

Moortec Semiconductor Limited

Director's Report and Financial Statements

Year Ended

31 May 2020

Company Number 05443610



Moortec Semiconductor Limited

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Company Information

Directors	Stephen Anthony Crosher , resigned 11 November 2020) Claire Elizabeth King , resigned 11 November 2020) Oliver King , resigned 11 November 2020) Jonathan David Simm , resigned 11 November 2020) Damian Brian Smith , resigned 31 May 2020) Simon Richard White , resigned 11 November 2020) Timothy Penhale-Jones (appointed 1 June 2019, resigned 11 November 2020) Orla Anne Murphy (appointed 11 November 2020)
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

Director's Report For the Year Ended 31 May 2020

The director presents his report and the financial statements for the year ended 31 May 2020.

Director's responsibilities statement

The director is responsible for preparing the Director's Report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is 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 director is 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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 profit for the year, after taxation, amounted to £402,470 (2019 - loss £27,867).

The Group has earned EBITDA amounting to £1,350,610 (2019- £285,584). No dividends (2019 - £Nil) have been proposed. EBITDA is earnings before interest, tax, depreciation and amortisation.

Moortec Semiconductor Limited

Director's Report (continued) For the Year Ended 31 May 2020

Directors

The directors who served during the year were:

Stephen Anthony Crosher , resigned 11 November 2020)
Claire Elizabeth King , resigned 11 November 2020)
Oliver King , resigned 11 November 2020)
Jonathan David Simm , resigned 11 November 2020)
Damian Brian Smith , resigned 31 May 2020)
Simon Richard White , resigned 11 November 2020)
Timothy Penhale-Jones (appointed 1 June 2019, resigned 11 November 2020)

Disclosure of information to auditors

The director at the time when this Director's Report is approved has confirmed that:

- so far as is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- 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.

Going concern

Directors have given consideration to the impact of the economic uncertainty as a consequence of COVID-19 pandemic and BREXIT in making their assessment of the Parent Company and Group as a going concern. The directors believe that they can take actions to mitigate any consequences on the business. Details of the going concern accounting policy can be found in note 2.3 to the financial statements.

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 director has taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

Post balance sheet events

Information relating to events since the end of the year is given in note 24 to the financial statements.

This report was approved by the board on 19 March 2021 and signed on its behalf.


Orla Anne Murphy
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 2020 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 2020 and of the Group's profit 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 Directors' report and Financial Statements, 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.



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

22 March 2021

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

Moortec Semiconductor Limited

Consolidated Statement of Comprehensive Income For the Year Ended 31 May 2020

	Note	2020 £	2019 £
Turnover	4	5,631,499	3,556,596
Cost of sales		(1,486,463)	(900,241)
Gross profit		4,145,036	2,656,355
Administrative expenses		(3,627,344)	(2,845,739)
Other operating income		-	1,690
Operating profit/(loss)	5	517,692	(187,694)
Interest receivable and similar income		445	-
Interest payable and expenses	9	(158,383)	(151,042)
Profit/(loss) before tax		359,754	(338,736)
Tax on profit/(loss)	10	42,716	310,869
Profit/(loss) for the financial year		402,470	(27,867)
Other comprehensive income for the year			
Currency translation differences		1,574	547
Other comprehensive income for the year		1,574	547
Total comprehensive income for the year		404,044	(27,320)
Profit / (loss) for the year attributable to:			
Owners of the parent company		402,470	(27,867)
		402,470	(27,867)

The notes on pages 13 to 32 form part of these financial statements.

Moortec Semiconductor Limited
Registered number:05443610

Consolidated Balance Sheet
As at 31 May 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	11	3,322,150	2,481,444
Tangible assets	12	218,429	172,379
		<u>3,540,579</u>	<u>2,653,823</u>
Current assets			
Debtors: amounts falling due within one year	14	4,312,649	1,568,267
Cash at bank and in hand		205,934	709,225
		<u>4,518,583</u>	<u>2,277,492</u>
Creditors: amounts falling due within one year	15	(3,671,871)	(1,098,065)
Net current assets		<u>846,712</u>	<u>1,179,427</u>
Total assets less current liabilities		<u>4,387,291</u>	<u>3,833,250</u>
Creditors: amounts falling due after more than one year	16	(1,744,831)	(1,711,002)
Provisions for liabilities			
Deferred taxation	18	(654,796)	(430,845)
		<u>(654,796)</u>	<u>(430,845)</u>
Net assets		<u><u>1,987,664</u></u>	<u><u>1,691,403</u></u>

Moortec Semiconductor Limited
Registered number:05443610

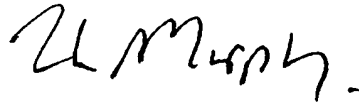
Consolidated Balance Sheet (continued)
As at 31 May 2020

	Note	2020 £	2019 £
Capital and reserves			
Called up share capital	19	129	136
Share premium account	20	96,440	96,440
Capital redemption reserve	20	(2)	(9)
Profit and loss account	20	1,891,097	1,594,836
Equity attributable to owners of the parent Company		<u>1,987,664</u>	<u>1,691,403</u>
		<u>1,987,664</u>	<u>1,691,403</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 19 March 2021.

Orla Anne Murphy
Director



The notes on pages 13 to 32 form part of these financial statements.

Moortec Semiconductor Limited
Registered number:05443610

Company Balance Sheet
As at 31 May 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	11	3,321,072	2,479,596
Tangible assets	12	199,031	154,365
Investments	13	10,979	10,979
		<u>3,531,082</u>	<u>2,644,940</u>
Current assets			
Debtors: amounts falling due within one year	14	4,425,615	1,639,787
Cash at bank and in hand		199,720	705,745
		<u>4,625,335</u>	<u>2,345,532</u>
Creditors: amounts falling due within one year	15	(3,690,305)	(1,083,396)
Net current assets		<u>935,030</u>	<u>1,262,136</u>
Total assets less current liabilities		<u>4,466,112</u>	<u>3,907,076</u>
Creditors: amounts falling due after more than one year	16	(1,744,831)	(1,711,002)
Provisions for liabilities			
Deferred taxation	18	(654,796)	(430,845)
		<u>(654,796)</u>	<u>(430,845)</u>
Net assets		<u><u>2,066,485</u></u>	<u><u>1,765,229</u></u>

Moortec Semiconductor Limited

Registered number:05443610

Company Balance Sheet (continued) As at 31 May 2020

	Note	2020 £	2019 £
Capital and reserves			
Called up share capital	19	129	136
Share premium account	20	96,440	96,440
Capital redemption reserve	20	(2)	(9)
Profit and loss account	20	1,969,918	1,668,662
		<u>2,066,485</u>	<u>1,765,229</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 profit after tax of the parent Company for the year was £409,039 (2019: loss after tax of £22,220).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 19 March 2021.



Orla Anne Murphy
Director

The notes on pages 13 to 32 form part of these financial statements.

Moortec Semiconductor Limited

Consolidated Statement of Changes in Equity For the Year Ended 31 May 2020

	Called up share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total equity £
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 1 June 2019	136	96,440	(9)	1,594,836	1,691,403
Comprehensive income for the year					
Profit for the year	-	-	-	402,470	402,470
Currency translation differences	-	-	-	1,574	1,574
Total comprehensive income for the year	-	-	-	404,044	404,044
Purchase of own shares	-	-	7	(107,783)	(107,776)
Purchase of own shares	(7)	-	-	-	(7)
At 31 May 2020	129	96,440	(2)	1,891,097	1,987,664

The notes on pages 13 to 32 form part of these financial statements.

Moortec Semiconductor Limited

Company Statement of Changes in Equity For the Year Ended 31 May 2020

	Called up share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total equity £
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 1 June 2019	136	96,440	(9)	1,668,662	1,765,229
Comprehensive income for the year					
Profit for the year	-	-	-	409,039	409,039
Purchase of own shares	-	-	7	(107,783)	(107,776)
Purchase of own shares	(7)	-	-	-	(7)
At 31 May 2020	129	96,440	(2)	1,969,918	2,066,485

The notes on pages 13 to 32 form part of these financial statements.

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

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 2020

2. Accounting policies (continued)

2.3 Going Concern

The going concern status of the Company is dependent on meeting its forecasts (including winning new business) and the support of its parent company. This is more prevalent as a result of COVID 19 and the Directors are fully aware of the potential downturn in markets and impact on worldwide economies as a result of the uncertainty regarding this pandemic and are taking appropriate strategic actions to protect the interest of stakeholders within Moortec's business. In respect of this, the company has obtained a support letter from its ultimate parent company - Synopsys Inc which commits to providing such support as and when required and which is legally binding. In making their assessment, the Directors have considered demand for products and services, availability of finances etc.

The impact of COVID 19 is expected to continue to impact short term product and services demand, with initial indications that the demand for products and services is being deferred as opposed to cancelled. The Company is in regular contact with key customers to understand their concerns and expectations of future orders. The Directors are managing cash resources and taking appropriate strategic actions to delay expenditure and take advantage of credit terms where possible. In the event of being unable to meet its forecasts, the Company will be provided with financial support by its parent company.

The Directors are confident of being able to trade for a period of at least 12 months from the date of approval of these financial statements and have therefore concluded that it is appropriate for the financial statements to be prepared on a going concern basis and that no material uncertainty exists.

2.4 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.

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

2. Accounting policies (continued)

2.5 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.

2.6 Operating Leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss 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.

2.7 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

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

2. Accounting policies (continued)

2.8 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

2.9 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 profit or loss 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.

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

2. Accounting policies (continued)

2.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss 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.

2.11 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 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 profit or loss.

2.12 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

2. Accounting policies (continued)

2.13 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 2020

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 judgments 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 2.5
- 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 judgment to assess performance obligations associated with each revenue stream and further judgment 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 judgment is required to assess the fair value of the constituent elements and recognise revenue according.

Provision for debts (see note 14)

- Management apply judgment 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 judgment 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 judgment, 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 2020

4. Turnover

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

	2020 £	2019 £
Design licenses	4,901,503	3,135,699
Support services	729,996	420,897
	<u>5,631,499</u>	<u>3,556,596</u>

5. Operating profit/(loss)

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

	2020 £	2019 £
Amortisation	718,945	393,326
Exchange differences	(107,563)	13,847
Other operating lease rentals	178,150	102,905
Depreciation	113,973	79,952
(Profit)/loss of disposal of fixed assets	-	(58)
Defined contribution pension cost	158,263	97,557
	<u>158,263</u>	<u>97,557</u>

6. Auditors' remuneration

	2020 £	2019 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	14,000	12,625
	<u>14,000</u>	<u>12,625</u>

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

Taxation compliance services	2,575	2,575
Other services relating to taxation	76,000	17,500
All other services	3,925	3,875
	<u>82,500</u>	<u>23,950</u>

7. Employees

The average monthly number of employees, including directors, during the year was 40 (2019 - 34).

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

8. Director's remuneration

	2020 £	2019 £
Director's emoluments	603,498	333,083
Company contributions to defined contribution pension schemes	37,175	46,657
	<u>640,673</u>	<u>379,740</u>

During the year retirement benefits were accruing to 4 directors (2019 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £141,955 (2019 - £106,366).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £8,799 (2019 - £7,547).

9. Interest payable and similar expenses

	2020 £	2019 £
Other loan interest payable	<u>158,383</u>	<u>151,042</u>

10. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profit / (loss) for the year	(281,768)	(441,436)
Adjustments in respect of previous periods	15,101	231
	<u>(266,667)</u>	<u>(441,205)</u>
Total current tax	<u>(266,667)</u>	<u>(441,205)</u>
Deferred tax		
Origination and reversal of timing differences	220,960	131,203
Adjustment in respect of prior periods	2,991	(867)
Total deferred tax	<u>223,951</u>	<u>130,336</u>
Taxation on (loss) / profit on ordinary activities	<u>(42,716)</u>	<u>(310,869)</u>

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Profit/(loss) on ordinary activities before tax	<u>359,693</u>	<u>(338,736)</u>
Profit / (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	67,884	(64,360)
Effects of:		
Expenses not deductible for tax purposes	9,666	5,696
Other permanent differences	276	-
Additional deduction for R&D expenditure	(351,828)	(373,130)
Surrender of tax losses for R&D tax credit refund	107,603	136,997
Foreign tax credits	54,551	-
Adjustments to tax charge in respect of prior periods	15,101	231
Adjustments to tax charge in respect of prior periods - deferred tax	2,991	(867)
Remeasurement of deferred taxes for change in tax rate	51,040	(15,436)
Total tax credit for the year	<u><u>(42,716)</u></u>	<u><u>(310,869)</u></u>

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

11. Intangible assets

Group

	Development expenditure £	Computer software £	Total £
Cost			
At 1 June 2019	2,887,936	96,405	2,984,341
Additions	1,558,490	1,170	1,559,660
Foreign exchange movement	-	(11)	(11)
At 31 May 2020	<u>4,446,426</u>	<u>97,564</u>	<u>4,543,990</u>
Amortisation			
At 1 June 2019	480,199	22,698	502,897
Charge for the year on owned assets	686,838	32,107	718,945
Foreign exchange movement	-	(2)	(2)
At 31 May 2020	<u>1,167,037</u>	<u>54,803</u>	<u>1,221,840</u>
Net book value			
At 31 May 2020	<u>3,279,389</u>	<u>42,761</u>	<u>3,322,150</u>
At 31 May 2019	<u>2,407,737</u>	<u>73,707</u>	<u>2,481,444</u>

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

11. Intangible assets (continued)

Company

	Development expenditure £	Computer software £	Total £
Cost			
At 1 June 2019	2,887,936	94,111	2,982,047
Additions	1,558,490	1,170	1,559,660
At 31 May 2020	4,446,426	95,281	4,541,707
Amortisation			
At 1 June 2019	480,199	22,252	502,451
Charge for the year	686,838	31,346	718,184
At 31 May 2020	1,167,037	53,598	1,220,635
Net book value			
At 31 May 2020	3,279,389	41,683	3,321,072
At 31 May 2019	2,407,737	71,859	2,479,596

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

12. Tangible fixed assets

Group

	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation			
At 1 June 2019	104,254	201,048	305,302
Additions	19,350	141,141	160,491
Disposals	(5,065)	(21,909)	(26,974)
Exchange adjustments	(26)	(88)	(114)
At 31 May 2020	<u>118,513</u>	<u>320,192</u>	<u>438,705</u>
Depreciation			
At 1 June 2019	30,008	102,915	132,923
Charge for the year on owned assets	36,701	77,272	113,973
Disposals	(5,065)	(21,524)	(26,589)
Exchange adjustments	(11)	(20)	(31)
At 31 May 2020	<u>61,633</u>	<u>158,643</u>	<u>220,276</u>
Net book value			
At 31 May 2020	<u>56,880</u>	<u>161,549</u>	<u>218,429</u>
At 31 May 2019	<u>74,246</u>	<u>98,133</u>	<u>172,379</u>

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

12. Tangible fixed assets (continued)

Company

	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation			
At 1 June 2019	98,669	181,926	280,595
Additions	19,350	132,238	151,588
Disposals	(5,065)	(21,909)	(26,974)
At 31 May 2020	112,954	292,255	405,209
Depreciation			
At 1 June 2019	27,681	98,549	126,230
Charge for the year on owned assets	34,848	71,689	106,537
Disposals	(5,065)	(21,524)	(26,589)
At 31 May 2020	57,464	148,714	206,178
Net book value			
At 31 May 2020	55,490	143,541	199,031
At 31 May 2019	70,988	83,377	154,365

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

13. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 June 2019	10,979
At 31 May 2020	<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 2020 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	(66,217)	(4,874)
Moortec Semiconductor Inc	(1,810)	(1,786)

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 2020

14. Debtors

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Trade debtors	2,953,414	682,823	2,953,414	682,823
Amounts owed by Group undertakings	-	-	125,500	81,940
Other debtors	308,779	97,421	296,264	92,676
Prepayments and accrued income	332,142	345,847	332,123	341,102
Tax recoverable	718,314	442,176	718,314	441,246
	<u>4,312,649</u>	<u>1,568,267</u>	<u>4,425,615</u>	<u>1,639,787</u>

15. Creditors: Amounts falling due within one year

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Trade creditors	606,790	378,171	599,073	375,655
Amounts owed to group undertakings	-	-	202,612	-
Other taxation and social security	96,366	38,148	86,405	38,148
Other creditors	45,168	26,802	45,168	19,934
Accruals and deferred income	2,923,547	654,944	2,757,047	649,659
	<u>3,671,871</u>	<u>1,098,065</u>	<u>3,690,305</u>	<u>1,083,396</u>

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

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Other loans	1,744,831	1,711,002	1,744,831	1,711,002
	<u>1,744,831</u>	<u>1,711,002</u>	<u>1,744,831</u>	<u>1,711,002</u>

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

17. Loans

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Amounts falling due 1-2 years				
Other loans	411,787	-	411,787	-
	<u>411,787</u>	<u>-</u>	<u>411,787</u>	<u>-</u>
Amounts falling due 2-5 years				
Other loans	1,333,044	1,711,002	1,333,044	1,711,002
	<u>1,333,044</u>	<u>1,711,002</u>	<u>1,333,044</u>	<u>1,711,002</u>
	<u><u>1,744,831</u></u>	<u><u>1,711,002</u></u>	<u><u>1,744,831</u></u>	<u><u>1,711,002</u></u>

Loan notes with a carrying value of £1,744,831 (2019 - £1,711,002) 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 2020 £65,169 (2019 - £98,998) 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.

Subsequent to year end the Group has repaid the entire outstanding loan along with interest due thereon.

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

18. Deferred taxation

Group

	2020 £
At beginning of year	(430,845)
Charged to profit or loss	(223,951)
At end of year	(654,796)

Company

	2020 £
At beginning of year	(430,845)
Charged to profit or loss	(223,951)
At end of year	(654,796)

The provision for deferred taxation is made up as follows:

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Accelerated capital allowances	658,214	435,045	658,214	435,045
Short term timing differences	(3,418)	(313)	(3,418)	(313)
Tax losses carried forward and other deductions	-	(3,887)	-	(3,887)
	654,796	430,845	654,796	430,845

19. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
39,744 (2019 - 39,744) Ordinary A shares of £0.001 each	40	40
19,016 (2019 - 19,016) Ordinary B shares of £0.001 each	19	19
70,000 (2019 - 76,927) Ordinary C shares of £0.001 each	70	77
	129	136

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

19. Share capital (continued)

During the year the Company repurchased 6,766 Ordinary C shares. The shares had a nominal value of £0.001 per share and the consideration paid in respect of these shares was £107,783. The shares were cancelled immediately after repurchase.

20. 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.

Profit and loss account

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

21. 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 £158,263 (2019 - £97,557). Contributions totaling £17,988 (2019 - £1,845) were payable to the fund at the balance sheet date and are included in creditors.

Moortec Semiconductor Limited

Notes to the Financial Statements For the Year Ended 31 May 2020

22. Commitments under operating leases

At 31 May 2020 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2020 £	Group 2019 £
Not later than 1 year	273,543	378,615
Later than 1 year and not later than 5 years	186,856	14,804
	<u>460,399</u>	<u>393,419</u>

23. Related party transactions

During the year interest totaling £149,400 (2019: £150,776) was charged to the Company and £100,389 (2019: £86,889) 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 (2019: £37,309) in respect of monitoring fees, £nil (2019: £3,178) 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 £21,196 (2019: £30,033) in respect of consultancy services and £nil (2019: £5,805) 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.

The Group has taken advantage of the exemption available under FRS 102 from the requirement to disclose related party transactions between the Parent Company and its subsidiaries.

24. Post balance sheet events

Subsequent to year end, the Shareholders of Moortec Semiconductor Limited has sold their entire Shareholdings to Synopsys Inc.

In addition, the Group has also sold the IP Development rights to Synopsys Inc.

25. Controlling party

There is no controlling party as at Balance sheet date.

Subsequent to year end with effect from 11 November 2020, Synopsys Inc. has become the controlling party of the Group by virtue of its 100% shareholding in the Group. Immediate parent company is Synopsys International Limited and ultimate parent company is Synopsys Inc.