revenue recognition

Revenue represents the fair value of goods and services supplied and is stated net of value added tax. Revenue consists of the sale of III-V compound semiconductors for the fabrication of photonics products and custom foundry service.

Revenue from the sale of goods is measured based on the consideration specified in an invoice to a customer and is recognised at the point at which the goods are despatched to the customer, as this is when the control is transferred.

# Sivers Photonics Limited

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## Notes to the financial statements

For the year ended 31 December 2021 (continued)

### 2) Summary of significant accounting policies (continued)

Revenue from the sale of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Revenue from custom, foundry services in wafer, coated bar, chip device and die on tape formats is recognised over time in accordance with a work program or milestones based on the output method of measuring progress of satisfaction of a performance obligation in accordance with IFRS 15.

#### Foreign currency translation

##### *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.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other operating income'.

#### Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

#### Government grants

Government grants received on capital expenditure are initially recognised within deferred income on the Company's statement of financial position and are subsequently recognised in profit or loss on a systematic basis over the useful life of the related capital expenditure.

Grants for revenue expenditure are presented as part of the profit or loss in the periods in which the expenditure is recognised.

# Sivers Photonics Limited

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## Notes to the financial statements For the year ended 31 December 2021 (continued)

### 2) Summary of significant accounting policies (continued)

#### Leases

##### *The company as a lessee*

The company assesses whether a contract is or contains a lease, at inception of a contract. The company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;

The lease liability is included in 'creditors' on the statement of financial position.

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

The company did not make any such adjustments during the periods presented.

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

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the 'Intangible Assets', 'Tangible Fixed Assets' and 'Investment Property' lines, as applicable, in the statement of financial position.

The company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 2.14.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The company has used this practical expedient.

#### Finance costs

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

# Sivers Photonics Limited

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## **Notes to the financial statements For the year ended 31 December 2021 (continued)**

### **2) Summary of significant accounting policies (continued)**

#### **Share based payments**

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the statement of comprehensive income is charged with fair value of goods and services received.

#### **Goodwill**

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

When a business combination agreement provides for an adjustment to the cost of the combination which is contingent on future events, the company includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably. However, if the potential adjustment is not recognised at the acquisition date but subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination. Changes in the estimated value of contingent consideration arising on business combinations completed as a consequence result in a change in the carrying value of the related goodwill.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to the statement of comprehensive income. The Companies Act 2006 requires acquired goodwill to be reduced by provisions for depreciation calculated to write off the amount systematically over a period chosen by the directors, not exceeding its useful economic life. It has been deemed, however, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view. The effect of this departure has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

# Sivers Photonics Limited

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## Notes to the financial statements For the year ended 31 December 2021 (continued)

### 2) Summary of significant accounting policies (continued)

#### 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.

Amortisation is calculated on a straight-line basis to allocate cost to residual values over the estimated useful life of the asset as follows:

Development costs	over 5 years
Intellectual property	over 5 years

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the company is able to use or sell the asset; the company has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit.

#### 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.

Depreciation is calculated on a straight-line basis to allocate cost to residual values over the estimated useful life of the asset as follows:

Plant and machinery	over 10 years
Office Equipment	over 5 years
Leasehold improvements	remaining term of the lease
Fixtures and fittings	over 5 years
Right-of-use assets	remaining term of the lease

The residual values, useful lives and methods of depreciation for all assets are reviewed at each financial year end and adjusted if appropriate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

Repairs and maintenance costs are recognised in the income statement as incurred.

# Sivers Photonics Limited

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## Notes to the financial statements

For the year ended 31 December 2021 (continued)

### 2) Summary of significant accounting policies (continued)

#### Impairment of fixed assets and goodwill

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 (or cash-generating unit to which the asset has been allocated) 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 (or CGU'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 (CGUs). 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.

#### Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the statement of comprehensive income.

#### Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

#### Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

#### Financial instruments

The company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

# Sivers Photonics Limited

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## Notes to the financial statements For the year ended 31 December 2021 (continued)

### 2) Summary of significant accounting policies (continued)

#### **Financial assets**

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

#### *Fair value through profit or loss*

All of the company's financial assets are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses being recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

The company always recognises lifetime ECL for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

#### **Financial liabilities**

#### *Fair value through profit or loss*

Financial liabilities are classified as at fair value through profit or loss, when the financial liability is held for trading, or is designated as at fair value through profit or loss. This designation may be made if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial liability forms part of a group of financial instruments which is managed and its performance is evaluated on a fair value basis, or the financial liability forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss. Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

#### *At amortised cost*

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

#### **Creditors**

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

# Sivers Photonics Limited

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## **Notes to the financial statements For the year ended 31 December 2021 (continued)**

### **2) Summary of significant accounting policies (continued)**

#### **Pensions**

##### *Defined contribution pension plan*

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

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

#### **Taxation**

Tax is recognised in the 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 reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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 reporting date.

# Sivers Photonics Limited

## Notes to the financial statements For the year ended 31 December 2021 (continued)

### 3) Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

#### *Capitalisation of development costs*

The company has capitalised internal development costs of £508,000 (2020 - £524,000) during the year. In determining whether it was appropriate to capitalise these costs, the directors exercised judgement in assessing the point in time when the products they related to became technically feasible and had a demonstrable external market.

Key sources of estimation uncertainty which has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

#### *Carrying value of intangible assets*

The company has intangible assets of £1,570,000 (2020 - £1,526,000) relating to capitalised internal development costs. These assets are amortised over a five year period. Given the loss incurred in the year and the market conditions being experienced by the company, the directors have performed an impairment assessment of the assets, with an impairment loss of £118,000 (2020 - nil) recognised in 2021. The impairment assessment of the assets takes into account the level of expected future sales associated with the technology and know-how to which the intangible assets relate, If these sales do not occur at the level forecast in the impairment assessment, there is a risk of further impairment of these assets in future periods. The value in use is sensitive to changes in the growth rate and discount rate.

### 4) Turnover

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

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Sale of goods and associated services	<b>5,805</b>	6,296
Grant income	-	242
Other income	-	-
	<b>5,805</b>	6,538

Analysis of turnover by country of destination:

	<b>2021</b>	2020
	<b>£'000</b>	£'000
North America	<b>4,575</b>	5,220
Europe	<b>725</b>	718
Asia	<b>505</b>	358
Other	-	242
	<b>5,805</b>	6,538

### 5) Other operating income

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Other operating income	<b>223</b>	216
Government grants receivable	<b>45</b>	40
Coronavirus job retention scheme income	-	10
RDEC credit	<b>194</b>	175
	<b>462</b>	441

# Sivers Photonics Limited

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**6) Operating loss**

	<b>2021</b>	2020
	<b>£'000</b>	£'000
<b>Operating loss is stated after charging/(crediting):</b>		
Exchange losses	<b>13</b>	153
Research & development costs	<b>1,833</b>	1,710
Government grant income	<b>(240)</b>	(282)
Fees payable to the company's auditor for the audit of the company's financial statements	<b>30</b>	27
Depreciation	<b>653</b>	579
Amortisation	<b>346</b>	374
Impairment losses	<b>118</b>	-
Cost of stocks recognised as an expense	<b>367</b>	431
Write downs of inventories recognised as an expense	-	26
Defined contribution pension cost	<b>115</b>	97

The prior year impairment of stock arose as a result of an adjustment to stock held at expected market value or written down to zero where there was deemed to be no future market.

**7) Auditor's remuneration**

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Fees payable to the company's auditor for the audit of the company's financial statements	<b>30</b>	27

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group accounts of the parent Company.

**8) Employee information**

Staff costs, including directors' remuneration, were as follows:

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Wages and salaries	<b>3,095</b>	2,647
Social security costs	<b>336</b>	423
Cost of defined contribution scheme	<b>115</b>	97
	<b>3,546</b>	3,167

The average monthly number of employees, including directors, during the year was:

**By activity:**

	<b>2021</b>	2020
	<b>Number</b>	Number
Production	<b>37</b>	38
Other	<b>39</b>	30
	<b>76</b>	68

# Sivers Photonics Limited

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**9) Directors' remuneration**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Directors' emoluments	<b>251</b>	235
Company contributions to defined contribution pension schemes	<b>13</b>	15
	<b>264</b>	250

During the year retirement benefits were accruing to 1 director (2020 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £251,000 (2020 - £209,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £13,000 (2020 - £14,000).

During the year no director received shares under the long-term incentive schemes (2020 - 1)

**10) Share based payments**

The parent company has a share option scheme for employees of the group. The company takes part in this group share-based payment plan and recognises and measures its allocation of the share-based payment expense on a pro-rata basis.

Share options in respect of the scheme are exercisable at a price equal to the estimated fair value of the parent company's shares on the date of grant. Options are forfeited if the employee leaves the group before the options vest.

The Black-Scholes option pricing model was used to value the equity-settled share-based payment awards as it was considered that this approach would result in materially accurate estimate of the fair value of options granted. The total charge for the year was £115,000 (2020: £139,000). The company recognises a share-based payment expense based on the fair value of the awards granted, and an equivalent credit directly in equity as a capital contribution.

The weighted average share price of Sivers Semiconductors AB during the year ended 31 December 2021 was 24.73 SEK (2020 – 26.75 SEK).

The weighted average remaining contractual lives of the options below were 4 years (2020 – 4 years). Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant Date	Vesting date	Expiry date	Exercise price in SEK per share option	Share options (thousands)	
				2021	2020
02/09/2019	02/09/2022	02/09/2027	10	400,000	400,000
20/08/2020	20/08/2023	30/09/2025	35	1,250,000	1,250,000
19/05/2021	20/08/2023	30/09/2025	28	420,000	-
22/06/2021	01/07/2024	30/06/2026	28	1,120,000	-
14/09/2021	01/07/2024	30/06/2026	27	400,000	-
				<b>3,590,000</b>	<b>1,650,000</b>

At 31 December 2021 the number of these shares that were exercisable was nil (2020 – nil).

# Sivers Photonics Limited

## Notes to the financial statements

For the year ended 31 December 2021 (continued)

### 11) Interest payable and similar expenses

	2021 £'000	2020 £'000
Other loan interest payable	9	5
Loans from group undertakings	207	145
Finance leases and hire purchase contracts	64	24
Interest on lease liabilities	58	97
	<u>338</u>	<u>271</u>

### 12) Taxation

	2021 £'000	2020 £'000
<b>Corporation tax:</b>		
Current tax on profit for the year	(311)	(241)
Adjustments in respect of prior years	(33)	(137)
<b>Total current tax</b>	<u>(344)</u>	<u>(378)</u>

The tax on the Company's profit before taxation differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the entity as follows:

	2021 £'000	2020 £'000
Loss before taxation	(2,017)	(1,026)
Tax calculated at domestic tax rate applicable to profits (19%)	(383)	(194)
Effects of:		
Income/expenses not taxable/deductible for tax purposes	(1)	3
Adjustments in respect of prior years	(33)	(137)
Other permanent differences	(87)	(452)
Additional deduction for R&D expenditure	(257)	(203)
Surrender of tax losses for R&D tax credit refund	455	85
Deferred tax not recognised	873	487
Remeasurement of deferred tax for changes in tax rates	(601)	-
Research and development tax credit	(347)	-
RDEC tax charge	37	33
<b>Total tax charge for the year</b>	<u>(344)</u>	<u>(378)</u>

### Factors affecting current and future tax charges/credits

Increases in the UK Corporation tax rate from 19% to 25% (19% effective from 1 April 2017, and 25% effective from 1 April 2023) have been substantively enacted. This will impact the company's future tax charge accordingly. The value of the deferred tax liability at the statement of financial position/balance sheet date has been calculated using the applicable rate when the asset/liability is expected to be realised.

There is deferred tax liability relating to fixed asset timing differences of £1,209k (2020 - £430k) that have been offset by deferred tax asset on corporation tax losses. There is a residual deferred tax asset related to corporation tax losses of £2,504k (2020 - £1,630k) that has not been recognised.

## Sivers Photonics Limited

### Notes to the financial statements For the year ended 31 December 2021 (continued)

#### 13) Intangible assets

	Goodwill £'000	Development expenditure £'000	Intellectual property £'000	TOTAL £'000
<b>Cost</b>				
At 1 January 2021	780	2,798	100	3,678
Additions	-	508	-	508
Disposals	(780)	-	-	(780)
<b>At 31 December 2021</b>	<b>-</b>	<b>3,306</b>	<b>100</b>	<b>3,406</b>
<b>Accumulated depreciation</b>				
At 1 January 2021	780	1,272	100	2,152
Charge for the year	-	346	-	346
Impairment charge for the year	-	118	-	118
Disposals	(780)	-	-	(780)
<b>At 31 December 2021</b>	<b>-</b>	<b>1,736</b>	<b>100</b>	<b>1,836</b>
<b>Net book value</b>				
<b>At 31 December 2021</b>	<b>-</b>	<b>1,570</b>	<b>-</b>	<b>1,570</b>
At 31 December 2020	-	1,526	-	1,526

#### 14) Tangible fixed assets

	Plant and equipment £'000	Leasehold improvements £'000	Fixtures and fittings £'000	Right-of- use assets £'000	TOTAL £'000
<b>Cost</b>					
At 1 January 2021	6,062	-	58	1,353	7,473
Additions	2,956	153	82	-	3,191
Disposals	(111)	-	-	(53)	(164)
<b>At 31 December 2021</b>	<b>8,907</b>	<b>153</b>	<b>140</b>	<b>1,300</b>	<b>10,500</b>
<b>Accumulated depreciation</b>					
At 1 January 2021	2,960	-	45	150	3,155
Charge for the year	494	3	12	144	653
Disposals	(87)	-	-	(53)	(140)
<b>At 31 December 2021</b>	<b>3,367</b>	<b>3</b>	<b>57</b>	<b>241</b>	<b>3,668</b>
<b>Net book value</b>					
<b>At 31 December 2021</b>	<b>5,540</b>	<b>150</b>	<b>83</b>	<b>1,059</b>	<b>6,832</b>
At 31 December 2020	3,102	-	13	1,203	4,318

Property, plant and equipment includes right-of-use assets, as follows:

	2021 £'000	2020 £'000
<b>Right-of-use assets</b>		
<b>Net book values</b>		
Property	1,039	1,159
Plant and equipment	4	19
Motor vehicles	16	25
	<b>1,059</b>	<b>1,203</b>
<b>Depreciation charge for the year</b>		
Property	120	110
Plant and equipment	15	15
Motor vehicles	9	16
	<b>144</b>	<b>141</b>

# Sivers Photonics Limited

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**15) Investments**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Associated undertakings	<b>14</b>	-

The company has a 30% interest in III-V Epi Ltd (2020 – 0%), which provides custom MOCVD (Metal Organic Chemical Vapour Deposition) and MBE (Molecular Beam Epitaxy) epitaxial growth and overgrowth of arsenic, antimony and phosphorous structures. III-V Epi Ltd is a private entity that is not listed on any public exchange. The company's interest in III-V Epi Ltd is accounted for using the equity method in the financial statement.

The associate requires the company's consent to distribute its profits. The company does not foresee giving such consent at the reporting date.

**16) Inventories**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Raw materials and consumables	<b>738</b>	434
Work in progress	<b>16</b>	15
	<b>754</b>	449

**17) Debtors**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Trade receivables	<b>1,311</b>	1,268
Other debtors	<b>61</b>	71
Tax recoverable	<b>504</b>	385
Prepayments and accrued income	<b>163</b>	637
	<b>2,039</b>	2,361

Standard credit terms for trade receivables are 30 days from the invoice date, although certain credit terms are contract-specific. The carrying amounts of trade and other receivables are considered to approximate their fair value. The directors have calculated the lifetime expected credit loss and assess this to be £64,000 (2020 - £25,000).

# Sivers Photonics Limited

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**18) Creditors amounts falling due within one year**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Trade payables	<b>766</b>	693
Amounts owed to Group undertakings	<b>2,345</b>	7,380
Other taxation and social security	<b>123</b>	362
Lease liabilities (note 22)	<b>336</b>	390
Contracts liabilities (note 19)	<b>420</b>	173
Accruals and deferred income	<b>523</b>	771
	<b>4,513</b>	9,769

Included within accruals and deferred income is £49,000 (2020 - £43,000) of deferred income related to government grants. See note 21 for details.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

Contract liabilities represent consideration received from customers in advance of work being completed, where the expected term of the contract crosses the year end. These contract liabilities will be fulfilled within twelve months of the reporting date.

Interest on the amounts owed to fellow group undertakings is charged at 4.5% (2020 - 2.5%). The parent company has agreed to delay, if necessary, the repayment of any intercompany amounts due from Sivers Photonics Limited to Sivers Semiconductors AB.

**19) Contracts liabilities**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Contracts in progress at the reporting end date</b>		
Contract liabilities	<b>420</b>	173
	<b>420</b>	173
	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Analysis of contract liabilities</b>		
Engineering services	<b>420</b>	173
	<b>420</b>	173

Revenue relating to engineering services is recognised over time as the performance obligations are satisfied. A contract liability is recognised for revenue that has been invoiced in advance of performance obligations being satisfied.

**20) Creditors amounts falling due after more than one year**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Lease liabilities (note 22)	<b>1,136</b>	1,480
Amounts owed to Group undertakings	<b>2,474</b>	-
Deferred income (note 21)	<b>302</b>	409
	<b>3,912</b>	1,889

Interest on the amounts owed to fellow group undertakings is charged at 4.5%. The parent company has agreed to delay, if necessary, the repayment of any intercompany amounts due from Sivers Photonics Limited to Sivers Semiconductors AB.

# Sivers Photonics Limited

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**21) Deferred income**

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Arising from government grants	<b>351</b>	452
	<b>351</b>	452

**Analysis of deferred income**

Deferred income is classified based on amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Current liabilities	<b>49</b>	43
Non-current liabilities	<b>302</b>	409
	<b>351</b>	452

The company receives several types of government grants, including Regional Selective Assistance ('RSA') grants and various grants awarded by the UK and EU governments. Grant income is recognised in profit or loss on a systematic basis over the periods in which the company recognises as expenses the related costs for which the grant is intended to compensate. Income from RSA grants is recognised when related expenses are incurred. Grant income recognised during the year was £240,000 (2020 - £282,000).

**22) Leases**

**Company as a lessee**

The company leased a property, larger items of plant and vehicles and smaller equipment.

The total cash outflow for leases during the year was £179,000 (2020 - £522,000).

Lease liabilities are due as follows:

	<b>2021</b>	2020
	<b>£'000</b>	£'000
Not later than one year	<b>336</b>	390
Later than five years	<b>1,135</b>	1,480
	<b>1,471</b>	1,870

The lease liabilities are secured over the assets to which they relate.

**23) Called up share capital**

	<b>2021</b>	2020
	<b>£'000</b>	£'000
<b>Allotted and fully paid</b>		
874,327,851 (2020: 51,919,160) ordinary shares of \$0.01 each	<b>6,361</b>	361

During the year the company converted £6,000,000 loan from intercompany loans to equity and issued 822,408,691 shares of \$0.01 each at par for a total consideration of £6,000,000.

The company's ordinary shares each carry the right to one vote at general meetings of the company and rank equally on distribution of dividends.

# Sivers Photonics Limited

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## Notes to the financial statements

For the year ended 31 December 2021 (continued)

### 24) Reserves

The company's capital and reserves are as follows:

#### Called up share capital

Called up share capital represents the nominal value of shares issued.

#### Share premium account

The share premium account includes the premium in issue of equity shares, net of any issue cost.

#### Capital redemption reserve

The capital redemption reserve contains the nominal value of own shares that have been acquired by the company and cancelled.

#### Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

### 25) Capital commitments

At 31 December 2021 the company had no capital commitments (2020: £287,000)

### 26) Pension commitments

The company 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 company to the fund and amounted to £115,000 (2020 - £97,000). Contributions totalling £Nil (2020 - £Nil) were payable to the fund at the reporting date and are included in creditors.

### 27) Post balance sheet events

On 19<sup>th</sup> May 2022, the company announced a receipt of an initial order with a value of over \$0.6m from a Fortune 100 company to deliver next generation laser sources.

The company borrowed £0.7m on 22<sup>nd</sup> February 2022, followed by a further £1.0m on 30<sup>th</sup> May 2022 from their parent entity.

There have been no other significant events which have taken place after the balance sheet date but before the date of signing which are considered to give significant and further information relevant to these financial statements.

### 28) Ultimate parent undertaking

The ultimate parent undertaking and controlling party of the company, and the largest and smallest parent company for which group accounts are drawn up is Sivers Semiconductors AB, and are available at Box 1274, 164 29 Kista, Sweden.