

RNS Number : 2216Q
EnSilica PLC
17 February 2023

Prior to publication, the information contained within this announcement was deemed by the Group to constitute inside information for the purposes of Regulation 11 of the Market Abuse (Amendment) (EU Exit) Regulations 2019/310. With the publication of this announcement, this information is now considered to be in the public domain.

17 February 2023

EnSilica plc

("EnSilica", the "Company" or the "Group")

Unaudited Results for the Half Year Ended 30 November 2022

- *Solid operational and financial performance propelled by significant market opportunity*
- *Strong order book and new business pipeline underpins confidence*

EnSilica (AIM: ENSI), a leading mixed signal chipmaker, announces half year results for the six months ended 30 November 2022 ("H1 FY23").

Financial Highlights

- Revenue up 23.5% to £8.6 million (H1 FY22: £7.0 million)
- Adjusted operating profit up to £0.15 million (H1 FY22: £0.17 million loss)
- Gross margin 42.5% (H1 FY22: 26.7%)
- Adjusted EBITDA up significantly to £0.66 million (H1 FY22: loss of £0.08 million)
- Cash and cash equivalents at 30 November of £1.4 million (31 May 2022: £5.7 million)
- Loans reduced by 8% to £4.6 million (31 May 2022: £5.0 million)
- Further investment in Development Costs of £1.7 million (H1 FY22: £0.56 million)

Operational Highlights

- Ongoing momentum throughout the period, including:
 - Successfully bringing a mixed signal automotive ASIC to commercial production following the launch of a new flagship vehicle by a premium automotive company
 - Winning a significant industrial ASIC supply project worth in excess of US\$30 million over seven years
- Investment in sales and marketing activities, including appointment of Vice President of Worldwide Sales, alongside working with new sales partners in Europe and USA

Post Period-end Events

- Secured two new contracts with existing European customers, including a major automotive Tier 1 company, for a combined total of US\$3.6 million. Both contracts commenced in January 2023
- Named the UK Electronics Company of the Year at the prestigious TechWorks Awards
- €5 million contract for the development of a satellite user terminal broadband chip
- Cash at bank of £2.2 million at 31st January 2023

Outlook

- EnSilica has made a solid start to the current financial year, buoyed by existing contracts that underpin FY 2023 market expectations
- Looking ahead, the Company remains well placed to continue to capitalise on the significant growth opportunity within the semiconductor industry, supported by a sizable order book and new business pipeline

Ian Lankshear, CEO of EnSilica, commented:

"Today's results are further evidence of our strong operational capabilities and sound strategic vision, which together have laid the ground for a series of sizable new business wins, including our recently announced €5 million satellite user terminal chip contract."

The EnSilica team, which remains the bedrock of our business, works tirelessly to deliver best-in-class products and services to our global customer base, and our recent success at the TechWorks Awards is a true testament to this.

Looking forwards to FY 2023 and 2024, we expect to continue the solid performance delivered so far, spurred on by further contract momentum and a healthy pipeline of new business opportunities. Whilst we remain mindful of the ongoing turbulence of the broader macro climate, the sustained demand for chips across our key growth markets underscores our confidence in our medium-term business prospects."

For further information please contact:

EnSilica plc

Ian Lankshear, Chief Executive Officer
Matthew Wethey, Chief Financial Officer
www.ensilica.com

Via Vigo Consulting
+44 (0)20 7390 0233

Allenby Capital Limited, Nominated Adviser & Broker

Jeremy Porter / Vivek Bhardwaj (Corporate Finance)
Joscelin Pinnington / Tony Quirke (Sales & Corporate Broking)

Tel: +44 (0)20 3328 5656
info@allenbycapital.com

Vigo Consulting (Investor & Financial Public Relations)

Jeremy Garcia / Kate Kilgallen
ensilica@vigoconsulting.com

+44 (0)20 7390 0233

About EnSilica plc

EnSilica is a leading fabless design house focused on custom ASIC design and supply for OEMs and system houses, as well as IC design services for companies with their own design teams. The company has world-class expertise in supplying custom RF, mmWave, mixed signal, and digital ASICs to its international customers in the automotive, industrial, healthcare, and communications markets.

The company also offers a broad portfolio of core IP covering cryptography, radar, and communications systems. EnSilica has a track record in delivering high quality solutions to demanding industry standards. Its impressive record of success has been achieved working with customers ranging from start-ups to blue-chip companies and EnSilica's project portfolio ranges from module design to multimillion gate System-on-Chip.

The company is headquartered near Oxford UK with design centres across the UK, in Bangalore, India and in Porto Alegre, Brazil.

Operational Review

We are pleased to report that the excellent momentum generated in the prior year has continued across H1 FY23, with customer demand for our services remaining strong.

Pleasingly, the Group generated £8.6 million (H1 FY22: £7.0 million) in revenue, an increase of 23.5% on H1 FY22, and £0.66 million in Adjusted EBITDA versus a loss of £0.1 million in H1 FY22. This solid performance is a clear demonstration of the business's significant progress since IPO.

Although chip supply chain shortages have eased over the last six months, the security of semiconductor supply remains a primary concern for all major OEMs and governments alike. As such, the Company is positioning itself as a key partner in fledgling European semiconductor alliances and supply chain initiatives.

To this end, management remains keenly focused on the core growth initiatives outlined at the time of the Company's IPO, namely:

- leveraging EnSilica's strong positions within automotive, industrial, healthcare and satellite connectivity applications for mixed signal ASICs;
- scaling the Company's successful Fabless ASIC Model to fully exploit revenue opportunities from design and supply engagements;
- attracting high-quality talent globally to further leverage our market leading position;
- developing catalogue parts, with two significant standard platforms already at the device evaluation stage; and
- expanding EnSilica's offering through consolidation and vertical integration.

The Group delivered strong design win bookings across the automotive, industrial, and satellite communication sectors in H1 FY23, including a US\$30 million contract for a major European industrial OEM announced in July 2022. This contract is progressing according to schedule, with production and supply anticipated to commence in the second half of calendar year 2024.

Talent acquisition remains a key long-term objective and to help meet our headcount targets, we have increasingly been focusing on graduate recruitment, both through the UK Electronics Skills Foundation ('UKESF'), and by establishing direct relationships with local universities. The new Bristol design centre has proved to be a good recruitment base with the team doubling headcount there in the last six months. Our efforts were further boosted by our recruitment of an ASIC implementation team comprising six engineers, as well as the purchase of related non-core IP assets from Blu Wireless Technologies Limited in June 2022.

Elsewhere, we have invested across our sales and marketing activities, recruiting a Vice President of Worldwide Sales, alongside working with new sales partners in Europe and the USA, relationships that have already generated high-value opportunities that are currently progressing through our sales pipeline.

Management believes the budding space economy represents significant future business opportunities for the Company. Custom chips will play an important role in this exciting new growth market, enabling microsattellites to advance highspeed satellite broadband to provide greater resilience and security. We remain extremely confident

about the future growth prospects of the Space sector and believe EnSilica is well positioned to become a key supplier.

Post Period End & Outlook

The Company has made a strong start to H2 FY23, announcing design contracts totalling US\$3.6 million in December 2022, and an additional US\$2.9 million in wins since then. Our recently secured €5 million contract with UKSA brings our post period end bookings to c.US\$10 million, further highlighting the wealth and quality of opportunities that exist for the Company.

The current sales pipeline of opportunities and potential contracts stands at c.£250 million following a review by management to focus on projects which meet our criteria and remains a strong endorsement of the quality of our business output and our growing reputation in the chip sector. This pipeline consists of several opportunities at different stages of tender, evaluation and pre-contract discussion.

We were delighted to see our industry expertise recognised in December 2022 at the TechWorks Awards, with EnSilica securing the TechNES Design award, Company of the Year award, and Young Engineer of the Year award, the latter of which went to our talented colleague Omotade Iluromi.

Irrespective of EnSilica's recent successes, management remains acutely mindful of the ongoing challenges associated with managing global supply chains, and the potential impact of current geopolitical instability on the wider silicon manufacturing industry. These broader headwinds are key strategic considerations in our future planning, which is why one of our priorities remains expanding our European footprint. Accordingly, management continues to monitor world developments closely, striving to build additional resilience into the business wherever possible.

Despite today's challenging macro environment, the Company continues to trade well and expects the results for the current financial year to be in line with market expectations.

Management believes EnSilica's sharp strategic focus and established market position in the high-growth automotive, industrial, healthcare, and satellite communications sectors, all of which demonstrate greater resilience in the face of declining consumer confidence, leave the business well positioned to continue the impressive growth trajectory seen to date.

Mark Hodgkins
Chair,
EnSilica plc

Ian Lankshear
Chief Executive Officer,
EnSilica plc

16 February 2023

Chief Financial Officer's Review

Financial results summary:

	30 Nov 2022 £000	30 Nov 2021 £000	31 May 2022 £000
Revenue	8,592	6,957	15,293
Gross Profit	3,655	1,856	5,047
Gross margin (%)	42.5	26.7	33.0
Adjusted operating profit/(loss) excluding IPO costs	149	(165)	705
IPO costs	-	-	(699)
Adjusted profit/(loss) before tax	(202)	(465)	165

Tax credit	524	300	683
Adjusted profit/(loss) for the year	322	(165)	848
Adjusted EBITDA	655	(79)	1,036
Cash and Cash equivalents	1,359	1,668	5,742
Liabilities arising from financing activities	(4,687)	(5,682)	(5,159)
Net Debt	(3,328)	(4,014)	583
Intangible assets	10,001	7,053	8,576

Revenue

EnSilica's revenue for the period was £8.6 million (H1 FY22: £7.0 million) which was 23.5% higher than in the same period last year, mainly due to increases in design and supply activities. Our non-recurring engineering (NRE) revenue from design and supply projects has increased by 39%. We have also achieved an increase of 119% in the supply of product, mainly due to the impact of our automotive chip going into production in March 2022. Revenue from our two largest customers amounted to £4.6 million with the largest, an NRE project, being £2.6 million or 30% of the revenue for the period, the other a consultancy project being £2.0 million (23%).

Gross Profit

Gross profit on EnSilica's revenues was £3.7 million (H1 FY22: £1.9 million) with a gross margin of 42.5% (H1 FY22: 26.7%). Gross margin was higher than in the prior period, driven broadly by undertaking higher margin projects and increasing utilisation of the increasing number of engineers. This impact started in the second half of the previous financial year (H2 FY21) after margins had been suppressed due to the Group undertaking lower margin work to maintain its workforce during the COVID 19 pandemic and experiencing lower utilisation rates.

Administrative expenses

Administrative expenses increased to £3.5 million (H1 FY22: £2.1 million). This change was driven mainly by additional overhead headcount costs to support the growth in the business, costs associated with being a public company and higher depreciation and amortisation charges. The amortisation charges are principally due to expenses reducing the value of the capitalised development cost now that production has commenced on the automotive chip.

Profit for the period

Operating profit at £0.149 million was £0.314 million higher than in the same period last year which was a loss of £0.165 million.

Once depreciation and amortisation of £0.5 million (H1 FY22: £0.1 million) has been added back, adjusted EBITDA at £0.655 million was £0.734 million higher than LBITDA of £0.079 million in the same period last year.

Statement of financial position

Total non-current assets have increased from £9.0 million at the end of May 2022 to £12.7 million on 30 November 2022, driven mainly by recognising additions of £2.2 million for right of use assets, due to leases for the new HQ and computer equipment, as well as development costs additions of £1.7 million, and other fixed asset additions less the current period's depreciation and amortisation charges.

Total current assets at £10.1 million have decreased by £0.7m since the year end mainly due to an increase in working capital and corporation tax recoverable offsetting a reduction in the cash balance. Inventories are £1 million higher as the Company purchased sufficient wafers to ensure it could deliver automotive chips in line with the production schedule whilst there was a shortage of such wafers. This situation is likely to partially reverse by

the year end as wafer supply improves. Trade and other receivables increased by £2.1 million due to a combination of increased revenues and milestones for receipts which were not triggered until after the period end. We received the year end corporation tax recoverable balance of £1.7 million in December.

Total non-current liabilities of £6.1 million (31 May 2022: £4.4 million) increased by £1.7 million because of the £2.2 million lease liability due to the IFRS16 right of use assets. This is partially offset by repayments on borrowings.

Cash flow

The Group's cash position (including cash and cash equivalents) decreased from £5.7 million on 31 May 2022 to £1.4 million on 30 November 2022.

Cash used in operations during the period aggregated £1.4 million (H1 FY22: £0.5 million generated from operations) mainly due to an increase in working capital of £2.2 million (H1 FY22: £0.6 million decrease) being partially offset by adjusted profit of £0.8 million (H1 FY22: £0.1 million adjusted loss). £1.0 million of the working capital increase is as a result of the Company purchasing sufficient wafers to ensure it could deliver automotive chips in line with the production schedule whilst there was a shortage of such wafers. As has been previously mentioned this situation is likely to partially reverse by the year end as wafer supply improves.

The Group continues to invest in the business with £2.0 million (H1 FY22: £0.8 million) cash deployed in the period, including development costs of £1.7 million (H1 FY22: £0.6 million) in addition to purchases of property plant and equipment of £0.3 million (H1 FY22: £0.2 million).

EnSilica experienced cash outflows from financing activities in the period of £0.8 million (H1 FY22: £0.7 million) in relation to debt reduction and interest on borrowings. Long-term borrowings reduced by 11% to £3.7 million at 30 November 2022 (31 May 2022: £4.2 million).

Principal Risks and Uncertainties Report

EnSilica has considered the principal risks and uncertainties facing the Group for the first six months of the 2022/2023 financial year and does not consider them to have changed from those set out on pages 15 to 18 of the Annual Report and Consolidated Financial Statements for the year ended 31 May 2022, which is available on the Group's website.

Matthew Wethey
Chief Financial Officer
EnSilica plc
16 February 2023

Interim Financial Statements

Condensed Interim Consolidated Statement of Comprehensive Income
Condensed Interim Consolidated Statement of Financial Position
Condensed Interim Consolidated Statement of Changes in Equity
Condensed Consolidated Statement of Cash Flows
Notes to the Interim Condensed Consolidated Financial Statements

Interim Financial Statements

Condensed Interim Consolidated Statement of Comprehensive Income

for the six months ended 30 November 2022

		Six months ended 30 Nov 2022	Six months ended 30 Nov 2021	Twelve months ended 31 May 2022
	Note	Unaudited £'000	Unaudited £'000	Audited £'000
Revenue	2	8,592	6,957	15,293
Cost of sales		(4,937)	(5,101)	(10,246)
Gross profit		3,655	1,856	5,047
Other (expense)/operating income		8	63	(14)
Administrative expenses excluding non-recurring items		(3,514)	(2,084)	(4,328)
Impairment of intangible assets		-	-	-
IPO costs		-	-	(699)
Total administrative expenses		(3,514)	(2,084)	(5,027)
Operating profit/(loss)		149	(165)	6
Interest income		6	2	25
Interest expense		(357)	(302)	(565)
Loss before taxation		(202)	(465)	(534)
Taxation	4	524	300	683
Profit/(loss) for the period		322	(165)	149
Other comprehensive income/(expense) for the period				
Currency translation differences		5	32	40
Total comprehensive income/(expense) for the period		327	(133)	189
Profit/(loss) for the period/year attributable to:				
Owners of the company		322	(133)	149
Non-controlling interests		-	-	-
		322	(133)	149
Other comprehensive income/(expense) for the period attributable to:				
Owners of the company		5	(32)	40
Non-controlling interests		-	-	-
		5	(32)	40
Total comprehensive income/(expense) for the period attributable to:				
Owners of the company		327	(165)	189
Non-controlling interests		-	-	-
		327	(165)	189

Interim Financial Statements

Earnings per Share Attributable to the Owners of the Parent During the Period (expressed in pence per share)

		Six months ended 30 Nov 2022	Six months ended 30 Nov 2021	Twelve months ended 31 May 2022
	Note	Unaudited pence	Unaudited pence	Audited pence
Basic earnings per share (pence)	5	0.43	(0.47)	0.20
Diluted earnings per share (pence)	5	0.39	(0.47)	0.20
Adjusted Basic earnings per share (pence)	5	0.43	(0.47)	1.13
Adjusted Diluted earnings per share (pence)	5	0.39	(0.47)	1.11

Interim Financial Statements

Condensed Interim Consolidated Statement of Financial Position

as at 30 November 2022

	Note	30 Nov 2022 Unaudited £'000	30 Nov 2021 Unaudited £'000	31 May 2022 Audited
Assets				
Non-current assets				
Property, plant and equipment	6	2,711	393	382
Intangible assets	7	10,001	7,053	8,576
Total non-current assets		12,712	7,446	8,958
Current assets				
Inventories		1,172	366	215
Trade and other receivables	8	5,344	2,596	3,257
Corporation tax recoverable		2,271	1,500	1,671
Cash and cash equivalents		1,359	1,668	5,742
Total current assets		10,146	6,130	10,885
Total assets		22,858	13,576	19,843
Current liabilities				
Borrowings	9	(833)	(803)	(800)
Lease liabilities		(147)	(101)	(88)
Trade and other payables	10	(3,186)	(3,690)	(2,391)
Corporation tax payable		-	(95)	-
Total current liabilities		(4,166)	(4,689)	(3,279)
Non current liabilities				
Borrowings	9	(3,726)	(4,635)	(4,166)
Lease liabilities		(2,182)	(143)	(105)
Provisions		(206)	(91)	(140)
Deferred tax		-	(1,290)	-
Total non current liabilities		(6,114)	(6,159)	(4,411)
Total liabilities		(10,280)	(10,848)	(7,690)
Net assets		12,578	2,728	12,153
Equity				
Issued share capital	11	134	2	134
Share premium account		6,900	-	6,900
Currency differences reserve		6	(7)	1
Retained earnings		5,538	2,733	5,118
Equity attributable to owners of the Company		12,578	2,728	12,153
Non-controlling interests		-	-	-
Total equity		12,578	2,728	12,153

The notes are an integral part of these condensed interim financial statements.

Ian Lankshear
Chief Executive Officer

Matthew Wethey
Chief Financial Officer

Company registration number: 04220106

Interim Financial Statements

Condensed Interim Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium account £'000	Currency translation reserve £'000	Retained earnings £'000	Attributable to owners of the parent £'000	Non-controlling interests £'000	Total equity £'000
At 31 May 2021	2	-	(39)	2,875	2,838	-	2,838
Comprehensive income/(expense) for the six months to 30 November 2021							
Loss for the period	-	-	-	(165)	(165)	-	(165)
Other comprehensive income	-	-	32	-	32	-	32
Total comprehensive income for the period	-	-	32	(165)	(133)	-	(133)
Share based payment	-	-	-	23	23	-	23
At 30 November 2021	2	-	(7)	2,733	2,728	-	2,728
Comprehensive expense for the six months to 31 May 2022							
Profit for the period	-	-	-	314	314	-	314
Other comprehensive expense	-	-	8	-	8	-	8
Total comprehensive expense for the period	-	-	8	314	322	-	322
Share based payment	-	-	-	97	97	-	97
Deferred tax in respect of share options	-	-	-	1,713	1,713	-	1,713
Corporation tax in respect of share options	-	-	-	378	378	-	378
Issue of share capital	132	7,407	-	-	7,539	-	7,539
Costs of share issue	-	(507)	-	-	(507)	-	(507)
Bonus share issue	-	-	-	(117)	(117)	-	(117)
At 31 May 2022	134	6,900	1	5,118	12,153	-	12,153
Comprehensive income for the six months to 30 November 2022							
Profit for the period	-	-	-	322	322	-	322
Other comprehensive expense	-	-	5	-	5	-	5
Total comprehensive income for the period	-	-	5	322	327	-	327
Share based payment	-	-	-	98	98	-	98
At 30 November 2022	134	6,900	6	5,538	12,578	-	12,578

Interim Financial Statements

Interim Condensed Consolidated Statement of Cash Flows

for the six months ended 30 November 2022

	Note	Six months ended	Six months ended	Twelve months ended
		30 Nov 2022	30 Nov 2021	31 May 2022
		Unaudited £'000	Unaudited £'000	Audited £'000
Cash flows from operating activities				
Cash (used)/generated from operations	A	(1,415)	450	(1,915)
Tax (paid)/received		(76)	1,214	3,306
Net cash (used in)/generated from operating activities		(1,491)	1,664	1,391
Cash flows from investing activities				
Purchase of property, plant and equipment		(336)	(205)	(276)
Additions to intangible assets		(1,731)	(557)	(2,241)
Interest received		6	2	25
Net cash used in investing activities		(2,061)	(760)	(2,492)
Cash flows from financing activities				
Proceeds from issuance of ordinary shares		-	-	6,915
Interest paid		(357)	(239)	(565)
Lease liability payments		(60)	(52)	(103)
Receipt of bank loans		-	-	-
Repayment of bank loans		(413)	(361)	(768)
Commitment fees		-	-	(80)
Net cash generated from/(used in) financing activities		(830)	(652)	5,399
Net (decrease)/increase in cash and cash equivalents		(4,383)	252	4,298
Cash and cash equivalents at beginning of year		5,742	1,404	1,404
Foreign exchange gains/(losses)		-	12	40
Cash and cash equivalents at end of year	B	1,359	1,668	5,742

Interim Financial Statements

Notes to the Condensed Interim Consolidated Cash Flow Statement

for the six months ended 30 November 2022

A. Cash generated from operations

The reconciliation of profit/(loss) for the year to cash generated from operations is set out below:

	Six months ended	Six months ended	Twelve months ended
	30 Nov 2022	30 Nov 2021	31 May 2022
	£'000	£'000	£'000
Profit/(loss) for the period	322	(165)	149
Adjustments for:			
Depreciation	199	76	182
Amortisation of intangible assets	307	10	170

Other amortisation	7	-	-
Impairment of intangible assets	-	-	-
Share based payments	98	23	120
Grant income not cash received	-	(63)	-
Net interest costs	351	300	540
Tax credit	(524)	(300)	(683)
	760	(119)	478
Working capital movements			
Increase in inventories	(957)	(336)	(185)
(Increase)/decrease in trade and other receivables	(2,088)	374	(304)
Increase/(decrease) in trade and other payables	804	589	(721)
Increase/(decrease) in provisions	66	(58)	(1,183)
Cash (used in) /generated from operations	(1,415)	450	(1,915)

B. Analysis of net debt

	At 1 June 2021 £'000	Cash flow £'000	Non-cash changes £'000	At 30 Nov 2021 £'000
Loans	(5,799)	361	-	(5,438)
Lease liabilities	(296)	55	(3)	(244)
Liabilities arising from financing activities	(6,095)	416	(3)	(5,682)
Cash and cash equivalents	1,404	264	-	1,668
Net debt	(4,691)	680	(3)	(4,014)

	At 1 December 2021 £'000	Cash flow £'000	Non-cash changes £'000	At 31 May 2022 £'000
Loans	(5,438)	407	65	(4,966)
Lease liabilities	(244)	(5)	56	(193)
Liabilities arising from financing activities	(5,682)	402	121	(5,159)
Cash and cash equivalents	1,688	4,034	40	5,742
Net debt	(4,014)	4,436	161	583

	At 1 June 2022 £'000	Cash flow £'000	Non-cash changes £'000	At 30 Nov 2022 £'000
Loans	(4,966)	413	-	(4,553)
Lease liabilities	(193)	49	10	(134)
Liabilities arising from financing activities	(5,159)	462	10	(4,687)
Cash and cash equivalents	5,742	4,383	-	1,359
Net debt	583	3,921	10	(3,328)

Interim Financial Statements

Notes to the Condensed Interim Consolidated Financial Statements For the Period ended 30 November 2022

1. General information

Ensilica plc is a public limited company incorporated in the United Kingdom, quoted on the AIM Market of the London Stock Exchange. The Company is domiciled in the United Kingdom and its registered office is 100 Park Drive, Milton Park, Abingdon, OX14 4RY.

The condensed consolidated interim financial statements were approved for issue on 16 February 2023.

The condensed consolidated interim financial statements have not been audited or reviewed.

The condensed consolidated interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 May 2022 were approved by the Board of Directors on 14 October 2022 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The condensed consolidated interim financial statements comprise the Company and its subsidiaries (together referred to as the 'Group').

Basis of preparation

This condensed consolidated interim financial report for the period ended 30 November 2022 has been prepared in accordance with Accounting Standard IAS 34 Interim Financial Reporting.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report and Consolidated Financial Statements for the year ended 31 May 2022 and any public announcements made by EnSilica plc during the interim reporting period.

The consolidated financial statements of the Group have been prepared in accordance with UK-adopted International Accounting Reporting Standards (IAS) as issued by the International Accounting Standards Board (IASB) and the Companies Act 2006.

The financial information has been prepared under the historical cost convention unless otherwise specified within these accounting policies. The financial information and the notes to the financial information are presented in thousands of pounds sterling ('£'000'), the functional and presentation currency of the Group, except where otherwise indicated.

The principal accounting policies adopted in preparation of the financial information are set out below. The policies have been consistently applied to all periods presented, unless otherwise stated.

Judgements made by the Directors in the application of the accounting policies that have a significant effect on the financial information and estimates with significant risk of material adjustment in the next year are discussed below.

Going concern

In assessing the appropriateness of the going concern assumption, the Board has considered the availability of funding alongside the possible cash requirements of the Group and Company. After due consideration, the directors have concluded that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of this report.

Accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

Use of estimates and assumptions

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 May 2022.

Financial instruments

The Group's financial instruments comprise cash and cash equivalents, receivables and payables arising directly from operations, and derivatives. The directors consider that the fair values of the Group's financial instruments do not differ significantly from their carrying values.

2. Analysis of revenue

The Board continues to define all the Group's trading as operating in the integrated circuit design market and considers all revenue to relate to the same, one operating segment. Revenue is defined as per the accounting policies.

Revenue in respect of the supply of products is recognised at a point in time. Design and related services including income for the use of IP are recognised over the period when services are provided.

	Six months ended 30 Nov 2022	Six months ended 30 Nov 2021	Twelve months ended 31 May 2022
	£'000	£'000	£'000
Recognised at a point in time			
Supply of products	1,235	563	1,769
Recognised over time			
NRE design services	3,409	2,449	6,250
Consultancy design services	3,700	3,908	7,073
Licensing related income	248	37	201
	7,357	6,394	13,524
	8,592	6,957	15,293
By destination:			
UK	970	1,721	2,808
Rest of Europe	4,432	2,494	4,721
Rest of the World	3,190	2,742	7,764
Total revenue	8,592	6,957	15,293

The nature of the design services and projects is such that there will be significant customers as a proportion of revenue in any one reporting period but that these may be different customers from one period to the next. Revenue in respect of two customers amounted to £2.6m and £2.0m each representing 30% and 23% respectively of the revenue for the six months ended 30 November 2022 (30 November 2021: two different customers amounted to £4.1m being 35% and 24% of the reported revenue).

The group's non-current assets comprising investments, tangible and intangible fixed assets and the net assets by geographical location are:

	30 Nov 2022		30 Nov 2021		31 May 2022	
	Non-current assets £'000	Net assets £'000	Non-current assets £'000	Net assets £'000	Non-current assets £'000	Net assets £'000
United Kingdom	12,570	11,244	7,320	1,989	8,804	11,301
India	62	1,251	78	671	67	817
Brazil	80	84	48	68	87	35
	12,712	12,578	7,446	2,728	8,958	12,153

3. Alternative performance measures

These items are included in normal operating costs of the business but are significant cash and non-cash expenses that are separately disclosed because of their size, nature or incidence. It is the Group's view that excluding them from operating profit gives a better representation of the underlying performance of the business in the year.

The Group's primary results measure, which is considered by the directors of Ensilica plc to better represent the underlying and continuing performance of the Group, is Adjusted EBITDA as set out below. EBITDA is a commonly used measure in which earnings are stated before net finance income, amortisation and depreciation as a proxy for cash generated from trading.

	Six months ended 30 Nov 2022	Six months ended 30 Nov 2021	Twelve months ended 31 May 2022
	£'000	£'000	£'000
Operating profit/(loss) before interest	149	(165)	6
IPO costs	-	-	699
Adjusted Operating profit/(loss) before interest	149	(165)	705
Impairment of intangible fixed assets	-	-	-
Depreciation	199	76	160
Amortisation of intangible assets	307	10	171
Adjusted EBITDA	655	(79)	1,036
Profit/(loss) for the period	322	(165)	149
IPO costs	-	-	699
Adjusted Profit/(loss) for the period	322	(165)	848

IPO Costs

Attributable costs relating to the IPO performed during the previous year have been recognised within the consolidated statement of comprehensive income as an exceptional cost. These costs are excluded from the adjusted results of the Group since the costs are one-off in nature and will not repeat in future years.

4. Taxation on profit/(loss)

	Six months ended 30 Nov 2022	Six months ended 30 Nov 2021	Twelve months ended 31 May 2022
	£'000	£'000	£'000
Current taxation			
UK corporation tax credit	600	451	1,293
Foreign tax charge	(76)	(35)	(71)
	524	416	1,222
Deferred taxation			
Origination and reversal of timing differences	-	(116)	(539)
	-	(258)	(539)
Tax credit on profit/(loss)	524	300	683

Factors affecting the tax credit for the year

The tax credit on the profit/(loss) for the year differs from applying the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are reconciled below:

	Six months ended 30 Nov 2022	Six months ended 30 Nov 2021	Twelve months ended 31 May 2022
	£'000	£'000	£'000
Loss before taxation	(202)	(465)	(534)

Corporation tax at standard rate	(38)	(88)	(102)
Factors affecting charge for the year:			
Disallowable expenses	127	19	135
Research and development allowances	(807)	(382)	(1,205)
Reduced rate on surrender of R&D losses for tax credit	115	140	360
Restricted tax losses	79	-	-
Other timing differences	-	(24)	-
Differing tax rates	-	35	-
Charge due to change in tax rate	-	-	129
Tax credit on loss	(524)	(300)	(683)

The UK government announced on 23 September 2022 the intention to cancel the proposed increase in the corporation tax rate from 19% to 25% from April 2023, this intention was subsequently reversed. At 30 November 2022 the main rate of 25% remained enacted; the Company does not revalue deferred tax balances at the half year.

5. Earnings per share

	Six months ended 30 Nov 2022	Six months ended 30 Nov 2021	Twelve months ended 31 May 2022
Profit/(loss) used in calculating EPS (£'000)	322	(165)	149
Number of shares for basic EPS ('000s)	75,232	35,286	75,232
Basic earnings per share (pence)	0.43	(0.47)	0.20
Number of shares for diluted EPS ('000s)	82,767	35,286	76,106
Diluted earnings per share (pence)	0.39	(0.47)	0.20

Adjusted Earnings per share

	Six months ended 30 Nov 2022	Six months ended 30 Nov 2021	Twelve months ended 31 May 2022
Adjusted Profit/(loss) used in calculating EPS (£'000)	322	(165)	848
Number of shares for basic EPS ('000s)	75,232	35,286	75,232
Adjusted basic earnings per share (pence)	0.43	(0.47)	1.13
Number of shares for diluted EPS ('000s)	82,767	35,286	76,106
Adjusted diluted earnings per share (pence)	0.39	(0.47)	1.11

There are 424,440 of exercisable share options over ordinary shares respectively which are potentially dilutive to profit.

As part of the Company's 2022 long term incentive plan, share options over 6,661,500 ordinary shares and warrants over 450,000 ordinary shares are potentially dilutive to profit.

The figures for 2021 have been restated to better reflect the conversion of ordinary shares that took place as part of the IPO process in 2022 and shows results as though the share conversion on IPO had taken place in 2021.

6. Property, plant and equipment

	Right-of-use property £'000	Leasehold improvements £'000	Office equipment £'000	Right-of-use equipment £'000	Computer equipment £'000	Total £'000
Cost						
At 1 June 2022	213	-	198	174	455	1,040
Additions	1,825	235	41	370	61	2,532
Cessation of lease/disposals	-	-	-	-	-	-
Exchange adjustments	-	-	(2)	-	(2)	(4)
At 30 November 2022	2,038	235	237	544	514	3,568
Depreciation						
At 1 June 2022	(156)	-	(69)	(125)	(308)	(658)

Charge for the year	(91)	(9)	(21)	(29)	(49)	(199)
Cessation of lease/disposals	-	-	-	-	-	-
Exchange adjustments	-	-	-	-	-	-
At 30 November 2022	(247)	(9)	(90)	(154)	(357)	(857)
Net book value						
At 30 November 2022	1,791	226	147	390	157	2,711
At 31 May 2022	57	-	129	49	147	382
At 30 November 2021	5	-	120	85	183	393

7. Intangible assets

	Development costs	Software	Intellectual property	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 June 2022	11,384	123	-	11,507
Additions	1,692	-	40	1,732
At 30 November 2022	13,076	123	40	13,239
Amortisation and impairment				
At 1 June 2022	(2,904)	(27)	-	(2,931)
Charge for the period	(295)	(12)	-	(307)
Impairment in the period	-	-	-	-
At 30 November 2022	(3,199)	(39)	-	(3,238)
Net book value				
At 30 November 2022	9,877	84	40	10,001
At 31 May 2022	8,480	96	-	8,576
At 30 November 2021	6,944	109	-	7,053

Capitalised development expenditure relates to developed intellectual property in respect of circuit and chip design.

The recoverable amount of a cash generating unit (CGU) is assessed using a value in use model across each individual project that forms the intellectual property that has been capitalised. The value in use for each portion is dependent on the envisaged life cycle of the CGU using a discount factor of 10% (2021:10%), being the cost of capital for the CGU.

8. Trade and other receivables

	30 Nov 2022	30 Nov 2021	31 May 2022
	£'000	£'000	£'000
Current			
Trade receivables	1,661	1,608	1,541
Other receivables	952	353	458
Prepayments	562	189	248
Accrued income	2,169	446	1,010
Total	5,344	2,596	3,257

9. Borrowings

	30 Nov 2022	30 Nov 2021	31 May 2022
	£'000	£'000	£'000
Current			
Bank loans	833	803	800
Non-current			

Bank loans	3,726	4,635	4,166
Total	4,559	5,438	4,966

A bank loan of £1,867,000 (2021: £2,258,000) is secured by fixed and floating charges over the assets of the group and bears interest at rates of 8% over SONIA or 10% if higher. It is repayable in monthly instalments over the period to August 2026.

A loan of £2,875,000 (2021: £3,301,000) is unsecured and bears interest at a fixed rate of 13%. It is being repaid by quarterly instalments over the period to October 2027.

The loan liabilities are stated net of unamortised loan issue costs as at 30 November 2022 of £189,000 (2021: £132,000) which are being amortised over the period to the loan repayment dates.

10. Trade and other payables

	30 Nov 2022 £'000	30 Nov 2021 £'000	31 May 2022 £'000
Current			
Trade payables	1,475	1,469	919
Taxation and social security	519	238	227
Other payables	120	12	75
Accruals	939	913	1,156
Contract liabilities	133	1,058	14
Total	3,186	3,690	2,391

11. Share capital

Allotted, called up and fully paid	30 Nov 2022 £'000	30 Nov 2021 £'000	31 May 2022 £'000
1,700,000 A ordinary shares of £0.001 each	-	2	-
273,000 B ordinary shares of £0.001 each	-	-	-
75,231,809 ordinary shares of £0.001 each	75	-	75
59,190 (2021:Nil) Deferred shares of £1.00 each	59	-	59
	134	2	134

12. Share based payment

The company does not report share based payment detailed analysis as part of its half year reporting.

An estimated provision totalling £98,000 (30 November 2021 £23,000) has been made for the period under review.

13. Post balance sheet events

Subsequent to the end of the period under review there have been no events that the company feels should be brought to the shareholders' attention.

14. Related party transactions

During the period under review, the company undertook transactions with the following related parties:

Name	Services	Six months to 30 Nov 2022	Balance Owing/ (owed) at 30 Nov 2022 £'000	Six months to 30 Nov 2021	Balance Owing/ (owed) at 30 Nov 2021 £'000	Twelve months to 31 May 2022	Balance Owing/ (owed) at 31 May 2022 £'000
		Transactions during the period		Transactions during the period		Transactions during the year	
Ensilica India Private Limited	Semiconductor design services	724	770	546	198	1,428	Nil
EnSilica Do Brasil Sociedade Unipessoal Limitada	Semiconductor design services	535	Nil	228	Nil	614	Nil
Non-Executive Directors services prior to Company appointment:							
Hexameter Services Limited	Consultancy services - D Tilston	Nil	Nil	Nil	Nil	14	Nil
Janet Collyer	Consultancy services	Nil	Nil	Nil	Nil	14	Nil

Statement of Directors' responsibilities

The directors confirm that these condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report. The directors of EnSilica plc are listed on pages 24 to 27 of the annual report.

The directors are responsible for the maintenance and integrity of the Group's website www.ensilica.com. Legislation in the UK governing the preparation and dissemination of interim financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Ian Lankshear
Chief Executive Officer,
EnSilica plc

Matthew Wethey
Chief Financial Officer
EnSilica plc

16 February 2023

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lse.com or visit www.rns.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

IR TFM TMTIBTTJ