



AlphaWave IP

The background of the entire page is a deep blue space filled with numerous small white stars. On the left side, a curved portion of the Earth is visible, showing the outlines of continents and glowing city lights at night. Overlaid on this is a complex network of thin white lines connecting various points. Some of these points are highlighted as larger, bright blue circles, while others are smaller white dots. The network lines extend across the entire page, creating a sense of global connectivity and digital infrastructure.

Accelerating the future of connectivity

AlphaWave IP Group plc
Annual report and financial statements 2021

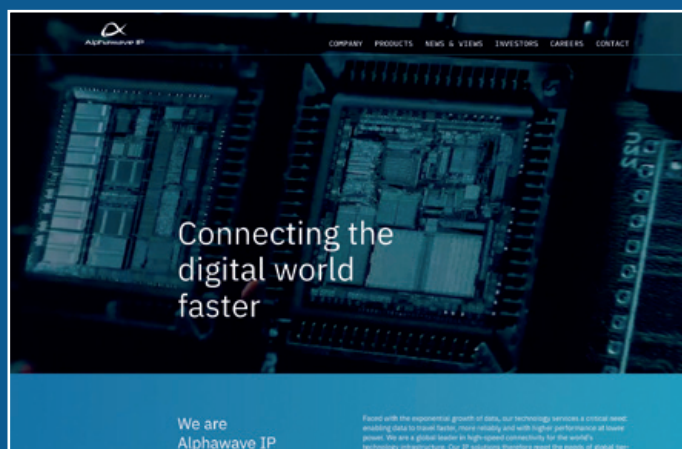
Our purpose

Alphawave IP builds industry-leading wired connectivity solutions that enable data to travel faster, more reliably, and with higher performance at lower power.

Our technology is being designed into leading-edge semiconductors to power global networks and computer systems. It is a critical part of the core infrastructure enabling next generation services in data centres, data networking, data storage, artificial intelligence, 5G wireless infrastructure and autonomous vehicles.

Globally, we are faced with exponential growth of data.

Our technology serves this critical need.



www.awaveip.com

Highlights

US\$244.7m

Bookings¹

US\$89.9m

Revenue

US\$51.8m

Adjusted EBITDA²

US\$501.0m

Cash and cash equivalents

1. Bookings are a non-IFRS measure representing legally binding and largely non-cancellable commitments by customers to license our technology. Bookings comprise licence fees, non-recurring engineering, support and, in some instances, our estimate of potential future royalties.
2. Adjusted EBITDA excludes IPO-related non-recurring costs, foreign exchange adjustments, share-based payments, M&A transaction costs and one-time fees associated with WiseWave. See note 4 (Alternative Performance Measures) on pages 133 and 134.

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Understanding Alphawave IP

Leading the world in high-speed connectivity solutions

We design industry-leading, high-speed connectivity solutions for customers in high-growth end-markets.

Our leading-edge technology pushes the boundaries of wired connectivity capabilities, enabling data to travel faster, more reliably and at lower power.

Powering next generation technologies, we serve tier-one semiconductor and hyperscaler customers globally. Our innovative solutions set industry benchmarks in terms of performance, power consumption, size and flexibility.

We do not make chips. We provide designs and software that our customers integrate into their own chips.

Hyperscalers, semiconductor vendors and OEMs are developing semiconductors that need bleeding-edge, high-speed connectivity and we are one of the few providers that can supply this technology.

We provide a critical building block of our customers' semiconductor designs, enabling data to be transmitted and received at a rate of nearly 900 billion bits every single second.

Facts and figures

Founded in 2017, and profitable since 2018, Alphawave IP has a world-class track record delivered by our experienced founding management team, supplying global tier-one customers.

US\$244.7m 173%

Bookings
(FY 2021)

Year-on-year revenue growth to
FY 2021

20

End-customers (as at end FY 2021)

58%

Adjusted EBITDA margin
(FY 2021)

“Our growth is anchored in the exponential growth of data. We enable data to travel faster, more reliably and at lower power.”

Tony Pialis

President & Chief Executive Officer

Technology delivery model

Today, we have multiple revenue streams, with a typical customer engagement comprising:

- licensing fee: typically covering a single Alphawave IP product in a single customer end product;
- support: multi-year recurring;
- non-recurring engineering fees (NRE); and
- royalties: bespoke arrangements with payments typically tied to the customers' chip volumes.

We plan to evolve our business model to generate revenue from the sale of silicon devices, as well as IP.

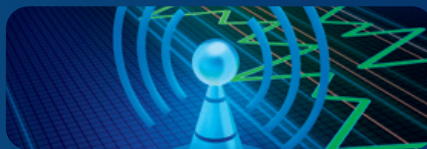
Globally, we are faced with an exponential growth of data.

Our technology is being designed into leading-edge semiconductors built to power global network and computer systems. It is a critical part of the core infrastructure which can enable next generation services in data centres, data networking, data storage, artificial intelligence, 5G wireless infrastructure and autonomous vehicles.

Serving a critical need for our customers:



Data centres



Data networking



Data storage



Artificial intelligence



5G wireless infrastructure



Autonomous vehicles

What we do

We focus on the hardest-to-solve connectivity challenges

Our technology architecture enables optimisation of power, performance and area for our customers



Higher performance

Our platform architecture, advanced signal processing techniques and hardware acceleration signal integrity, increase reliability and reduce latency whilst supporting multiple speeds, distances and industry standard protocols in the world's most advanced process technologies: 7nm, 6nm, 5nm, 4nm and beyond.



Lower power

Our software configurable digital signal processing architecture delivers up to 40% power savings compared to competitor offerings.



Smaller area

A leading-edge semiconductor comprises billions of transistors. Our architecture minimises the number of transistors required, which reduces the silicon area on the chip required to implement our designs. This enables our customers to optimise their designs and achieve better power efficiency and manufacturing yields.

Why invest?



Our mission is to focus on the hardest-to-solve connectivity challenges, focusing on **highest speeds, **lower power** and **lower cost**.**

Market leadership through differentiated digital signal processing architecture

Unique scalable and configurable product architecture with over 80 products.

First to demonstrate functional silicon in 7nm, 6nm, 5nm and 4nm processes.

Serving the most demanding global markets for high-speed connectivity

Our solutions meet the increasing global demand for data by powering data centre and network infrastructure, enabling data to travel faster, more reliably and with higher performance at lower power.

Multiple design wins with tier-one global tech leaders

29 design wins with 20 end-customers including five of the top eight semiconductor companies and leading hyperscale data centre players.

Read more about the rapid growth in data generation, processing, transport, storage and consumption in the market review on pages 14 to 21

Strong leadership with extensive track record of execution

Founded and funded in 2017 by an experienced team with a proven 20+ year track record in developing the most advanced high-speed connectivity semiconductor IP.

Multiple pillars for sustained growth and increasing value

Evolution from core IP solutions to product IP and chiplet IP delivers more value to customers and better economics to Alphawave IP.

High revenue growth with strong profitability

173% year-on-year revenue growth at 58% adjusted EBITDA margins.

Subscription licences, repeat wins and long-term royalties increasing revenue visibility.

Read more about our diverse and experienced team in the Board and management biographies on pages 54 to 59

Read more in the financial review on pages 42 to 47

Executive Chair's statement

"Looking back on the year, we are proud to have delivered record results."



John Lofton Holt
Executive Chair

2021 was a historic year for Alphawave IP in many ways. Looking back on the year, we are proud to have delivered record results while beating our IPO guidance, our raised guidance since the IPO and median analyst consensus for revenue and adjusted EBITDA. But most of all we are pleased to have delivered leading connectivity solutions to some of the largest chipmakers in the world, in the most advanced technologies. This technology leadership is a core part of our value and differentiation to date and is one of the key pillars of our continued growth and expansion in 2022 and beyond. As we look forward to 2022, we will continue to expand our technology leadership in our IP licensing business while broadening our portfolio of solutions through organic development and through continued acquisition of adjacent technologies. The recently announced acquisitions of OpenFive and Precise-ITC are examples of how we will continue to expand our product offerings in the future. With this growth and expansion, we will continue to be not only a leading provider of connectivity IP, but a global leader in connectivity-focused IP, chiplet and custom silicon solutions for the entire high-end semiconductor market.

Our strategy

We will build on our strengths to capture a disproportionate share and grow the global high-speed connectivity market.

The strategies we will use to achieve this are:

Market leadership

- First to market with new technologies
- Continue to build and expand our technology team, platform and products

Expansion

- Broaden our product portfolio across high-growth end-markets and applications
- Expand from single IP blocks to providing full connectivity solutions, whether as IP or custom silicon solutions
- Continue to execute our land-and-expand strategy with existing customers

Innovation

- Integrate more technology to deliver complete solutions
- Address emerging chiplets market
- Drive to highest speeds and smallest manufacturing nodes

Our vision for Alphawave IP

When we founded Alphawave IP in 2017, the founders had a vision to not just build a connectivity IP licensing company, but to build the world's leading semiconductor company focused on connectivity solutions. In 2021 we executed on this vision by expanding our core and product IP offerings with our key manufacturing partners – TSMC and Samsung. In the second half of the year, based on inbound demand from our most advanced customers, we accelerated our chiplet developments and announced early design wins with chiplets in 5nm technology. Looking to 2022, we will continue to accelerate our product offerings through organic development and acquisitions to provide a broader and deeper set of connectivity solutions to our customers. These will include a wide range of electrical and optical solutions, delivered through core, product and chiplet licensing business models, but also through chiplet and custom silicon delivery business models.

Included within the strategic report is a fair review of the Group's performance during the year and of its position at the end of the financial year.

Alphawave IP's IPO on the London Stock Exchange

In May 2021, we were admitted to listing on the London Stock Exchange, raising net proceeds of £347.1m (US\$492.1m). Our IPO represented one of the largest semiconductor IPOs in history, the largest IPO of a North American company on the London Stock Exchange and the first UK Main Market semiconductor IPO since 2004. Our IPO strengthened our ability to recruit the best talent and elevated our profile as we continue to win business from some of the largest technology companies globally.

We have begun to deploy our IPO proceeds, as we committed to investors during our IPO process. In the fourth quarter of 2021, we made the first tranche of our investment into WiseWave, a newly formed company established in China to develop and sell silicon products incorporating silicon IP licensed from the Group. We invested US\$22.4m in return for a 42.5% equity interest. As outlined in our IPO Prospectus, we moved the VeriSilicon reseller arrangement under WiseWave in order to consolidate the Group's activities in China under a single entity.

In early 2022, we completed the acquisition of Precise-ITC, bringing a team of talented engineers and additional strategic IP for our product portfolio. As recently announced, we have completed a definitive agreement to acquire OpenFive, including a portfolio of over 70 SoC IPs and a custom silicon design team specialised in networking and data centre ICs, as well as over 250 new customers. This transaction is expected to close in the fourth quarter pending regulatory approvals and will significantly increase our capacity and capability across our existing and new product offerings.

Executive Chair's statement continued

Financial performance

I am pleased to deliver our first full set of results as a listed company. Our bookings for the full year were US\$244.7m, over 220% growth on FY 2020 (US\$75.0m). We delivered revenues of US\$89.9m, which represents year-on-year growth of 173%. We also accelerated our hiring plans, growing our headcount from 72 at the end of 2020 to 154 at the end of 2021, significantly ahead of our budgeted headcount for FY 2021. Despite this, and increased investment in our sales, finance, HR, legal teams and increased administrative costs from becoming a listed company, we grew adjusted EBITDA to US\$51.8m for the year compared to US\$19.3m in FY 2020. Our balance sheet is strong with a closing cash balance of US\$501.0m and no borrowings. We will continue to invest to maintain our technology leadership, expand our product portfolio and grow our business globally with a main goal to maximise revenue growth while maintaining very good gross margins and profitability.

People, culture and values

I am exceptionally proud of our global team who have continued to execute for our customers and investors in a completely virtual environment over the last two years. Our team works with the largest companies in the world, who trust us to deliver exceptionally complex technology on time and to specification. In 2021, we more than doubled our headcount from 72 people to 154 and hired a new Head of Human Resources. Given the restrictions placed upon us by the pandemic, many of our employees have never set foot in an Alphawave IP facility. Thanks to the dedication of our employees, this has not hindered our ability to grow the business.

Every Alphawave IP employee participates in our long-term incentive programme to engender a shared sense of ownership. Every hire that we made in FY 2021 was given equity incentivisation through our long-term employee share programme. Further, Michelle Senecal de Fonseca has been appointed as Workforce Engagement Non-Executive Director on our Board, ensuring that the interests and concerns of our employees are represented at our Board.

COVID-19

The COVID-19 environment posed unique challenges to our team and to our customers. Fortunately, we were able to adapt quickly and complete multiple tapeouts in the world's most advanced technologies – 7nm, 6nm, 5nm and 4nm – all in a 100% virtual environment. We also completed our entire IPO process – from start to finish – in a 100% virtual environment. In addition to the impact on our own employees and adapting to new ways of working, the impact on our end-markets and our customers has been dramatic. As remote working became, and remains, the norm for many individuals, the demand for data accelerated, including video conferencing and online collaboration tools, consumption of video content by consumers, social media interaction, remote education and deployment of cloud-based enterprise solutions. For many people, technology was a personal and professional lifeline. In May 2020, the OECD reported that some broadband communication providers experienced up to 60% increase in internet traffic. Our end-customers are the companies that own, operate or provide components into global data infrastructure. With focus on network capacity, resilience and power efficiency, our customers invested heavily in 2021 and are accelerating their investments in 2022 and beyond. For the first time in history, global semiconductor sales topped US\$500bn in 2021 and we expect to see this trend continue to accelerate, to the benefit of our business and our shareholders.

Governance and leadership

Ahead of the IPO, we added six independent Non-Executive Directors to our Board, with Jan Frykhammar, former CEO and Chief Financial Officer of Ericsson, serving as our Senior Independent Director. Our Non-Executive Board members are all leaders in their respective industries and have diverse backgrounds across telecommunications, internet and semiconductors. Four of our six independent Directors are female. As a founding member of the Alphawave IP team, started in 2017 with a handful of individuals, I am humbled that such impressive and accomplished individuals have chosen to work with us on our journey as a listed company.

We have also significantly bolstered the senior leadership team, welcoming John Hou as our Corporate General Counsel, Maia Jones as our Head of Human Resources and Tony Chan Carusone as our Chief Technology Officer. In 2022 we will be further expanding our senior leadership team as we continue to scale our global capabilities.

Our first Annual General Meeting (AGM) as a listed company will be held on 6 June 2022. COVID restrictions permitting, we look forward to meeting our shareholders in person and sharing our excitement about what we have achieved at Alphawave IP and what we will achieve in the future.

Outlook for 2023 and beyond

We are excited about the prospects for the business, particularly in an environment where the importance and relevance of semiconductors to the global economy has seen increasing prominence. Through the pending OpenFive acquisition, we have seized an opportunity to accelerate our strategy and deliver our technology in a way that enables us to achieve revenue scale much faster than contemplated at the IPO.

The OpenFive acquisition is expected to close in H2 2022 pending US regulatory approvals. Including the financial contribution from OpenFive, we expect to reach revenues of between US\$325m and US\$360m in 2023. Longer-term, we expect to achieve annual revenue run rates in excess of US\$500m in 2024 and in excess of US\$1bn by 2027. Our near-term margins will be impacted by OpenFive as we integrate and scale that business, and we anticipate a 2023 adjusted EBITDA margin of 32% to 36% with a steady increase thereafter as we focus and integrate the business and realise the anticipated synergies. Excluding OpenFive, our standalone revenues are expected to be in line with the guidance provided at IPO, namely US\$210m to US\$240m, with an adjusted EBITDA margin of 50% to 60%.

Our guidance for the mid term and longer is reflective of our confidence in the core business and the OpenFive business and pipeline.

John Lofton Holt

Executive Chair

29 April 2022

Q&A

With John Lofton Holt,
Executive Chair

Q

For those less familiar with semiconductors, can you explain what Alphawave IP does?

A

A leading-edge semiconductor is made up of billions of transistors (a 5nm chip has over 100 million transistors per square millimetre). The function of the chip is determined by how those transistors are connected together. For example, you might have blocks of transistors that function as memory, or an interface or microprocessor. There may be hundreds of these building blocks on a chip, each one made up of millions of transistors. Alphawave IP provides building blocks that get data into and out of a chip extremely quickly (approximately 900,000,000,000 bits every second). We deliver our designs which have to be tailored for specific chip manufacturing processes. Our customers pay us to license those designs and we then typically get royalties for every chip they ship which incorporates our designs.

Q

Alphawave IP was only founded in 2017. How has it managed to achieve technological leadership against larger, well-funded competitors?

A

For the past 20 years, the Alphawave IP technical founders have scaled multiple businesses focused exclusively on licensing IP for high-speed connectivity. Conversely, the Alphawave IP business founders have successfully founded and scaled semiconductor businesses. By bringing together deep knowledge and experience of supplying connectivity IPs, with deep knowledge and experience of buying connectivity IPs, we were uniquely positioned for success. The industry reached an inflexion point in 2017 when a new approach was required to evolve the technology to higher speeds. The Alphawave IP team developed a new platform, using digital signal processing and software to replace various analogue stages in the signal chain. We engineered that platform from the outset to be configurable and scalable, enabling rapid new product introductions. As a result, we were first to market with functional silicon in 7nm, 6nm, 5nm and now 4nm.

Q

Where do you see the biggest opportunities for Alphawave IP in 2022 and beyond?

A

There are many. We have many new potential customers in our pipeline and many opportunities for design wins at our existing customers. As the industry transitions beyond 100G and 200G solutions to 400G, 800G and 1.6T at 3nm (and beyond) process technologies, our IP becomes more valuable and barriers to entry increase. We also see the potential for subscription deals with North American customers as repeat customers consume more of our IP. Finally, we see chiplet design wins happening faster than anticipated. We won several chiplet deals in Q4 2021, well ahead of our predictions during our IPO. This is a new way of delivering our existing IP and more value to the customer, and we have negotiated higher royalty rates for these deals. With the acquisition of Precise-ITC, we now have leading controller IP so we can offer more integrated solutions and deliver more value to our customers.

Q

How will Alphawave IP maintain its leadership in future?

A

We achieve this through a combination of technology leadership and new product introductions as well as continuing to win new customers and building on the trust and track record with our existing customers. Today we work with all three global leaders in the semiconductor supply chain – TSMC, Samsung and Intel. As we have done successfully in the past, we aim to be first to market with each generation of technology, both at higher speeds and more advanced manufacturing process nodes. Core to this is maintaining and growing our world-class research and development team and the IPO has enabled us to expand our engineering headcount significantly ahead of plan. We continue to attract exceptionally strong talent who are motivated by working in a dynamic and ambitious environment solving some of the hardest technological challenges for our customers.

Q

How important is the China market to Alphawave IP and what is your strategy in the region?

A

Our largest end-market is the US and most of our customers are US companies. China, in common with the US and Europe, increasingly recognises the need to secure more domestic supply. We work with VeriSilicon, the largest IP provider and a leading ASIC vendor in China, to resell our IP in the region. We also became a founding minority shareholder in WiseWave. WiseWave has ambitions to become a leading networking semiconductor device company in China and with access to a portfolio of our IP, they can accelerate their time to market. WiseWave has assembled an impressive team and if they execute to plan, this will create huge value for our shareholders.

Q

Given the increasing costs of developing leading-edge chips, how many potential customers can Alphawave IP ever aim to win?

A

It is estimated to cost upwards of US\$500m to develop leading-edge silicon at 5nm. As chip complexity increases, process geometry shrinks and engineering talent is constrained, these costs go up. Therefore, there are few companies globally that can afford this, many of whom are the largest names in the technology industry. We have around 80 actual or potential customers in our pipeline and estimate the total number of addressable customers to be in the low hundreds. Some customers have many separate chip development programmes every year, so increasing our share of wallet at existing customers is as important as winning new customers. We also see new entrants to the semiconductor market – major players in automotive, medical and other domains – realise the importance of differentiation through developing their own silicon. We are in discussions with a number of those companies.

President & CEO's statement

"The technical founders of the business have been leaders in connectivity since the late 1990s, but we have never had a year as successful as 2021."



Tony Pialis

President & Chief Executive Officer

The technical founders of the business have been leaders in connectivity since the late 1990s, but we have never had a year as successful as 2021. Our business performance was driven by our continued and expanding technology leadership, and delivery of communications solutions to some of the most sophisticated end-customers in the world. We first established technology leadership in 2017 with our 112Gb/s solutions in 7nm. In 2021 we expanded that leadership beyond 6nm and 5nm and into 4nm technology. We are now delivering technology to five of the top eight largest semiconductor companies globally and four global hyperscalers. Many of these customers are repeat customers who have licensed multiple products from us.

Our number one focus – our customers

Over 2021, we grew our end-customer base from 11 to 20, winning some of the largest technology and semiconductor companies in the world. Our customers spend hundreds of millions of dollars on their chip developments – our IP is a critical element of those designs and selected at the beginning of their product development journey. Whilst our leading technology provides us with a distinct competitive advantage, it is also our proven track record that provides our customers the confidence to choose, and choose again, Alphawave IP as a mission-critical technology provider.

We work with some of the largest semiconductor companies and hyperscalers in the world. As a result, we are restricted in what we can disclose given the strategic importance and sensitivity of their chip development roadmaps.

In 2021 and early 2022, we were proud to announce further design wins with Samsung, including a 4nm win with a global hyperscaler, our win with Microchip for their next-generation 1.6Tb/s Ethernet retimer family and our success with Tektronix in driving their industry-leading PCI Gen 6.0 solutions. Based on our strong pipeline, we expect to continue to win new customers and repeat business from existing customers in 2022.

Technology

Although only founded in 2017, Alphawave IP has built on the 20-year legacy and achievements of the founding team. Together, they have founded and scaled multiple businesses delivering high-speed connectivity solutions. Our scalable and configurable IP platform, built entirely in-house, has enabled us to rapidly expand our portfolio to over 70 products. In 2021, we were the first IP vendor in the world to deliver 5nm and 4nm solutions and several customers also taped out early silicon integrating our IP. In June 2021, the foremost market research provider for silicon IP, IPNest, confirmed Alphawave IP's leadership position in Very High-Speed SerDes.

We have invested heavily in research and development during the year, scaling significantly ahead of plan and increasing our R&D headcount from 66 to 134. Tony Chan Carusone joined in January 2022 as our Chief Technology Officer. Tony is a pre-eminent figure in the semiconductor industry and for the past 20 years has been Professor of Electrical and Computer Engineering at the University of Toronto, focusing on lowering power consumption of microelectronics for communications traffic. Tony was recently named a Fellow of the IEEE, the world's largest technical professional organisation for the advancement of technology.

Our manufacturing partners

Alphawave IP delivers connectivity technology in the most advanced process technologies in the world from TSMC, Samsung and Intel. Our end-customers then leverage these manufacturing partners to build their semiconductor devices. While the development with Intel is recent and was just announced in 2022, the long heritage of the Alphawave IP founding team working with TSMC and Samsung goes back more than a decade. In 2021, we were awarded TSMC 'Partner of the Year' for the second year in a row. This was a proud moment for our team and reflects the deep relationships that we have with TSMC as a key partner.

Building a global connectivity leader

When we founded Alphawave IP, we set out to build a global connectivity leader – not just an IP company. We achieved profitability within a year by building our core connectivity IP portfolio. More recently, we significantly expanded that portfolio to include product IPs and chiplet IPs. We have now announced further expansion of our capabilities through the acquisitions of OpenFive and Precise-ITC. This enables us to bundle additional technology and capabilities for our customers beyond just core, product and chiplet connectivity IPs by offering customised chiplet silicon devices. In 2022, we expect to further expand our technology leadership into the electrical connectivity space and the optical connectivity space. Through these expansions we strive to be a global connectivity leader for the most advanced semiconductor companies in the world.

Q1 trading update

As expected, Alphawave IP has continued to accelerate sales performance in Q1 2022. Total bookings for the period were US\$30.7m, a quarter-on-quarter increase of 20%. This performance was driven by continued expansion in North America with numerous design wins with new and existing customers, as well as an additional chiplet design win. There were also repeat wins with a major Korean customer and WiseWave, several new customer wins in North America and one design win with a new customer in China through the VeriSilicon reseller relationship. Of the US\$30.7m in bookings, US\$5.7m was through VeriSilicon previously booked as part of the US\$54m multi-year reseller transaction signed in Q1 2021, demonstrating further success from the reseller relationship, US\$19.4m represented new IP licence and related sales, and US\$5.6m were management's estimates of future royalties. The Group expects to continue to accelerate the sales performance in the second quarter and expand both within existing customers and new customers, primarily in North America and Korea.

Tony Pialis

President & Chief Executive Officer

29 April 2022

Market opportunity

Megatrends driving our business

Whilst our technology is complex, what it enables is simple – communication. At the heart of every network or data centre, semiconductors are receiving, processing, storing and transmitting data, whether the source or destination of that data is an IoT device, an autonomous vehicle, an enterprise application, a consumer PC or smartphone.

According to the World Bank's World Development Report 2021, in 1992, global internet traffic was 100Gb per day. In 2022, traffic is expected to reach 150,000Gb per second. Alphawave IP is enabling this rapid growth by enabling the next generation of semiconductors to communicate faster, more reliably and at lower power.

End-market

Data

- Generation
- Consumption
- Processing
- Storage

Driven by

- Cloud
- IoT
- 5G
- Autonomous vehicles
- AI and data analytics

US\$150bn

- Hyperscale data centre capex (LTM June 2021)

Alphawave IP's
opportunity in
the metaverse

Semiconductor

Cost and complexity

Chip development costs massively increasing

Vertical integration

End-customers developing in-house chips to provide competitive differentiation

Supply chain

US, Europe and China all seeking to develop domestic supply chains

Advanced packaging

Move to chiplet architectures to decrease cost and increase yield

Silicon IP

Third-party silicon IP

Adoption driven by need to

Reduce cost

Reduce time to market

Reduce complexity

Continual refresh cycles

Driven by

Standards

Speeds

Process nodes

The metaverse seeks to create immersive, virtual, 3D worlds focused on social connection. To enable mainstream adoption and reduce reliance on expensive user hardware, network infrastructure must be capable of streaming immense volumes of data to support millions of simultaneous users, increased display resolutions for more realistic environments and decreased latency for increased user immersion.

Data bandwidth, latency and reliability across the network are critical. This will drive new data centre and network build-outs and upgrades by some of our largest and most sophisticated hyperscaler and semiconductor companies. We enable data to travel faster, more reliably and at lower power and enable these customers to develop semiconductors to support the computing and networking requirements that the metaverse will demand.

“To achieve anything close to what metaverse boosters promise, experts believe that nearly every kind of chip will have to be an order of magnitude more powerful than it is today”.

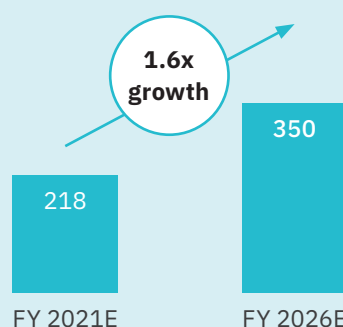
Protocol, 14 February 2022

Megatrends driving our business continued

Hyperscale data centres

- The vast majority of data traffic is within data centres – for every bit of data that travels the network from data centres to end-users, five bits of data are transmitted within and among data centres
- Hyperscale data centres offer economies of scale, power efficiency and agility, typically housing over 5,000 servers
- Providers include Amazon, Google, Facebook, IBM, Microsoft, Tencent and Baidu, as well as telcos and other service providers
- Hyperscalers are increasingly developing their own silicon to provide technological advantage, optimise workloads and power efficiency

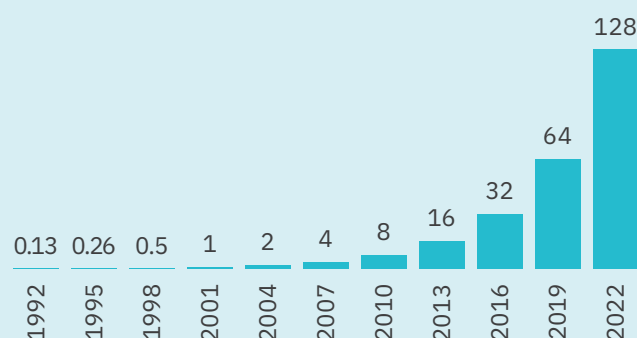
Hyperscale data centre capex spend (US\$bn)¹



Interface speeds doubling every three years

- There are numerous technology standards within computing and networking, including PCIe (Peripheral Component Interconnect Express), Ethernet and USB
- PCIe is commonly used to connect peripheral devices such as graphics cards, storage devices and Ethernet connectivity adapters on computer and server motherboards
- Speeds for these interfaces, whether PCIe or Ethernet, have typically doubled every three years, with PCIe 5.0 targeting bandwidth of 256 Gb/s

PCIe speeds (Gb/s)²

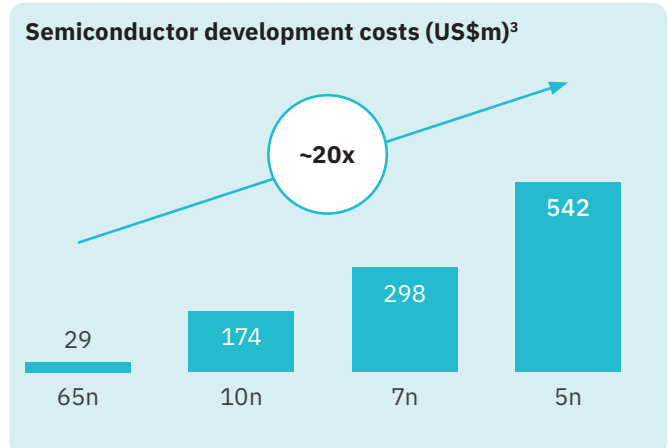


1. Source: Dell'Oro Group – 1 February 2022.

2. Source: PCI Special Interest Group (PCI-SIG).

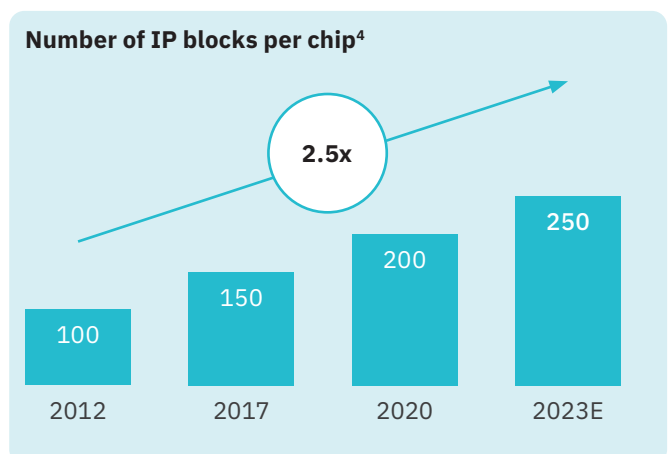
Increasing cost and complexity of chip design

- For demanding applications, such as network switching and AI, to achieve higher performance and increased functionality at lower power, designers increasingly choose leading-edge manufacturing processes
- An advanced chip may contain tens of billions of individual transistors and a chip made on a 5nm process can contain over 150 million transistors in a square millimetre
- With every transistor size reduction, development costs on average rise significantly – now over US\$500m for a 5nm process



More silicon IP consumed per chip

- As successive generations of chips embed more functionality, the average number of functional silicon IP blocks they integrate has risen
- This increased cost and complexity, along with optimising time to market, has increased reliance on third-party silicon IP vendors
- Particularly given the technical challenges of developing high-speed connectivity at smaller process geometries, it becomes more economical with less risk to use independent IP vendors, such as Alphawave IP, rather than attempt to develop technology in-house



3. Source: International Business Strategies, Inc.

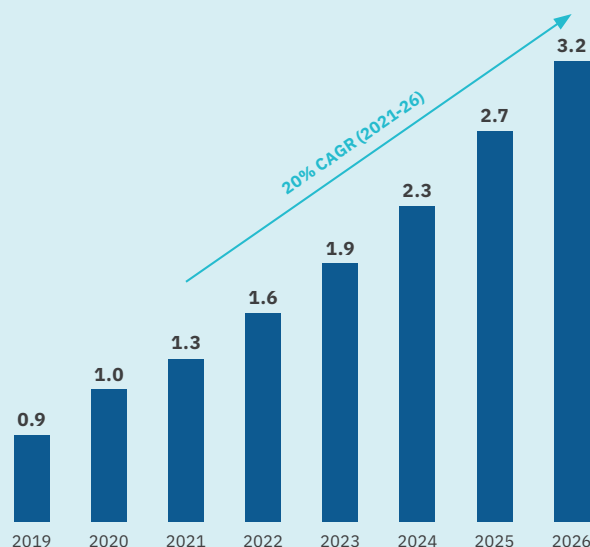
4. Source: Semico Research.

The silicon IP market

The total silicon IP market is estimated at **US\$5.5bn** in 2021, growing to **US\$10.7bn** by 2026

- Wired Interface IP, Alphawave IP's addressable segment, is estimated at **US\$1.3bn** in 2021, growing to **US\$3.2bn** by 2026
- Wired Interface IP is forecast to be the **fastest-growing** segment of silicon IP
- Alphawave IP targets the fastest-growing segments within **Wired Interface IP**, including Very High-Speed SerDes and Die-to-Die interface
- Our **expansion** into chiplet IP and chiplet devices will materially expand our addressable market

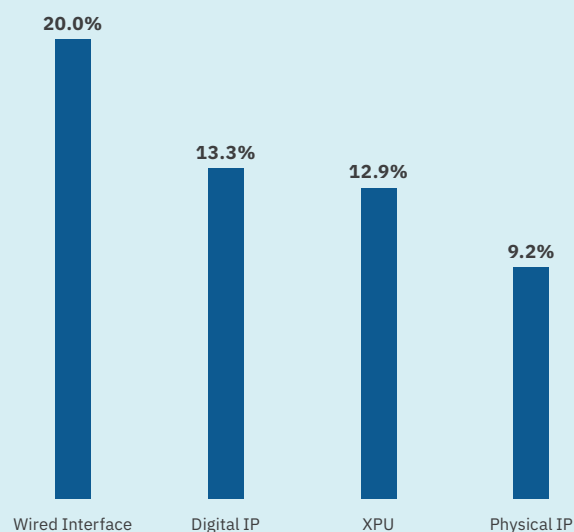
Wired Interface IP market¹
(US\$bn)



The silicon IP market is highly concentrated – the top ten vendors represent approximately 80% of the market

- Specific vendors lead in **specific domains** – e.g. ARM in processors, Imagination in graphics, Rambus in memory interface, CEVA in DSP IP
- Alphawave IP is a top 10 global provider of silicon IP and the number one provider of Very High-Speed SerDes (56Gb/s and above)

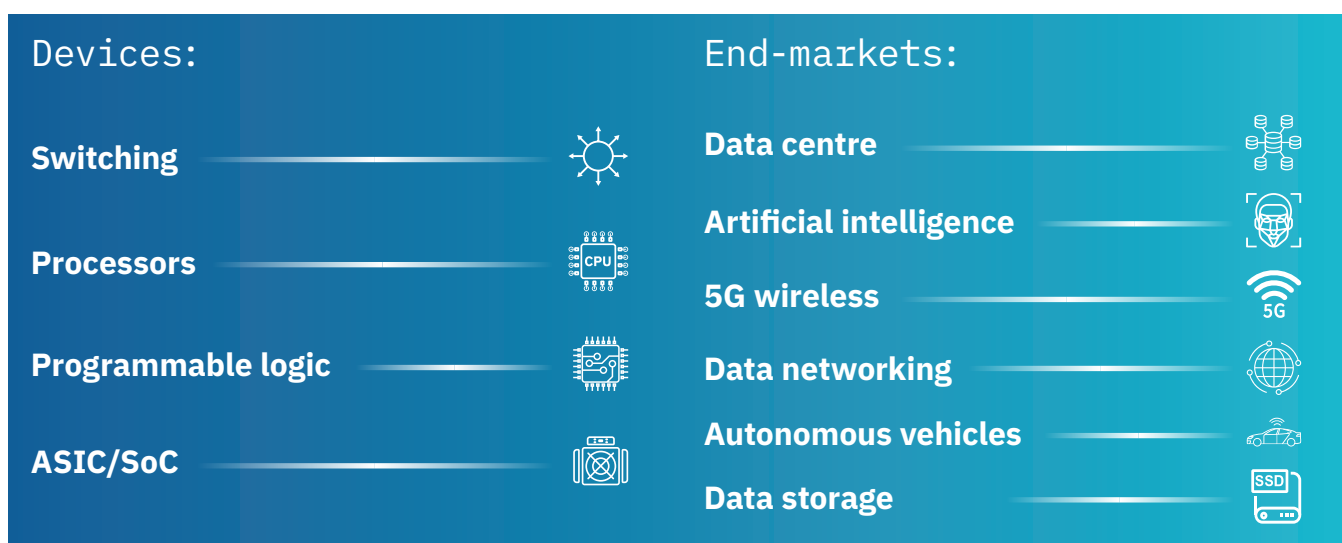
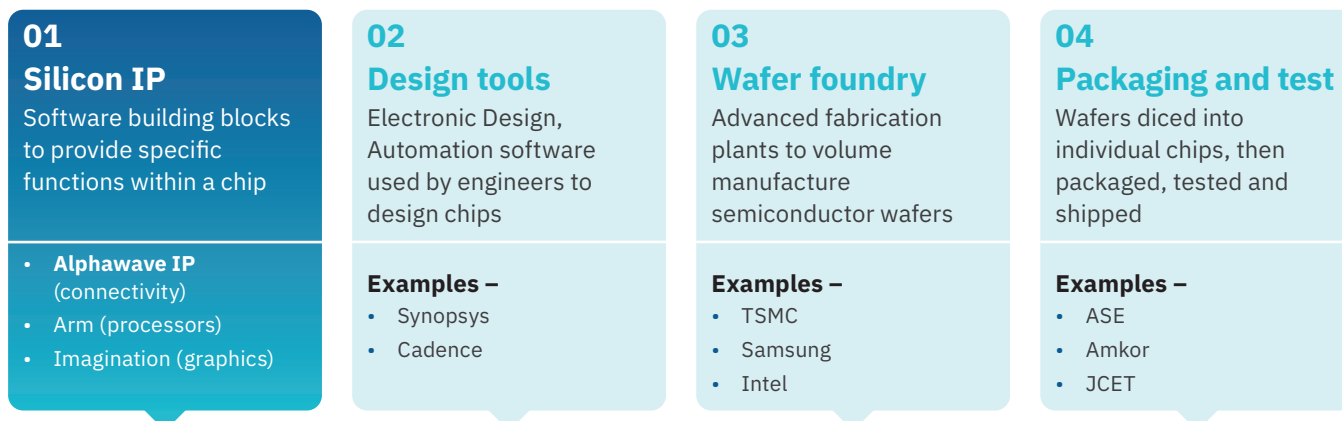
Wired Interface IP is the fastest-growing segment of silicon IP (2021-26 CAGR)¹



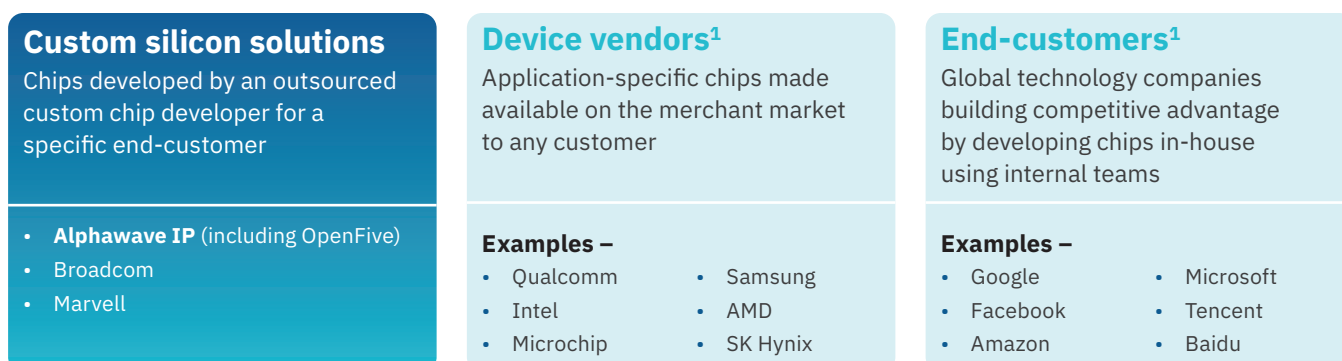
1. Source: IPnest, 2021.

The semiconductor ecosystem

Key elements to design and manufacture a leading-edge chip:



Business models for chip design and supply:



1. Company names included above are illustrative and not intended to be representative of Alphawave IP customers or partners.

Our technology offering

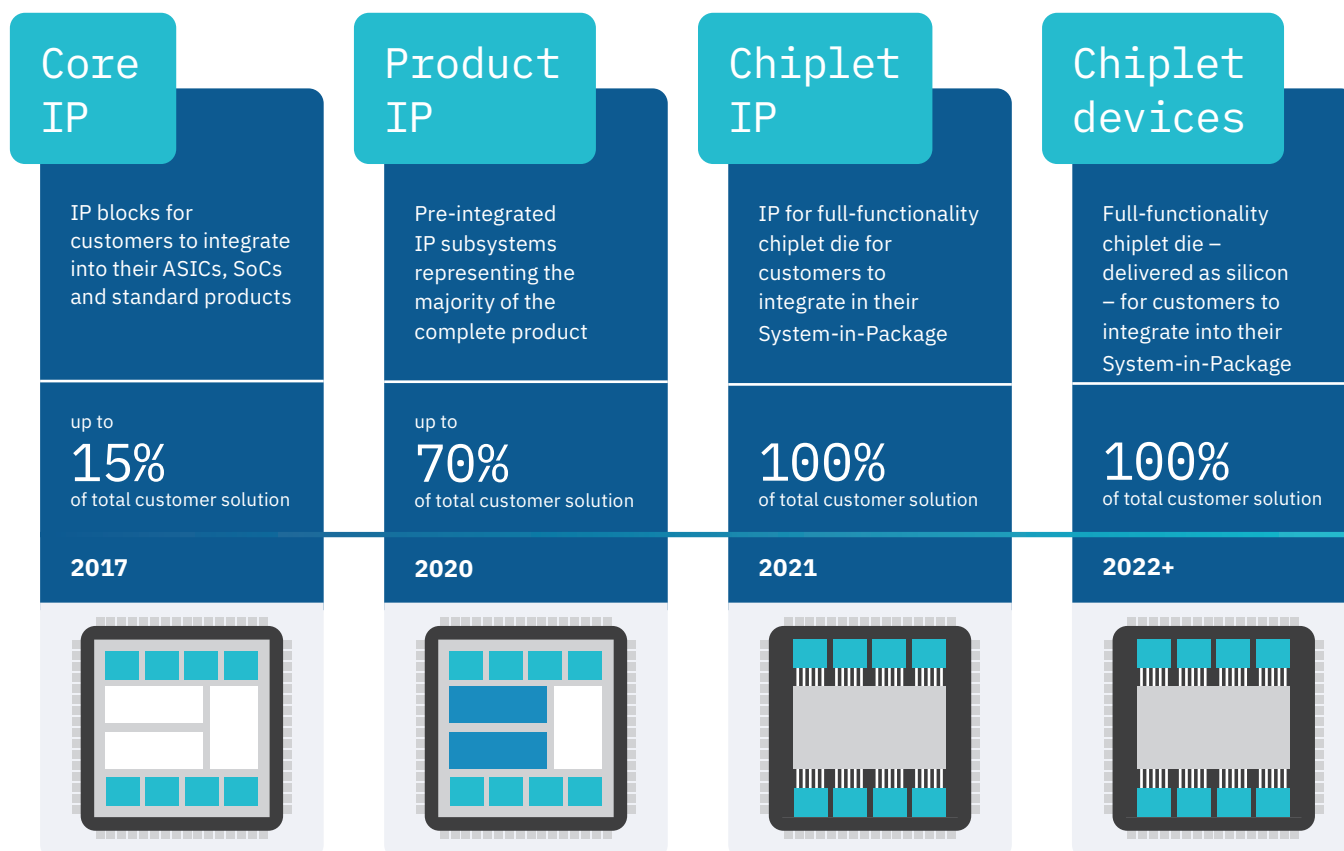
We believe our high-speed connectivity IP solutions have a significant competitive advantage driven by our technology approach, our focus and our proven track record.

Performance, power consumption, size and flexibility are typically the most important considerations for our customers, and since our founding, we have repeatedly established benchmarks in the industry against those parameters. We believe that we are the first company to demonstrate functional silicon for high-speed connectivity solutions at 7nm, 6nm, 5nm and now 4nm. In both 2020 and 2021, the Group was recognised as Open Innovation Platform Partner of the Year for High-Speed SerDes by TSMC.

Since our foundation, we have built a configurable product platform replacing analogue stages with digital signal processing (DSP) in our solutions. Digital signal processing has existed for decades, but we pioneered its application within high-speed connectivity using our proprietary DSP core.

Our configurable product development platform and DSP-based approach enables us to:

- overcome the limitations of traditional analogue designs, using software algorithms to continuously predict and adapt to changes, using techniques such as digital equalisation, forward error correction, sequence detection and other proprietary innovations;
- efficiently configure our products for the requirements of our customers, optimising power, performance and area for specific applications;
- provide more flexibility, cost advantages for our customers, enabling us to implement changes in software, rather than hardware, without compromising performance;
- more rapidly introduce new products and more effectively scale our technology to new manufacturing processes; and
- support a wide range of data rates from 1Gb/s to 112Gb/s, and also support multiple signalling schemes used in over 30 different industry protocols and standards.





Our platform approach has enabled us to introduce over 80 products across six product families, ranging from extremely short reach die-to-die parallel interfaces (AresCORE) to our flagship extra-long reach ZeusCORE product for data networking.

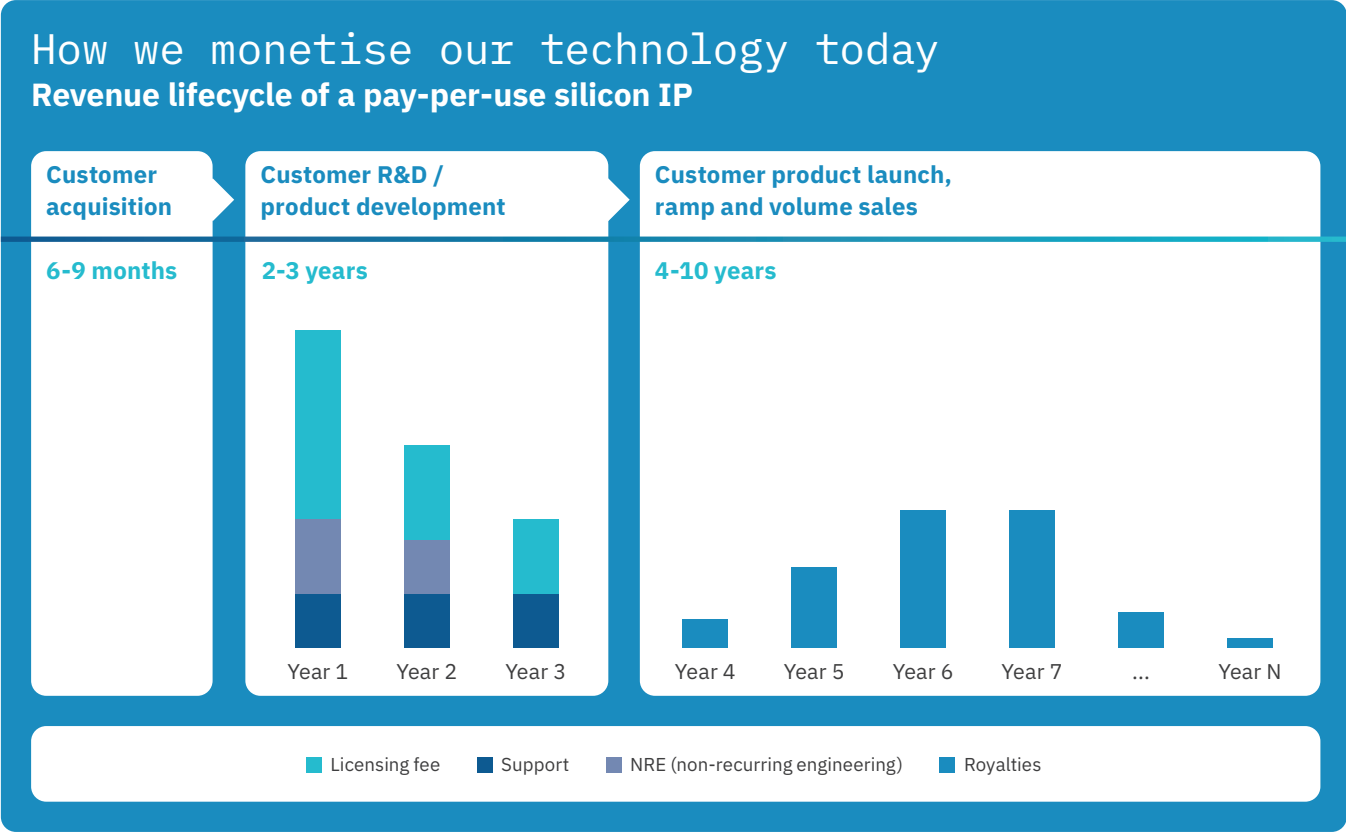
A core element of our strategy is to deliver more value to our customers by providing customisable IP subsystems and full IP solutions.

- Since our foundation, we have provided Core IP, representing a small overall part of the customer's chip design, which our customers integrate with other IP blocks within their chip.
- In 2020, we had our first Product IP wins. These Product IPs are customisable IP subsystems which function as re-timers (repeaters within a connectivity channel) or gearboxes (enabling interfaces between different protocols and standards). These Product IPs represent a substantial part of our customers' end product.
- In Q4 2021, we had our first Chiplet IP wins. We will deliver as silicon IP an entire chiplet design for a full-functionality connectivity chiplet for our customers to integrate into their system-in-package products. Our customers are responsible for fabricating the chiplet.
- Going forward, we will secure design wins to deliver chiplet silicon. This would move us from providing IP to providing complete silicon dies, manufactured at third-party foundries. This will enable us to significantly scale our revenues and deliver a solution to our customers which reduces their technology risk and speeds their time to market.

What is a chiplet?

- Moore's law is the empirical observation that the numbers of transistors in a dense integrated circuit doubles roughly every two years.
- Whilst this held true for decades, doubling transistor density now takes three to four years, but comes with a sharp rise in wafer cost, producing little or no reduction in cost per transistor.
- One way to address this is to divide large integrated circuits into smaller modular pieces of silicon dies, or chiplets, integrated together using die-to-die interfaces.
- Chip designers can increase a chip's transistor count beyond what a simple chip can hold, and different chiplets can use different manufacturing processes. Some chiplets could use older processes to save cost, whilst other chiplets could use leading-edge processes for optimal performance.
- A large die is more likely to contain a defect than a small die. Using multiple smaller dies than one large die can significantly increase manufacturing yields.
- Adoption of this chiplet architecture has been estimated to reduce the cost for large 7nm designs by up to 25%, with even greater savings at 5nm and beyond.

Our business model



Our typical pay-per-use licence, which makes up the majority of our transactions today, licenses an end-customer to use a specific IP for a single end product on a specified manufacturing process.

During the customer product development phase (approximately two to three years), we recognise the IP licensing fee, any non-recurring engineering fees and any support.

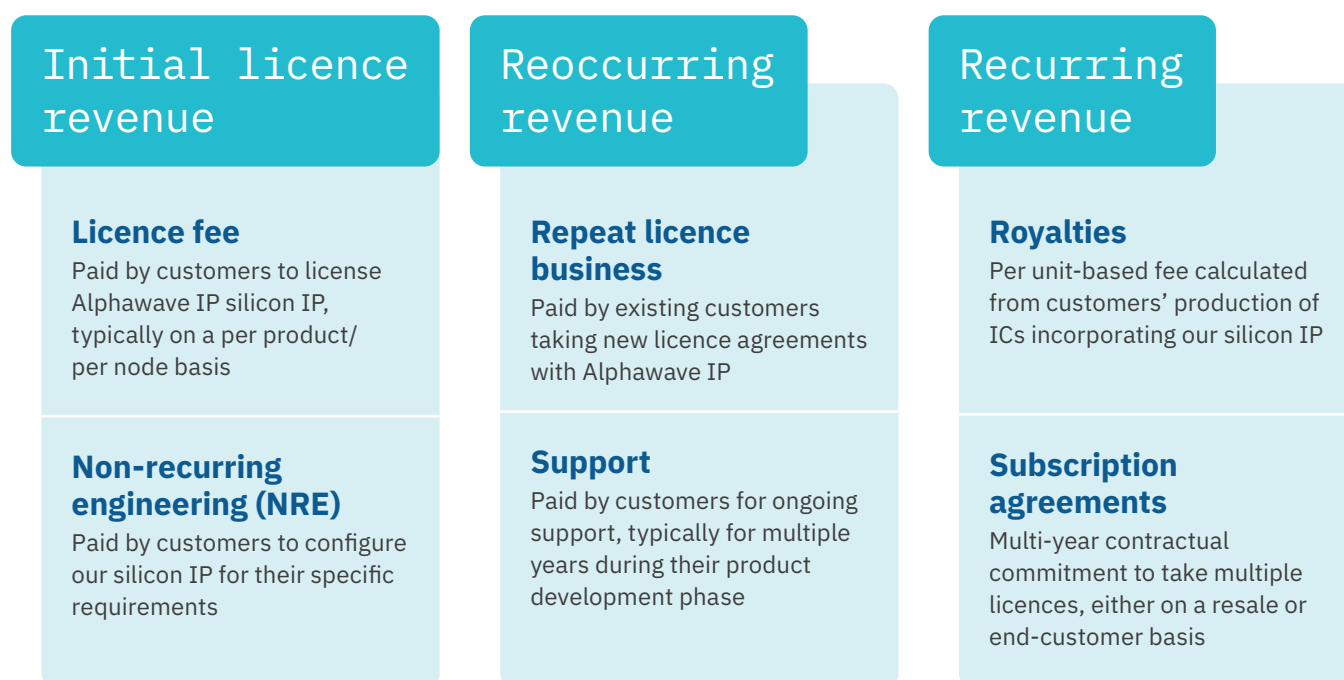
Once our customers go into production with their chips, the majority of our licences include royalty payments, typically based on the volume of chips shipped by our customers.

As our IP is embedded into chips for network infrastructure and data centres, the life of these chips, and therefore the period over which we expect to collect royalties, is expected to be five to seven years.

We typically work with our customers over many years and frequently win repeat business from them. They trust our technology to operate reliably over the working life of their chips, which could exceed many years. Our business model is designed to deliver sustainable long-term value to our customers, investors, employees and other stakeholders.



How we create value



Evolution of our revenue model

01. Product IP and Chiplet IP

As we are delivering more value to the customer and reducing their risk and time to market, we expect to generate higher royalty rates from Product and Chiplet IP deals.

02. Subscription licences

Our addressable customer base is limited, given the number of companies globally that have the financial and operational resources to develop leading-edge networking or compute chips. However, those customers typically have multiple chips in development. As we win repeat business with those customers, we are in discussions to license our technology on a subscription basis. In return for a longer-term, multi-year commitment and regular periodic payments, those customers will have broader access to a pool of our IP to use in multiple end products. To date, we have signed subscription licence deals with VeriSilicon and WiseWave in China and are in discussions with a number of large North American customers.

03. Chiplet devices and custom silicon solutions

As we look to expand our business model to deliver not only IP, but silicon itself in the form of chiplet dies and custom silicon solutions, our revenues could substantially increase. We would not only collect royalties on IP designed into chiplets or custom silicon, but would sell silicon in volume to our end-customers. Our revenue opportunity in silicon will be a substantial multiple of our revenue opportunity in IP. As we will be relying on third-party foundries to manufacture silicon, we anticipate that our cost of sales will also be higher as we deliver silicon.

Strategic objectives

Delivering against IPO strategic priorities for growth.



Technology leadership

Expand team to maintain technology leadership and drive 400G, 800G and 1.6T solutions

Achieved in 2021

- First design wins for connectivity chiplet IP
- First 4nm tape-out
- First 4nm design win
- Announced enablement of customer solutions at 400G/800G/1.6T



Expansion

Land and expand: Win new customers in new and existing markets, and win new designs at existing customers

Expand growth globally

Expand product offerings, including subscription and royalty revenue streams

- 20 end-customers, almost doubled from FY 2020
- Expanded customer engagement both within existing customers and new customers

- Doubled number of US customers
- Multiple repeat wins in South Korea

- Multiple Product IP deals signed
- First Chiplet IP deals signed in Q4 2021
- First subscription licence deals signed



Innovation

Address emerging chiplet market (estimated US\$50bn market size in 2024) with chiplet IPs and, eventually, manufactured chiplets

- Two Chiplet IP wins secured ahead of plan
- Covering electrical and optical applications

Plans for 2022

- World-renowned CTO hired in early 2022

- Continue hiring in R&D, identifying teams on a global basis
- Expand foundry partnerships and secure first wins at 3nm and beyond
- Accelerate bundled IP offerings and IP subsystems, integrating Precise-ITC IP and OpenFive IP

- Design wins at multiple hyperscalers globally
- Customers include five of the top eight global semiconductor companies

- Win new global hyperscalers
- Secure further design wins at existing customers with potential for subscription licences
- Acquisition of OpenFive adds over 50 new customers

- Completed first two major subscription deals in China with WiseWave and VeriSilicon
- VeriSilicon reseller relationship successfully delivering new licences

- Extend reseller relationships into new regions
- Support WiseWave to sample first silicon by end-2022
- Continue to support VeriSilicon in winning and executing new business

- Acquisition of Precise-ITC to expand product offering to controller IP

- Win first North American subscription licence deal
- Potential for first royalty revenues in 2022, albeit limited
- Acquisition of OpenFive will expand our IP portfolio by over 75 products

- Execute on existing Chiplet IP wins and secure further chiplet IP wins
- Multiple ongoing discussions with potential customers for Chiplet silicon
- Acquisition of OpenFive will rapidly accelerate custom silicon development capabilities

Our strategy in focus



Accelerating the future of connectivity

Acquisitions of Precise-ITC and OpenFive are the first major deployments of IPO proceeds to accelerate Alphawave IP's business plan

Acquisitions nearly double the total number of connectivity-focused IPs from 80 to over 155, enabling Alphawave IP to bundle solutions for customers

Adds OpenFive's custom silicon capability to accelerate Alphawave IP's chiplet capabilities and revenue opportunities

Nearly quadruples the Alphawave IP customer base from 20 to over 75 and adds a new major North American hyperscaler customer

Accelerates revenue growth and total EBITDA growth with over half a billion dollars of revenue run rate forecasted in 2024

Acquisition of OpenFive and Precise-ITC to accelerate the Alphawave IP business plan

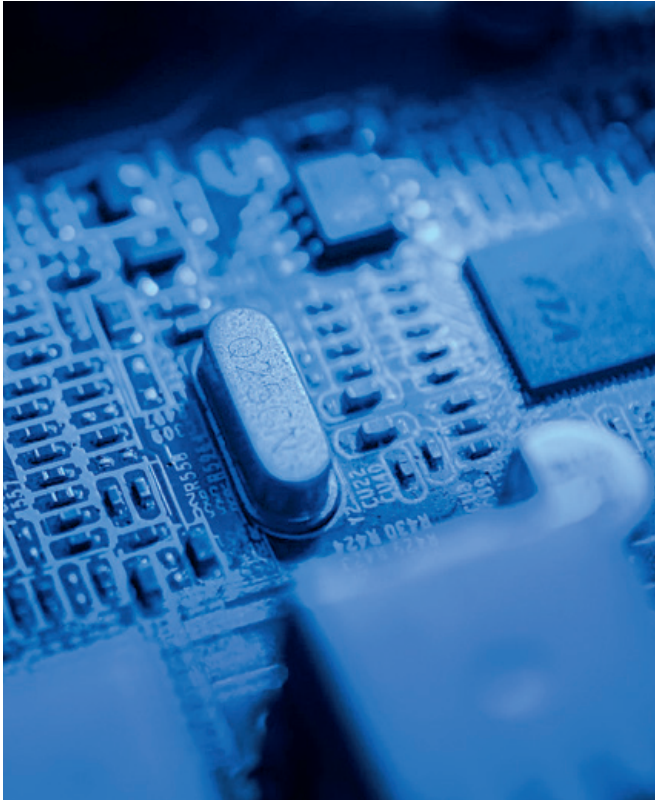
Key highlights

Alphawave IP acquired Precise-ITC (closed in January 2022) and executed agreements with SiFive, Inc. to purchase its OpenFive business (announced in March 2022 with closing subject to regulatory approvals).

These acquisitions will nearly double the number of connectivity-focused IPs available to Alphawave IP customers from 80 to over 155 and will provide customers with a one-stop-shop for their bundled connectivity needs in the most advanced technologies at 5nm, 4nm, 3nm and beyond. This will include an expanded die-to-die connectivity portfolio that will accelerate chiplet delivery capabilities to customers. Alphawave IP has also licensed RISC-V processor IPs from SiFive as part of the OpenFive transaction.

OpenFive's proven silicon development team will enable Alphawave IP to offer leading-edge data centre and networking custom silicon solutions and will enhance its chiplet design capabilities. This will accelerate Alphawave IP's strategic goal to scale revenues by monetising its leading connectivity IP not only through IP licensing but advanced custom silicon design.

Both transactions are immediately EPS accretive to Alphawave IP. Forecast FY 2023 revenue for the enlarged Group is anticipated to reach between US\$325m and US\$360m with a path to a yearly revenue run rate of over US\$500m in 2024. Following the acquisition of OpenFive, 2023 adjusted EBITDA margins for the Group are expected to be between 32-36% with 2025 adjusted EBITDA margins between 40-45% as revenues exceed US\$500m.



“It has been a pleasure working with the Alphawave team on this transaction, and I am sure that we will continue to work together as SiFive focuses on its core RISC-V business. We were also pleased that Alphawave licensed SiFive’s RISC-V processor IP as part of the transaction, which further demonstrates the importance of SiFive RISC-V technology to high-end customers globally in a variety of end-markets.”

Patrick Little

Chairman and CEO, SiFive

The acquisitions of OpenFive and Precise-ITC will accelerate our business in every way – product portfolio, customer base, revenue growth and long-term total EBITDA.

The acquisitions of OpenFive and Precise-ITC represent the first major strategic deployment of Alphawave IP’s IPO proceeds. These acquisitions will accelerate the business in every way – from products offered, to customer base, to revenue growth, to long-term EBITDA and returns for investors. The capability to deliver its technology in a wide range of silicon IP and silicon form factors will solidify Alphawave IP’s position as a global leader in connectivity solutions for the semiconductor industry.

These capabilities will drive further deepening and broadening of Alphawave IP’s customer relationships with the most sophisticated semiconductor companies and hyperscalers globally, with a focus on the North American market.

“Our entire team is excited about the opportunity to join the Alphawave IP team and grow our business by leveraging the resources and technology of Alphawave IP. We have worked together since 2019 and our individual pipelines for Q4 2021 and 2022 are strong. By combining our capabilities, we will be able to accelerate both of our businesses and expand our pipeline even further.”

Silas Li

Founder and President, Precise-ITC

Key performance indicators

We regularly review the following key performance and financial metrics to assess our performance and strategy.

Financial

Revenue

US\$89.9m

2021	US\$89.9m
2020	US\$32.9m

Link to strategy



Description

Our revenue is an IFRS financial measure and demonstrates our ability to execute against our bookings. For our licence bookings, our revenue is primarily recognised on a percentage of completion basis as we execute against contractual milestones. Our contracts are highly negotiated and invoicing and cash collection may lead or lag revenue recognition.

Performance

We saw 173% revenue growth in FY 2021, driven largely in North America and China, by execution against bookings secured in FY 2020 and FY 2021.

Adjusted EBITDA¹

US\$51.8m

2021	US\$51.8m
2020	US\$19.3m

Link to strategy



Description

Adjusted EBITDA is a non-IFRS financial measure defined as the Group's earnings before interest, taxation, depreciation and amortisation, adjusted to remove share-based payment charges and non-recurring operating expenses such as IPO-related costs and advisory costs associated with acquisitions.

Performance

Our adjusted EBITDA increased by 168% in FY 2021, driven by increased revenues at high gross margins, offset by an significant increase in our operating expenses as we scale our business.

Pre-tax operating cash flow

US\$26.5m

2021	US\$26.5m
2020	US\$11.8m

Link to strategy



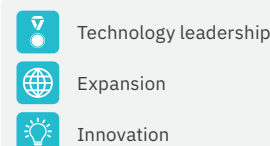
Description

Pre-tax operating cash flow is an IFRS financial measure and demonstrates our ability to convert our operating profit into cash. Pre-tax operating cash flow is based on our pre-tax profit, adding back non-cash items, such as depreciation, and reflecting changes in our working capital.

Performance

Our pre-tax operating cash flow increased by 124% in FY 2021. Excluding cash outflow from one-time IPO-related expenses, our pre-tax operating cash flow was US\$36.5m.

1. Adjusted EBITDA and Adjusted profit after tax excludes IPO-related non-recurring costs, foreign exchange adjustments, share-based payments, M&A transaction expenses and one-time legal fees associated with WiseWave. See note 4 (Alternative Performance Measures).



Non-financial

Bookings¹

US\$244.7m

2021	US\$244.7m
2020	US\$75.0m

Link to strategy



Description

Bookings are a non-IFRS measure representing legally binding and largely non-cancellable commitments by customers to license our technology. Our bookings comprise licence fees, non-recurring engineering, support and, in some instances, our estimate of potential future royalties. A portion of our bookings may not convert to revenue if those royalties do not materialise or customers are unable to pay us.

Performance

We delivered a 226% annual increase in bookings. Growth was across all regions. Our subscription licence agreements in China, representing multiple years of contracted revenue, was a substantial contributor.

Backlog excluding royalties

US\$168.6m

2021	US\$168.6m
2020	US\$37.3m

Link to strategy



Description

Backlog is a non-IFRS measure representing our bookings less revenues recognised to date. It represents the revenue that we expect to collect in future years based only on our existing and legally binding orders. As new bookings are secured, our backlog will increase and as existing bookings are recognised as revenue, our backlog will decrease.

Performance

Our backlog excluding royalties increased over 350%, driven by increased bookings secured in FY 2021.

End-customers

20

2021	20
2020	11

Link to strategy



Description

Customers is a non-IFRS measure representing the number of unique end-customers that we recognise revenue from, and are therefore actively engaged with, during the year. Winning new customers reflects our ability to execute against our strategy and continue to innovate.

Performance

In FY 2021, we won repeat business from many of our customers, but also nearly doubled our end-customer base, with the majority of the new customer adds in North America.

1. Including estimates of potential future royalties totalling US\$24.0m in FY 2021. Royalties are estimated based on contractually committed royalty pre-payments on commencement of customer silicon shipments or, in limited instances, on sensitised volume estimates provided by customers.

ESG

We are proud of our diverse workforce

**We are one of the only semiconductor
companies with a majority-women
independent Board of Directors.**

Our aims for 2022

Report our gender pay gap

Publish our modern slavery
statement

Introduce best-in-class
employee benefits prioritising
employee health and wellbeing

Track and publish our
charitable contributions



Sharing our value among shareholders and employees

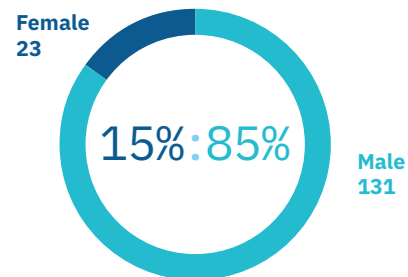
We do not want to exist as a top-down organisation. We have appropriate governance between management, the Board and employees which sets the tone for how we engage with our stakeholders. Our compensation structure reflects our shared purpose.

Bold ideas flow from top-down diversity

At Alphawave IP, ensuring diverse representation and the bold ideas it creates is something we take seriously from the top down.

More than half of our independent Board is made up of women, who are leading figures in global technology companies. It is reflective of our diverse workforce, which is over 15% female and where 75% of our global workforce identifies with a minority group.

Gender diversity¹



1. Data as at 31 December 2021.

Responsible governance

- **Management structure:** Our management is inclusive, fair, accessible, and has a well-established controls environment with a clear balance of power between the President & Chief Executive Officer, Executive Chair and the Board of Directors. Our Board of Directors is majority-independent and is led by our Senior Independent Director, who is a globally recognised governance leader in public technology companies.
- **Equity structure:** We have one class of shares in our Company – ordinary shares. There are no special rights, no ratchets, no liquidation preferences, and no special voting agreements. All shares carry the same rights.
- **Executive compensation:** Our management team is paid on average at the bottom quartile of public companies in the FTSE 250. For 2021, our President & Chief Executive Officer and Executive Chair have waived participation in any annual bonus or stock-based compensation and have committed to doing so again in FY 2022.
- **Employee compensation:** All our employees have received either shares, options or restricted stock units in the Company. This is part of our commitment not just to shareholder value but enabling our colleagues to share in the value they create. Employees also receive annual performance-based salary increases and bonuses.
- **Gender diversity:** We actively seek to encourage gender diversity and four of our six Non-Executive Directors are female. As at the end of FY 2021, of our total workforce, 23 employees are female and 131 male. The semiconductor industry has historically seen under-representation of females, with the Global Semiconductor Alliance and Accenture reporting in 2020 that the majority of semiconductor companies have less than 1% of women in director roles and above. Of our senior managers, classified as those in director roles and above, four are female and 17 are male as at 31 December 2021.

Our low carbon footprint

The fact that we license IP means that we have a low carbon footprint. However, we strongly believe that all companies have an obligation to actively help society decarbonise, and we are proud of the fact that our technology has been built to perform better at lower power.

This has the potential to contribute towards the increased power efficiency of the world's IT infrastructure. Though the transmission of data is a small percentage of the total power consumption in many systems, there are many thousands of devices that can benefit from our power savings.

Our aims for 2022

Report to TCFD and SASB

Formalise path to carbon neutrality

Committed to carbon neutrality

We are committed to achieving carbon neutrality and use Bullfrog Power to purchase power from renewable energy sources that meet or exceed the strictest environmental criteria offset programme.

- We provide silicon IP solutions, delivering software and designs in a virtual environment. We therefore operate in a low environmental impact sector, relative to our customers and partners who may operate data centres or manufacture semiconductors.
- Though our environment impact is low, we are actively reducing our carbon footprint and committing to operate on a carbon neutral basis across our Scope 1 and 2 emissions.
- To deal with electronic equipment at the end of their life cycle, we will use robust product lifecycle management programmes for our computer and IT resources and recycle electronic equipment. This helps to recover precious and rare earth metals.
- Our products enable data to travel at lower power, which has the potential to lower the carbon footprint of the world's IT infrastructure.

Reducing climate risk through transparent disclosure

We care about embedding transparency in our financial disclosures, so that we can be a part of greener financial markets, where climate risk can be more accurately assessed, and investors can make informed decisions. We intend to report using the Sustainability Accounting Standards Board (SASB) framework.

Task Force on Climate-Related Financial Disclosures (TCFD)

The Group recognises the impact of climate change and the role we must play to mitigate the impact on our business and the wider world. Alphawave IP is committed to transparency in its disclosure of climate-related risks and the management of those risks. Given the nature of our business and operations, the climate-related risks that directly impact us are of limited materiality. However, we have considered these and identified opportunities to reduce our impact on and from climate change.

We strongly support the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), which are structured around governance, strategy, risk management and metrics and targets. As we have a standard listing on the LSE, we are not required to apply the TCFD recommended disclosures in FY 2021. We will be required to do so in future years and have elected to do so, but may not be fully compliant in FY 2021. We have considered the recommendation of the TCFD and provide the following information on our approach to assessing and disclosing climate-related risks and opportunities in accordance with Listing Rule 14.3.27R, except for the following matters:

- Disclosure ('strategy c') – we have not performed a quantitative risk assessment or climate-related scenario analysis.

We have structured the report in line with the four themes of Governance, Strategy, Risk management and Metrics and targets.

Governance

The Board has overall accountability for the management of risks and opportunities, and the Board's consideration of significant risks impacting the Group (pages 50 to 53) includes assessment of risks associated with climate change. Our Chief Financial Officer is responsible for our risk management framework, including the assessment and management of climate-related risks. During 2022, we intend to hire an individual within the senior executive team with responsibilities to include leading our climate change agenda and managing our policies and practices across sustainability and wider ESG matters. Our Senior Vice President of Operations is responsible for our facilities, our IT resilience and IT end-of-life policies.

We do not manufacture or supply physical products, our premises are limited to leasehold office spaces and during substantially all of 2021, our workforce was working from home due to the COVID-19 pandemic. Therefore, the Group's exposure to climate-related risks is considered to be low and not currently classified as a significant risk. In view of our low exposure and our business model, and as we are still developing our approach to managing climate-related risks, the Board's assessment of climate-related risks is provided on a qualitative basis rather than quantitative scenario testing.

Strategy

We have not identified any short-term climate-related risks that are likely to have a material and direct impact on our operations. We are potentially exposed to medium and longer-term climate-related risks of a global/macro nature that impact society in general, together with risks which may impact our end-customers and the broader semiconductor supply chain. These physical risks are either event-driven, such as extreme weather events, or chronic, being longer-term shifts in climate patterns, such as sustained higher temperatures or rising sea levels. We are also potentially exposed to transitional changes, including changes to government policies, taxes or measures aimed at reducing emissions.

Our exposure is mitigated by the fact that we are a low carbon intensity business, delivery of our technology to customers is through virtual and not physical means, is not dependent on a single region or a physical supply chain and we have proven our ability, throughout the COVID-19 pandemic, to execute remotely and from alternative locations. Therefore, we regard our exposure to direct physical climate-related risks as low. Further, the impact of any transitional changes upon the Group and its operations is considered to be low compared to those businesses that have more direct dependencies on manufacturing, distribution or fossil fuels.

Task Force on Climate-Related Financial Disclosures (TCFD) continued

Strategy continued

Our end-customers may rely on physical infrastructure and supply chains for the manufacture and delivery of semiconductors either for production use or during the development process, or may have operations, including data centres and networks utilising those semiconductors, that are required for their own businesses or that they make available to customers. In the medium and longer term, physical and transitional climate-related risks may impact the ability of our customers to source and purchase semiconductors or to build or operate their data centres or networks. We regard these risks as being of a global nature which our customers and partners, some of the largest technology companies in the world, are better placed to mitigate.

Power consumption is a material consideration for our customers and one where we believe we have a competitive advantage in our technology. Increasing focus on power consumption within data centres and networks, and the need for our customers to select vendors across their supply chains that offer power efficiencies, represents a growing opportunity for the Group.

Risk management

Our process for identifying and assessing risks and opportunities follows our Group-wide risk assessment and management process. These risks, together with mitigations, are discussed by the executive management team and the Board. Given the nature of our business model, the Group's exposure to climate-related risks is considered to be low and not currently classified as a significant risk. Our overall risk management process is described on pages 50 to 53.

Metrics and targets

The Group is already proactive in putting in place mitigating actions to reduce its environmental impact, such as avoiding unnecessary business travel and purchasing energy from certified renewable sources. We currently purchase renewable energy certificates (RECs), similar to Renewable Energy Guarantees of Origin in the UK, significantly in excess of our power consumption from our offices in Toronto, Canada. These are purchased from Bullfrog Power Inc in Toronto, Canada, who source them from EcoLogo®-certified wind, solar and low-impact hydro-facilities. By purchasing RECs, we reduce our carbon footprint and directly support sustainable energy generators.

We offer our shareholders the ability to receive documentation, including our annual report, in electronic form. Our annual report is printed on recycled paper.

For 2022, we plan to fully offset our Scope 1 and 2 greenhouse gas emissions through the purchase of RECs or carbon offsetting. We plan to make further disclosures structured around the TCFD framework in our 2022 annual report and we will develop the depth of our TCFD disclosure over time.

Streamlined Energy and Carbon Report (SECR)



Alphawave IP has appointed Carbon Footprint Ltd, a carbon and energy management company, to independently assess its greenhouse gas (GHG) emissions in accordance with the UK Government's 'Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance'.

The GHG emissions have been assessed following the ISO 14064-1:2018 standard using the 2021 emission conversion factors published by Department for Environment, Food and Rural Affairs and the Department for Business, Energy and Industrial Strategy. The assessment follows the location-based approach for assessing Scope 2 emissions from electricity usage. The financial control approach has been used.

The table below summarises the GHG emissions for the 2021 reporting year. This is the first year that Alphawave IP has assessed its emissions and this will set the baseline for future assessments. For FY 2021, the scope includes UK and non-UK operations, including Canada and the US.

Scope 1 includes emissions associated with gas consumption. Scope 2 includes emissions associated with electricity consumption. Scope 3 includes emissions associated with business travel and also includes electricity consumption attributable to our utilisation of servers within our third-party data centre provider. Reported energy consumption and associated carbon emissions includes energy consumption from our leased offices in Toronto.

Activity	Baseline year 2021
In metric tonnes CO₂e	
Total Scope 1 emissions (natural gas)	14.18
Total Scope 2 emissions (electricity consumption)	6.33
Total Scope 3 emissions (transmissions and distribution, non-controlled electricity, homeworkers, well to tank, flights, hire car, taxi and grey fleet travel)	45.33
Total gross (Scope 1, 2 & 3) location-based emissions	65.84
Intensity ratios	
tCO ₂ e (gross Scope 1, 2 & 3) per employee	0.49
tCO ₂ e (gross Scope 1, 2 & 3) per US\$m revenue	0.73
Underlying energy consumption (kWh)	
Total global energy consumed	285,414
Total UK energy consumed	273
UK-based emissions	0.1%
UK-based energy consumption	0.1%

As from 1 July 2021, we contracted with Bullfrog Power Inc., in Toronto, Canada, to purchase Renewable Energy Certificates (RECs), sourced from projects that meet or exceed environmental criteria as defined by EcoLogo®. Our purchases of RECs equated to 194.4 MWh, which represents a substantial portion of our total energy consumption and considerably exceeds our energy consumption attributable to our Scope 1 and Scope 2 emissions.

In light of the impact of COVID-19 and the limited ability of our employees to work from our offices or undertake business travel during FY 2021, we were constrained in our ability to implement any significant energy efficiency measures. As travel constraints are now lifting and employees are increasingly returning to our offices, we are keeping under review any opportunities to implement such measures going forward.

Section 172(1) and stakeholders

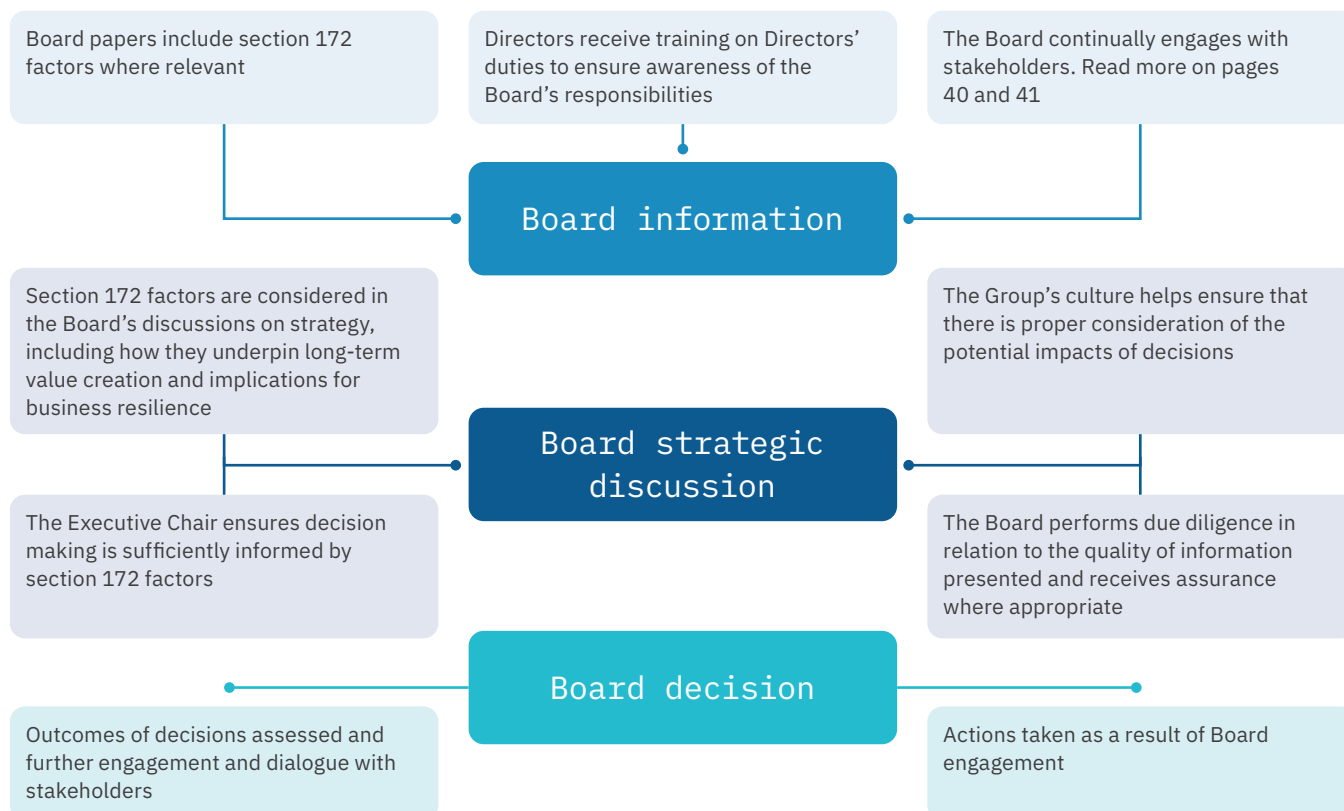
Engaging with our stakeholders and acting in a way that promotes the long-term success of the Group, while taking into account the impacts of our business decisions on our stakeholders, is central to our strategic thinking and our statutory duty in accordance with section 172(1) of the Companies Act 2006. This constitutes our section 172 statement as required under the Companies (Miscellaneous Reporting) Regulations 2018.

The Board of Directors consider, both individually and collectively, that they have acted in a way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the matters set out in section 172 (a) to (f), in the decisions taken during the year.

Recognising that companies are run for the benefit of their shareholders, but that the long-term success of a business is dependent on maintaining relationships with stakeholders, the Board continuously reviews which relationships support the generation and preservation of value in the Company. These relationships include those with our customers, employees, investors and shareholders, partners and suppliers and society.

As a Board, our intention is to behave responsibly and ethically at all times, in line with our Group values, and to ensure that our management teams operate the business in a responsible manner and to the highest standards of business conduct and good governance. As we act in a way which reflects our values, we will contribute to the long-term success of the Group and continue to develop our reputation as a responsible and successful business that delivers stakeholder value.

Our approach to section 172 is set out below:



Investors

The Executive Directors and other members of the management team regularly engage with investors, to explain and discuss the Group's strategy and objectives and to understand the interests of smaller shareholders of the Group. The Board recognises its responsibility to act fairly between all shareholders of the Group. The Group communicates with investors through investor roadshows and conferences, the annual report and financial statements, full-year and half-year announcements, quarterly trading statements, regulatory announcements, the Annual General Meeting (AGM) to be held in June 2022 and one-to-one meetings with existing and potential new shareholders. The Executive Chair will aim to ensure that the Chairs of the Audit, Nomination and Remuneration Committees are available at the Annual General Meeting to answer questions. All regulatory announcements along with financial reports are available on the corporate website. The Board receives regular updates on the views of shareholders through briefings and reports from the Executive Chair, the President & Chief Executive Officer, Chief Financial Officer and the Group's brokers.

Employees and workforce engagement

All our employees are in geographies that are highly regulated to ensure excellent working conditions. We do not leverage low-cost geographies that expose workforces to poor conditions or below-market compensation. The management team interacts daily with all employees and operates a dedicated HR function at its key site in Toronto. Management has implemented employee policies and procedures that are appropriate for the size of the Group and meet local legislation.

We do not want to exist as a top-down organisation. We have appropriate governance between management, the Board and employees which sets the tone for how we engage with our stakeholders. Our compensation structure reflects our shared purpose. This is part of our commitment not just to shareholder value but enabling our colleagues to share in the value they create.

Primary responsibility for workforce engagement sits with the President & Chief Executive Officer and the senior management team and Michelle Senecal de Fonseca has been appointed as the Board's designated Non-Executive Director representative for workforce engagement. Michelle updates the Board on feedback received from the Head of Human Resources and provides feedback from the Board back to the Head of Human Resources. The pandemic has impacted the ability of Michelle to engage with our people in person and she plans to hold various 'on-site' visits with teams once COVID-19 restrictions are lifted in our various sites. Michelle and the Board have ensured that engagement has been maintained through other means, such as intranet communications, blogs, internal networks, virtual town halls and newsletters.

Supporting our people and communities during the pandemic

We established a COVID-19 task force to guide all the key activities in a coordinated manner and ensure business continuity. We implemented a series of robust protocols for Alphawave IP employees including temperature scans, increased disinfection, social distancing and the use of masks. We recognised early that we needed to educate and train our teams and their families about the risks of community spread and how our safe work practices could be extended to their homes. By doing so, our employees have not only had the resources to protect themselves and their colleagues, but also their families and local communities. We took several proactive steps to support our employees and address their needs during this time, including an Employee Assistance Programme offering services from financial counselling to mental health support. It is a testament to the strength of our people, capabilities, and processes that we were able to swiftly adapt to the new working environment and drive our safety culture forward.

Section 172(1) and stakeholders *continued*

Customers and suppliers

Apart from its shareholders and employees, the Group's main stakeholders are customers and suppliers. The Group operates in market segments that are characterised by technologically advanced applications and must constantly innovate in order to meet evolving industry trends and customer demands. To compete successfully, the Group must respond quickly and successfully to industry trends and to competitor and in-house product developments, improve its existing products and processes and develop new products and processes on a schedule that keeps pace with technological developments and requirements. The Group strives to accurately predict market requirements and market demand through research and development, constantly engaging with and building strong relationships with customers. The Group aims to continue developing IP solutions for anticipated industry needs, which allows it to maintain existing customers and win new customers.

We use some of the leading and most respected suppliers and partners in the semiconductor industry. Strong relationships with suppliers are critical to the Group's performance and the Group seeks to build long-term mutually beneficial relationships with suppliers and work with them to ensure that respective standards and expectations of business conduct are adhered to.

Regulators and governments in various jurisdictions

The Group is subject to the laws and regulations of the jurisdictions in which it operates, covering a variety of areas affecting health and safety, environmental, competition, data protection and privacy, export and import controls, anti-corruption legislation, trade sanctions and labour laws. As the Group does not undertake manufacturing activities, it is not exposed to the material risks associated with manufacturing, but any decisions of the Board are mindful of the wider regulatory and legal environment.

Broader stakeholders

Alphawave IP designs industry-leading, high-speed connectivity solutions for customers in high-growth end-markets. To support this goal, Alphawave IP participates in industry consortia and standards bodies, and works with multiple universities to help drive the next generation of connectivity standards and approaches. The Board, executive team and staff are active across a wide range of industry steering groups, organisations and other stakeholder organisations.

Environmental, social and governance (ESG) and climate reporting

The fact that we design silicon IP rather than manufacture semiconductors means that we have a low carbon footprint. However, we strongly believe that all companies have an obligation to actively help society decarbonise, and we are proud of the fact that our technology has been built to perform better at lower power.

This has the potential to reduce the carbon footprint of large portions of the world's IT infrastructure. Though the transmission of data is a small percentage of the total power consumption in many systems, there are many millions of devices that can benefit from our power savings.

We use Bullfrog Power in Canada to purchase power from renewable energy sources that meet or exceed the strictest environmental criteria.

- We provide silicon IP solutions, so we have an extremely low carbon footprint compared to other companies in the semiconductor industry.
- Though our environment impact is low, we are committed to actively decarbonising our carbon footprint and operating with zero carbon footprint.
- To deal with electronic equipment at the end of their life cycle, we use robust product lifecycle management programmes for our computer and IT resources and recycle electronic equipment. This helps to recover precious and rare earth metals.
- Our products enable data to travel at lower power, which has the potential to lower the carbon footprint of the world's IT infrastructure.

We care about embedding transparency in our financial disclosures, so that we can be a part of greener financial markets, where climate risk can be more accurately assessed, and investors can make informed decisions. We intend to report using the Sustainability Accounting Standards Board (SASB) framework.

Section 172 factors

Likely consequences of any decision in the long term

- We consider how Alphawave IP generates long-term value through our business model and strategy.

pages 22 to 27

Interests of employees

- Promotion of employee wellbeing initiatives and benefits awareness.
- Participation in town halls and employee forums.
- Workforce engagement Non-Executive Director appointed to ensure effective engagement with employees.

pages 37 and 40

Fostering business relationships with suppliers, customers and others

- We are building strong relationships with our customers and suppliers, which is essential for achieving the Group's long-term strategic goal.

pages 40 and 41

Impact of operations on the community and the environment

- Consideration of environmental, social and governance improvement strategies.
- Review of environmental performance and emission reduction initiatives.

pages 32 to 35

Maintaining high standard of business conduct

- We promote responsible business operations, with a focus on the Group's Anti-bribery and Corruption, Confidentiality and Whistleblowing policies.

page 47

Acting fairly between members of the Company

- Regular engagement between executive team and shareholders.
- Investor information and the Annual General Meeting.

pages 40 and 41

Section 172(1) and stakeholders continued

Engagement with our stakeholders allows us to grow and execute our strategy.

How the Board has engaged with shareholders, and other stakeholders

Engagement with our stakeholders allows us to grow and execute our strategy. Our impact on, and engagement with, our key stakeholder groups is considered within the implementation of our strategy, which is overseen by the Executive Management Board and supported by the Board of Directors.

We consider the impact we have on our stakeholders, as well as what our stakeholders consider important, when developing our plans for continued success. We have set out below our key groups of stakeholders, the issues and factors relevant to those stakeholders and how we have engaged with those stakeholders.



Customers

Description

Our clients include some of the largest technology companies globally, who trust us to provide technology that may be critical to the future of their businesses. Our technology enables our customers to develop and sell, or use for their internal operations, the next generation of semiconductors for data transport, processing and storage.

Material issues

The Group has continued to win new customers and win new business from its existing customers.



Employees

Description

Our success is entirely dependent on our ability to attract, retain and motivate talented staff. We seek to create an entrepreneurial and dynamic culture, working with leading-edge technologies and where the best in our sector want to work. We create an environment in which diversity is the norm and where our employees can share their ideas and concerns.

Material issues

We have doubled our headcount in 2021 at a time when virtually all of our employees were working from home.



Investors and shareholders

Description

We maintain a regular and open dialogue with our current and prospective shareholders. We target an investor base that looks to hold our shares for the long term. We engage with shareholders to help them understand our technology, business model and strategic objectives and how those can generate long-term and sustainable value.

Material issues

Discussions with our top shareholders have been taken into account in formulating our long-term strategy, remuneration and ESG policies.



Partners and suppliers

Description

Our partners and suppliers are typically major players within the semiconductor industry, including companies such as TSMC and Samsung. Our access to their technology is vital to our success and our ability to deliver to our customers. We have fostered strong working relationships with our partners and suppliers over many years.

Material issues

As we are focused on leading-edge technologies, we are reliant on a limited number of semiconductor foundries and software tools companies.



The environment

Description

Although our environmental impact is limited by our business model as a software developer, we are committed to finding ways to mitigate that impact. Our low power consumption is a key differentiator in our technology and increasingly important to our customers.

Material issues

We aim to source our energy usage from renewable power sources and we are committing to carbon neutrality.

Financial review

“Our growth is anchored in the exponential growth of data. We enable data to travel faster, more reliably and at lower power.”



Daniel Aharoni
Chief Financial Officer

Contracted order book and backlog

The Group generated bookings of US\$244.7m in 2021, an increase of 226% from 2020 (US\$75.0m), including US\$147.8m of bookings from recurring revenue subscription licences from our joint venture, WiseWave, and our reseller in China, VeriSilicon. Excluding estimates of potential future royalties, our 2021 bookings were US\$220.8m, an increase of 325% from 2020 (US\$52.0m). Our 2021 bookings do not include the US\$105m extension option from WiseWave, which, if triggered, provides WiseWave with access to future generations of our technology, nor any potential royalty contributions from WiseWave or VeriSilicon.

Excluding China, our total bookings for 2021 were US\$87.9m, an increase of 47% from 2020 (US\$59.8m). Excluding estimates of royalties, we generated 92% year-on-year growth in bookings from North American customers.

US\$89.9m

Revenue

US\$51.8m

Adjusted EBITDA

US\$26.5m

Pre-tax operating cash flow

Our backlog (contracted bookings over the life of the Group not yet recognised as revenue) as at end-2021 was US\$219.5m including royalties (US\$168.6m excluding royalties), of which around 50% represents recurring revenue subscription deals with WiseWave and through VeriSilicon.

In 2021, we secured orders from ten new end-customers and repeat business from eight existing customers. We won 16 new licence sales, including our first two chiplet IP deals in Q4 2021. Excluding subscription licence deals which give access to a broad portfolio of our IP at multiple process nodes, nearly 80% of our bookings in 2021 were for process nodes below 7nm.

Revenues

Revenues for 2021 reached US\$89.9m, 173% growth compared to US\$32.9m in 2020, and reflect significant diversification.

- **Customers** – in 2021, we recognised revenues from 20 end-customers (21 excluding the impact of two of our customers merging). This compares to eleven customers in 2020. Our top three customers represented 53% of 2021 sales (28% excluding WiseWave) versus 52% in 2020 and one of the top three customers in 2021 was also a top three customer in 2020.
- **End-markets** – in 2021, we generated revenues from customers across our key end-markets of data networking (including optical), cloud compute and solid state storage as well as AI and 5G wireless. Revenues from data networking, cloud compute and solid state storage represented over 75% of our 2021 sales.

- **Regions** – in 2021, our revenues were well balanced between North America and Asia, with 42% of revenues to North America, 48% to China and 10% to APAC excluding China. In 2020, 59% of our sales were to North American customers, 25% to China and 16% to APAC excluding China. The increased weighting to China in 2021 reflects first revenue recognition in H2 2021 of the agreements with WiseWave and VeriSilicon. Excluding WiseWave, 63% of FY 2021 sales were to North American customers, 22% to China and 15% to APAC excluding China. As we have previously stated, revenues from China in the medium and long-term are expected to be less than 30% of total Group revenues.
- **Subscription licence** – in respect of the WiseWave five-year subscription licence agreement, in H2 2021 we invoiced US\$24.0m (gross of 10% withholding tax) and recognised US\$27.7m, with revenue recognition based on our deliveries of IP to WiseWave. In respect of the three-year exclusive reseller arrangement with VeriSilicon, we have been invoicing and collecting on a quarterly basis since February 2021. In FY 2021, we invoiced US\$8.8m and recognised US\$8.9m of revenue related to the VeriSilicon reseller agreement.

Substantially all of our revenue in both 2020 and 2021 was generated from one-time licence and licence-related (non-recurring engineering and support) and subscription licence activities. We did not recognise any royalty sales in 2020 or 2021 and given the long design cycles from our customers, do not expect to recognise material royalties until FY 2024 at the earliest.

Financial review continued

Operating expenses and profitability

In 2021, we maintained our gross margins at 94%, with cost of sales primarily reflecting sales commissions as well as costs related to the development of test chips. Our adjusted EBITDA¹ was US\$51.8m (58% margin) compared to adjusted EBITDA of US\$19.3m (59% margin) in 2020.

Reflecting the rapid scaling of the business, in 2021, our operating expenses totalled US\$48.7m, or US\$36.1m excluding non-recurring IPO costs, one-time M&A/professional expenses, share-based payment costs and foreign exchange gains. This compares to \$14.6m in 2020 (\$13.0m excluding share-based payment costs and foreign exchange losses).

Of US\$48.7m in operating expenses in 2021, US\$29.4m (33% of sales) related to R&D/engineering, US\$5.4m (6% of sales) related to general and administrative expenses and US\$1.3m (1% of sales) related to sales and marketing expenditure. US\$12.6m related to other items comprising non-recurring IPO costs, one-time M&A/professional expenses, share-based payment costs and exchange gains. In 2020, operating expenses totalled US\$14.6m, US\$1.5m of which reflect foreign exchange gains and share-based payments, and US\$8.8m (27% of sales) related to R&D/engineering, US\$3.4m (10% of sales) related to general and administrative and US\$0.8m (2% of sales) related to sales and marketing.

This increase in our operating expenses was primarily due to the increase in our headcount to 154 heads at end 2021 from 72 at end 2020, together with associated software tool costs which scale with our R&D/engineering headcount, as well as additional professional costs required as a publicly listed company following our IPO. To capitalise on our future growth opportunities, we were able to expand headcount significantly ahead of our budget and estimate that the incremental expenses from our accelerated hiring during 2021 exceeded US\$4.0m.

Whilst this negatively impacted our full-year margins, our ability to continue to attract and incentivise high calibre engineering talent, reinforced by our IPO, will enable us to expand and accelerate our product development roadmap. We have continued the pace of hiring in 2022 and our total headcount as at end-February 2022 was 184.

The increase in share-based payments, from US\$0.6m in 2020 to US\$6.1m in 2021, was due to our headcount expansion and significantly higher exercise prices for share-based awards given to employees during the year.

In 2020, as a private Canadian company with limited visibility on the duration, extent and impact of the COVID-19 pandemic on our business, we received US\$1.1m in grants from the Canadian Government Canadian Emergency Wage Subsidy (CEWS) to support wages to employees. In early H1 2021, prior to our IPO, we received a further US\$55,000. Post-IPO, although entitled to further grants in Canada, we have elected not to receive them. No government assistance has been requested nor taken in the UK.

In 2021, US\$2.5m represented depreciation on right-of-use assets, namely our premises and test equipment which we lease (2020: US\$0.7m). We saw a significant increase in test equipment leased due to the increase in the number of customer engagements and engineering staff. In addition, we commenced a lease on larger premises in Toronto, Canada, in November 2020, resulting in a full year of depreciation in 2021. In September 2021, we signed a five-year lease for offices in San Jose, California. Based in Silicon Valley and near many of our customers, these offices will serve as our flagship US demonstration labs. Fit-out is ongoing and we expect to occupy the offices in Q2 2022.

The total one-time costs associated with our IPO on the London Stock Exchange were US\$30.3m, of which US\$20.3m was set off against equity on our balance sheet and US\$10.0m was expensed through our income statement.

1. See note 4 (Alternative Performance Measures) on pages 133 and 134 for reconciliation of EBITDA to Adjusted EBITDA.

As at year end, the Group owned 42.5% of WiseWave, a newly formed company established in China in Q4 2021 to develop and sell silicon products incorporating silicon IP licensed from the Group. We equity account for the investment as a joint venture, resulting in a US\$12.9m loss. The five-year subscription licence agreement is being capitalised and amortised over the life of the agreement by WiseWave.

Our tax expense for the year was US\$13.7m, being 38% of our operating profit of US\$36.0m. Substantially all of our revenue was generated from Alphawave IP Inc, based in Canada, which has a corporation tax rate of 26.5%. Our higher tax charge is a result of expenses relating to IPO costs, M&A professional fees, share-based payments and FX gains of US\$12.6m which are disallowable for corporation tax purposes.

Our profit after tax for FY 2021, which is stated after share-based payments, exchange gains/losses and one-time costs relating to our IPO, one-time M&A and professional fees and our share of the post-tax loss of WiseWave of US\$12.9m, was US\$9.4m, compared to US\$12.2m in 2020. On an adjusted basis,¹ which is stated after our US\$12.9m share of the post-tax loss of WiseWave, our equity-accounted joint venture, our profit after tax for FY 2021 was US\$22.0m, an increase of 60% compared to US\$13.8m in FY 2020.

The exchange loss of US\$23.1m is a result of our GBP proceeds at IPO being translated into US\$, our presentational currency, at the foreign exchange rate on the date of the IPO, and being re-translated, again for presentational purposes, into US\$ at the year end. Over this period the US\$ strengthened from 1.4134 to 1.3513, a 4.6% increase.

Balance sheet, liquidity and cash flow

As at end-December 2021, we held US\$501.0m in cash and had no borrowings. Our cash increased by US\$486.9m between end-December 2020 and end-December 2021, primarily as a result of the net IPO proceeds received, after issuance costs, of US\$485.9m. In addition, the Company benefited from a stock stabilisation programme which resulted in a US\$22.2m cash receipt.

Between end-December 2020 and end-December 2021, our trade and other receivables increased from US\$6.2m to US\$13.1m. This increase is mostly due to Group trade receivables increasing from US\$5.2m to US\$12.1m as a result of increased sales in 2021. Between end-December 2020 and end-December 2021, our intangible assets increased from US\$0.1m to US\$1.2m. Our intangible assets comprise IP being developed by a third-party vendor and represents instalments paid towards the development which is carried at cost. No amortisation is recorded as the intangible asset is not yet available for use. The increase in 2021 is due to twelve months' worth of further development in contrast to two months at the end of H2 2020 when the development commenced.

Our accrued revenue, where revenue recognition conditions are met under IFRS 15 but we have not billed or collected any amount, increased to US\$31.7m at end-December 2021 from US\$10.3m at end-December 2020. This increase is a function of our revenue growth and due to the timing of invoicing milestones on specific contracts. Since our 2021 year end, and as at 31 March 2022, we have billed a further US\$15.6m of this accrued revenue balance, as invoicing milestones have now been met.

Our investments in equity-accounted associates of US\$9.4m represents the value of our investment in WiseWave, based upon a 42.5% share of WiseWave's net assets as at 31 December 2021.

Between end-December 2020 and end-December 2021, our trade and other payables increased from US\$2.2m to US\$5.8m. This increase is predominantly due to accruals increasing from US\$1.0m to US\$4.0m, from accrued advisory fees of US\$0.4m, design automation tools of US\$1.5m and accrued sales commissions of US\$1.6m incurred in FY 2021 but not paid until FY 2022.

1. See note 4 (Alternative Performance Measures) on pages 133 and 134 for reconciliation of profit after tax to adjusted profit after tax.

Financial review continued

Balance sheet, liquidity and cash flow continued

Our deferred revenue liability, where we have invoiced or received money for products or services where revenue recognition conditions are not met, increased to US\$12.7m at end-December 2021 from US\$7.4m at end-December 2020. This increase is a function of our revenue growth and due to invoicing being ahead of revenue recognition on specific contracts.

Flexible spending accounts, which represent non-current deferred income, and which increased to US\$6.8m as at end-December 2021 from US\$2.3m as at end-December 2020, are contracts with customers who have committed to regular periodic payments to us over the term of the contract. These payments are not in respect of specific licences or other deliverables, but can be used as credit against future deliverables. We have flexible spending accounts with customers with whom we work on multiple projects and who prefer regular periodic billing and payments rather than milestone-based billing. Although we have been invoicing and collecting under these contracts, the revenue recognition conditions may not have been met which enable us to recognise these billings as revenue.

Our pre-tax operating cash flow for 2021 was US\$26.5m (which includes one-time payments of approximately US\$10.0m relating to our IPO expenses), an increase of 124% compared to US\$11.8m of pre-tax operating cash flow in 2020. Our working capital in 2021 increased by US\$15.6m, compared to an increase of US\$4.7m in FY 2020, primarily due to an increase in accrued revenue and trade and other receivables, offset by an increase in deferred revenue and flexible spending accounts, as detailed above.

After tax, we generated cash from operations of US\$18.9m in 2021, compared to US\$10.3m in 2020. Our capital expenditure during 2021 totalled US\$1.1m (US\$0.4m in 2020) as a result of computing equipment purchased for new hires and fit-out costs for our new office space in Toronto. In Q4 2021, we also made the first tranche of our investment into WiseWave totalling US\$22.4m for a 42.5% equity interest, with Wise Road Capital contributing US\$30.3m. As disclosed in our IPO Prospectus, Alphawave IP has committed to invest up to US\$170m into WiseWave. Finally, we recorded an FX loss of US\$22.5m predominantly resulting from the translation of our net IPO GBP proceeds into our presentational currency of US\$ at different points in time.

The Company's capital allocation policy is focused on investing in our future growth and deploying our financial resources to rapidly expand our business, as demonstrated by our recent acquisitions. Given our growth strategy, we do not intend to pay dividends in the short or medium term.

Finally, as further detailed on page 119, the Directors have adopted the going concern basis of accounting.

Daniel Aharoni

Chief Financial Officer

29 April 2022

Non-financial information statement

The Group complies with the non-financial reporting requirements in sections 414CA and 414CB of the Companies Act 2006.

- For information on the Group's business model, please see pages 22 and 23.
- A description of the principal risks can be found on pages 50 to 53.
- Our non-financial key performance indicators are highlighted on page 29.

The Group has put in place codes of conduct and policies to provide for clear and consistent governance on a range of matters. As part of our disclosure on non-financial reporting requirements, these include, but are not limited to, the following areas.

People

We recognise that our people are our most important asset and retaining and attracting the highest quality talent is critical for our growth and success. How we treat our employees and how our employees engage with each other impacts not only our business, but the environment and society as whole.

We have a number of policies which impact, and are communicated to, all of our employees. Our Code of Ethics and Business Conduct policy applies to all our employees, sets out how we expect our employees to behave and the Group's commitments, including:

- dignity and respect for the individual;
- creating a culture of open and honest communication; and
- upholding the law.

Our Equal Opportunities and Dignity at Work policy stresses the value and importance of diversification in the workplace and highlights legislation relating to and our strict stance against discrimination, harassment or bullying in the workplace.

We respect and uphold internationally proclaimed human rights principles and in 2022 plan to put in place an Anti-Slavery and Human Trafficking policy, which will apply to both employees and suppliers. We are committing to implementing controls to ensure modern slavery is not taking place within our own business or supply chain.

Disclosure regarding employment of disabled persons

In accordance with our Equal Opportunities and Dignity at Work policy, we give full and fair consideration to applications for employment made by disabled persons, having regard to their aptitudes and abilities. We are also committed to maintaining employment of, and arranging for any appropriate training for, employees who have become disabled during their employment by the Group. Promotion and development opportunities are provided for all employees without discrimination.

Anti-corruption, anti-money laundering and anti-bribery

The Group has in place an Anti-Fraud and Dishonesty policy, an Anti-Bribery policy, an Anti-Money Laundering policy and a Code of Ethics and Business Conduct policy which covers conflicts of interest. Our policies include clear guidelines for identifying and reporting suspicious transactions, as well as processes for giving or accepting gifts or hospitality from third parties.

Whistleblowing

Our Whistleblowing policy forms part of our commitment to conduct business honestly, professionally and fairly. Our policy provides direct access by our employees to our Senior Independent Director and Non-Executive Board Directors, as well as a confidential, external reporting hotline.

Tax strategy

We recognise our social responsibility to pay tax in the jurisdictions in which we operate. We act with full transparency and integrity in all of our tax matters and our tax planning supports our commercial activities. We are committed to remaining compliant with all applicable tax laws and practices.

Dividend policy

As set out in our IPO Prospectus, we intend to retain future earnings to finance the operation and expansion of the business, and to drive continued growth. We do not expect to pay any dividends for the foreseeable future. We will review our dividend policy on an ongoing basis.

Viability statement

As required by the UK Corporate Governance Code, the Directors have assessed the viability and prospects of the Group over an appropriate period, significantly longer than twelve months from the approval of these financial statements.

In assessing the Group's prospects, the Directors have considered the recent historical financial performance, the current financial position, the Group's strategy, business model and principal risks and uncertainties.

The Group's viability and prospects are primarily assessed on the basis of the Group's strategic planning process, which includes a bi-annual review of quarterly revenues, profitability and cash flow over three years. The budgeting and planning process is led by the Executive Chair, President & Chief Executive Officer and Chief Financial Officer along with the relevant Group functions.

Financial year 2022 is based upon the Group's annual budget. Financial years 2023 and 2024 are based on extrapolation of operating expenses and key balance sheet and cash flow ratios, with revenue estimates based on the same methodology used in our budgeting process. Our revenue forecasting is based on order intake across different product lines and contract types with revenue recognition assumptions based on a range of sensitivities including timing of our IP deliveries. Our financial forecasting also integrates the acquisitions of Precise-ITC, which completed in January 2022, and OpenFive, which we estimate will complete around Q4 2022.

Our funding position is considered in terms of our liquidity headroom. We currently have no debt and therefore no debt covenants.

In considering the viability and prospects of the Group, the Directors have had regard to the following characteristics of the business:

- Alphawave IP is a fast-growing business with tier-one customers, a high level of repeat customer business and a strong backlog, including multi-year contractual commitments from customers;
- our three-year forecast model does not rely on a material contribution of royalty-based revenues and is therefore not significantly impacted by volumes of semiconductors shipped by our end-customers, where we have more limited visibility;

- we have a small number of customers, many of whom comprise the largest technology and semiconductor companies in the world. Each individual contract is typically worth in excess of several million US\$ over the life of the contract and our contracts are almost exclusively non-cancellable;
- the growth in our operating expenses is largely discretionary and driven by visibility in demand from end-customers; and
- the strong balance sheet and liquidity of the Group and its operating cash flow profile.

Viability assessment period

The Directors have determined that a period of three years over which to assess the Group's long-term viability is appropriate and reasonable based on the following:

- it aligns with the Group's internal strategic planning process;
- it sufficiently accommodates the Group's high-growth and evolving financial profile and appropriately models the impact of the Group's announced acquisitions; and
- a period in excess of three years is regarded as less meaningful in view of the rapid evolution of the Group, including its announced acquisitions, and market environment.

Assessment of viability and scenarios modelled

The Directors' assessment of viability builds upon the analysis performed to support the going concern assessment, and incorporates additional scenarios, regarded as severe or extreme but plausible, that may be encountered over the three-year assessment period. These scenarios are intended to quantify the potential impact of one or more of the Group's principal risks and uncertainties, as set out on pages 50 to 53, materialising over the three-year assessment period.

Whilst each principal risk and uncertainty has been considered as part of this assessment, we have only considered those that represent a severe but plausible scenario. Whilst revenue recognition is a significant risk to our business, our contracts are almost exclusively non-cancellable and typically with large well-funded customers, and it therefore does not impact our projected cash flow.

The scenario modelling does not consider a range of measures which the Directors and management could implement to maintain the Group's financial position. These measures include the capacity to arrange additional financing and operating expense reduction measures.

Scenario modelled	Principal risks included
1. Failure to obtain any new orders beyond those already contracted We have modelled the severe scenario that the Group fails to win any new orders beyond those already contracted. We assume that the acquisition of OpenFive proceeds in Q4 2022, but the financial performance and synergies do not materialise as expected.	<ul style="list-style-type: none"> Managing our growth. Competition and failure to maintain our technology leadership. Customer dependence. Customer demand.
2. The geopolitical environment limits our ability to be successful with our strategy in China We have modelled that the Group does not fully pursue its strategy in China, that revenues from China are impacted and that no further investment is made into China from 2023 onwards.	<ul style="list-style-type: none"> Risks associated with WiseWave. External environment and events.

In each of these scenarios, the Group is forecast to have sufficient resources to continue to meet its liabilities as they fall due without recourse to cost-saving actions. In reality, and as highlighted above, the Group would have numerous options available to maintain its financial position. When the scenarios are combined, without mitigating actions, the Group is also forecast to have sufficient resources to continue to meet its liabilities as they fall due over the viability assessment period.

COVID-19

The Group's viability has been assessed taking into account the potential ongoing impact of COVID-19 or a similar crisis. Since our IPO, the Group has not utilised any COVID-related government grants and does not expect to do so in future. The commercial and financial performance of the Group has remained largely unaffected by COVID-19, which has seen a significant growth in global data and highlighted the need for fast, resilient data networks, and is expected to remain largely unaffected going forward.

Viability statement

Based on the assessments above and in accordance with the UK Corporate Governance Code, the Directors confirm that they have assessed the prospects and viability of the Group over a three-year period and have a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due over this period.

Going concern

Following consideration of the Group's strong liquidity position and prospects for the year ahead, the Directors have a reasonable expectation that the Group has adequate resources for a period of at least twelve months from the date of approval of the financial statements and have therefore assessed that the going concern basis of accounting is appropriate in preparing the financial statements. This is further explained on page 119 (note 2 to the financial statements).

Principal risks and uncertainties

The Group faces a number of risks and uncertainties that may have an impact on our operations and performance.

These risks and uncertainties are regularly assessed by the Directors. The principal risks and uncertainties affecting the Group in respect of the second half of the year have not changed materially from those set out on pages 12 to 38 of the IPO Prospectus dated 13 May 2021 and are summarised below.

Risk management framework

The active management of risk is integral in meeting our strategic objectives. We operate a risk management framework which aims to identify, assess and mitigate potential risks. Our effective management of risk is shaped and governed by our Board and executive management team.

Risk appetite

We assess risk by combining the likelihood of something happening and the impact that arises if it does happen. The Board regularly reviews and discusses our risk register and determines the level of risk appetite, being the amount of risk the Board is willing for the business to assume in pursuit of its objectives.

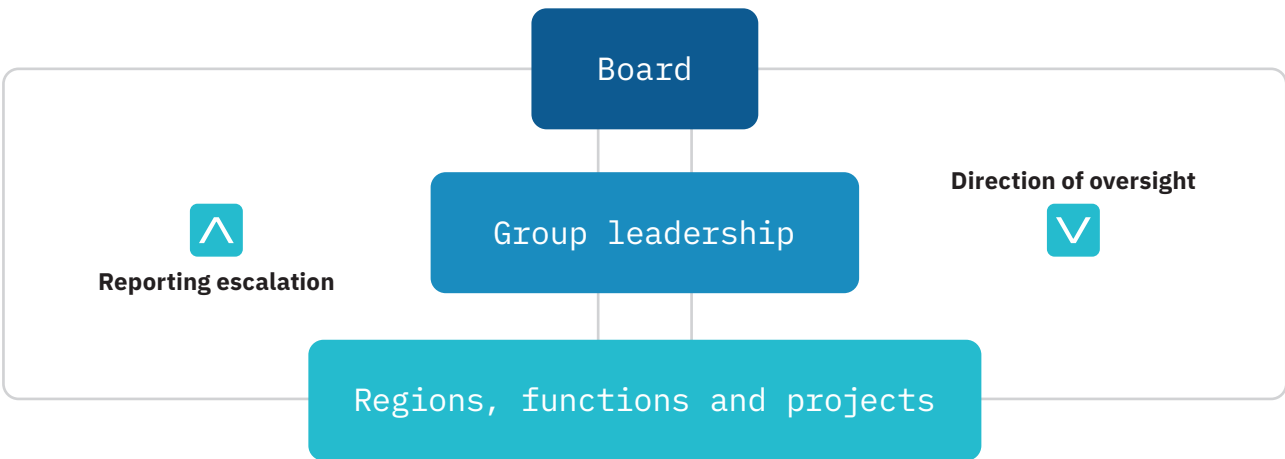
Emerging risks






Given the rapid expansion of the business, the Group’s acquisition strategy and the increasing importance of semiconductors in a geopolitical context, the senior management team regularly discusses emerging risks within the business. The Chief Financial Officer and senior management team are responsible for identifying new and emerging risks.

The risks have been reviewed by the Board, which has completed a robust assessment of the Group’s principal and emerging risks. The Board has reviewed the effectiveness of the Group’s risk management and internal control systems. For further information, please see pages 74 and 75.





In summary, the principal risks and uncertainties are as follows:

- managing our growth;
- competition and failure to maintain our technology leadership;
- customer dependence;
- customer demand;
- risks associated with WiseWave;
- dependence on licensing revenues;
- reliance on key personnel and ability to attract talent;
- external environment and events;
- IP protection and infringement;
- reliance on third-party manufacturing foundries;
- reliance on complex IT systems; and
- impact of COVID-19.



Risk	Mitigation	Change
<p>Managing our growth</p> <p>We have a limited operating history and are growing rapidly. If we do not manage our growth successfully, fail to execute on our strategy, or fail to implement or maintain governance and control measures, our business may be adversely impacted. We have rapidly expanded our headcount and intend to maintain a rapid pace of hiring. We also intend to grow through acquisitions.</p>	<p>The executive management team meets formally on a weekly basis to review current and future resourcing needs and priorities. We are strengthening our administrative and operational functions and also utilise external advisers to help manage our growth.</p>	
<p>Competition and failure to maintain our technology leadership</p> <p>We seek to maintain our competitive advantage by being first to market with new IP as data speeds increase and manufacturing sizes decrease. If these industry transitions do not materialise or are slower than anticipated, our competitors may be able to introduce competing IP which may diminish our competitive advantage and selling prices. Our ability to maintain our technology leadership is further dependent on our ability to attract R&D and engineering talent.</p>	<p>We offer competitive employment packages to retain and incentivise our employees, as well as the opportunity to work in a dynamic and entrepreneurial culture. Our ability to compete is also driven by our track record as a trusted partner and continued addition of new functionality to our existing IP portfolio.</p>	
<p>Customer dependence</p> <p>The cost and complexity of developing semiconductors targeted by our IP limits the number of our potential addressable customers. In any reporting period, a substantial part of our revenues may be attributable to a small number of customers.</p>	<p>Given the costs of designing leading-edge chips we have a limited number of addressable customers. To date, we have been successful in winning repeat business from many of our customers. We strive to maintain best-in-class execution capabilities and technology to retain our customers and win new customers.</p>	
<p>Customer demand</p> <p>Demand for our IP is dependent on the continued global growth in generation, storage and consumption of data across our target markets as well as the increasing cost and complexity of designing and manufacturing semiconductors. We may be impacted by our customers' demand sensitivity to broader economic and social conditions. Our potential customers may seek to develop competitive IP internally or acquire IP or semiconductors from our competitors.</p>	<p>There are no indications that the global appetite for data is slowing. As speeds become faster and manufacturing processes smaller, the ability of our customers to develop competing IP in-house diminishes. Increasing cost and complexity is an opportunity to drive our chiplet strategy.</p>	
<p>Risks associated with WiseWave</p> <p>WiseWave is core to our strategy to monetise our IP in China and we are a significant minority shareholder. We may be limited in our ability to influence strategy, operational, legal, commercial or financial matters. The Group and WiseWave may also face regulatory risk in terms of transfer of technology into China. There is a risk that the bookings from WiseWave do not translate into revenues and our equity investment diminishes in value. WiseWave is a new venture and if it does not effectively execute on its business plan, we may be negatively impacted.</p>	<p>The legal agreements governing WiseWave give us a degree of oversight and governance over WiseWave. The President & Chief Executive Officer and Executive Chair are currently on the board of WiseWave. The senior team of WiseWave comprises a number of established industry professionals with a proven track record at large US and global semiconductor companies.</p>	

Principal risks and uncertainties continued

Risk	Mitigation	Change
<p>Dependence on licensing revenues</p> <p>Our financial performance is highly dependent on licensing revenues and we do not anticipate a material contribution from royalty revenues for some years. If our customers delay or cancel their development projects, fail to take their products to production or those products are not successful, our royalty revenues may be delayed, diminished or not materialise.</p>	<p>Given the costs, time and resources involved, our customers are highly incentivised to take their products into production. We receive minimum royalty guarantees from some of our customers. We are also seeking to conclude subscription licences to provide greater visibility and stability of future revenue streams.</p>	
<p>Reliance on key personnel and ability to attract talent</p> <p>We rely on the senior management team and our business may be negatively impacted if we cannot retain and motivate our key employees. Our ability to grow the business is also dependent on attracting talent, particularly in R&D and engineering, and if we are unable to do so, our business may be negatively impacted.</p>	<p>Our senior management team and our employee base are highly incentivised with equity and also the opportunity to work within a fast-growing and dynamic environment at the leading edge of chip technology. We have successfully doubled our headcount over FY 2021.</p>	
<p>External environment and events</p> <p>Semiconductors are becoming increasingly important as countries and regions seek to guarantee supply and build domestic supply chains, as well as restrict outside access to their domestic technologies. Our business could be impacted by the actions of governments, political events or instability, or changes in public policy in the countries in which we operate. The current conflict in Ukraine potentially has wide-ranging impacts, including global economic instability, increased geopolitical tensions and disruption to supply chains.</p>	<p>We seek to maintain good relations with regulatory agencies in the regions in which we operate. We seek to structure our business and our contracts to prevent use of our technology in areas thought to be sensitive to governments, including military applications.</p>	
<p>IP protection and infringement</p> <p>We protect our IP through trade secrets, contractual provisions, confidentiality agreements, licences and other methods. A failure to maintain and enforce our IP could impair our competitiveness and adversely impact our business. If other companies assert their IP rights against us, we may incur significant costs and divert management and technical resources in defending those claims. If we are unsuccessful in defending those claims, or we are obliged to indemnify our customer or partners in any such claims, it could adversely impact our business.</p>	<p>Our designs can only be manufactured on leading-edge processes by a small number of foundry partners. Our IP embeds tagging layers which prevent unauthorised use. We manage our R&D capabilities and seek to structure our contracts with customers to minimise the risk and impact of IP infringement claims by third parties.</p>	

Risk	Mitigation	Change
<p>Reliance on third-party manufacturing foundries</p> <p>We rely on third-party semiconductor foundries, both as customers and as manufacturing partners to our customers. If foundries delay the introduction of new process nodes or customers choose not to develop silicon on those process nodes, our ability to license new IP and our selling prices may be adversely impacted. We are not currently reliant on the foundries' capacity for high volume manufacturing for our revenues but may become more reliant as royalty revenues become more material to us and as we seek to develop and sell chiplet silicon devices.</p>	<p>A significant part of the semiconductor industry is reliant on a small number of foundry partners with leading-edge manufacturing capabilities (TSMC, Samsung and Intel). Beyond diversifying our business and continuing to work with all leading foundry providers, our ability to mitigate this risk is limited.</p>	
<p>Reliance on complex IT systems</p> <p>We rely heavily on IT systems to support our business operations. The vast majority of our design tools, software and IT system components are off-the-shelf solutions and our business would be disrupted if these components became unavailable. If our IT systems were subject to disruption, for example, through malfunction or security breaches, we may be prevented from developing our IP and fulfilling our contracts with our customers.</p>	<p>We have upgraded our IT systems to provide additional storage capacity and redundancy. As with much of the semiconductor industry, we are reliant on design automation tools from Cadence, Synopsys and Siemens and our ability to source alternative suppliers is limited.</p>	
<p>Impact of COVID-19</p> <p>We have seen no material impact to our business performance to date from COVID-19. However, as the duration, spread and severity of the pandemic continues to evolve, the impact on our business, customer demand and supply chain is difficult to predict. Given our significant headcount expansion, many of our employees have been onboarded remotely and have worked from home since joining the Group, which may hinder our ability to create a collaborative and entrepreneurial culture.</p>	<p>Our business has proven its ability to successfully grow during the COVID-19 pandemic. We continue to closely monitor the impact of the pandemic on the wellbeing of our employees and to implement progressive policies to provide a flexible working environment. We have implemented best practice safety measures within our offices.</p>	

The strategic report on pages 1 to 53 was approved by the Board of Directors and signed on its behalf by:

Tony Pialis

President & Chief Executive Officer

29 April 2022

Board of Directors

We have a very energetic, diverse and flexible technology-focused culture and we are proud of our commitment to ethnic, national and gender diversity in our people and in our Board.

The Board believes that the current Directors bring to the Group a desirable range of skills and experience while at the same time ensuring that no individual (or small group of individuals) can dominate the Board's decision making.

Our Directors have extensive experience across multiple business disciplines and industry sectors relevant to Alphawave IP. We bring together senior individuals in industries including semiconductors, telecommunications and data networking, and with operational, financial and strategic skillsets and experience.



John Lofton Holt

Executive Chair

John Lofton Holt has served as strategic adviser to management since 2019 and was appointed as the Company's Executive Chair in 2021.

John has been a semiconductor executive since the late 1990s and has founded, funded, scaled and led multiple semiconductor businesses, driving billions of dollars in value for shareholders. He has more than 25 years of experience as an investor and senior executive, including considerable experience in chairing boards. He previously served as Chairman and Chief Executive Officer of Achronix Semiconductor Corporation and was also a Managing Partner of Holt Brothers Capital LLC where he managed a portfolio of investments in semiconductors, hardware, robotics, renewables and real estate. John started his career in the late 1980s at NASA Goddard Space Flight Center, where he worked as a design engineer focusing on optics and electronics for remote sensing and LIDAR applications.

John holds a BSE in Electrical Engineering from Princeton University and an MSE in Electrical Engineering from Johns Hopkins University.

External appointments

WiseWave Technology Co. Ltd, Director.



Tony Pialis

President & Chief Executive Officer





Tony Pialis co-founded Alphawave IP in 2017 and has since served as its President and Chief Executive Officer. Tony has extensive experience as an entrepreneur in the semiconductor industry, having co-founded three semiconductor IP companies, including Snowbush Microelectronics Inc, which was sold in 2007 to Gennum/Semtech and is currently part of Rambus. He also founded V Semiconductor Inc. where he served as President & Chief Executive Officer, and which was acquired by Intel Corporation in 2012. Tony served as Vice President of Analog and Mixed-Signal IP at Intel Corporation between 2012 and 2017. During his tenure at Intel, Tony and his team won the prestigious Intel Achievement Award for successfully delivering next generation Ethernet and PCI-Express SerDes solutions on Intel's 22nm and 14nm process technologies.

Tony holds a Bachelor of Science and Master of Engineering in Electrical Engineering from the University of Toronto.

External appointments

Pitech Investments Inc., Director; Pitech Corp., Director; WiseWave Technology Co. Ltd, Director; The Tony Pialis (2017) Family Trust, Trustee.

Committee memberships

-  Committee Chair
-  Audit Committee
-  Remuneration Committee
-  Nomination Committee



Daniel Aharoni

Chief Financial Officer

Daniel Aharoni was appointed to the Board as Chief Financial Officer in January 2021. Daniel has extensive experience in the banking and finance industry, with many years of experience in a senior executive role, advising European semiconductor and silicon IP companies. He served as the Co-Head of Technology Investment Banking, EME at Barclays plc, with overall responsibility for the technology sector investment banking coverage across Europe and the Middle East. Daniel has also held roles at Jefferies, UBS, Dresdner Kleinwort and Rothschild.

Daniel holds a Bachelor of Arts with honours in Jurisprudence from Oxford University and a Diploma in Legal Practice from the Oxford Institute of Legal Practice. Daniel qualified as a solicitor in 2000.



Jan Frykhammar

Senior Independent
Non-Executive Director

Jan Frykhammar was appointed to the Board in April 2021 as Senior Independent Non-Executive Director. Jan has years of experience as a senior executive and as an adviser to listed and non-listed companies. Jan was the Group Executive Vice President and Chief Financial Officer at Ericsson Group, and served as interim Chief Executive Officer until 2017.

Jan is Non-Executive Chairman of the board at Aspia AB. He also serves as a Non-Executive Director on the boards of, amongst others, ITAB Shop Concept AB, Nordic Semiconductor ASA, Clavister Holding AB and Roima Intelligence OY. Jan also previously served as a Non-Executive Director on the boards of Kvdcar AB and the Swedish International Chamber of Commerce.

Jan holds a Bachelor of Science in Business Administration and Economics from the University of Uppsala.

External appointments

ITAB Shop Concept AB, Non-Executive Director (NED), Chairman of Audit Committee; Nordic Semiconductor ASA, NED and Chairman of Compensation Committee; Aspia AB, NED, Chairman of the Board, member of Compensation Committee; Clavister Holding AB, NED, Chairman of the Audit and Finance Committee; OX2 AB, NED, Chairman of the Audit Committee; Roima Intelligence OY, NED; Telavox AB, NED, Chairman of the Board; Quickbit eu AB, NED; ENEA AB, NED, Chairman of the Board; Plum, Member of Advisory Council; Switch on the future, Trustee; FCD Sverige AB, Director.



Michelle Senecal de Fonseca

Independent Non-Executive Director

Michelle Senecal de Fonseca joined the Board in April 2021. Her expertise is in international telecommunications and technology sectors. She is the Global Vice President for Cloud Innovation Partnerships at Citrix Systems after having led its European sales. Prior to Citrix, she was the Global Director of Cloud and Hosting Services at Vodafone as well as Managing Director of Telecom, Media and Technology banking team at the European Bank for Reconstruction and Development. Michelle joined the Board of the FDM Group (a FTSE 250 company) in January 2016, is the co-founder and board member of Women in Telecoms and Technology, as well as a global council member at Thunderbird School of Global Management in Phoenix, Arizona.

Michelle holds Bachelor of Science degrees in Business and Political Science from the University of Kansas and an MBA from the Thunderbird School of Global Management.

External appointments

Citrix Systems UK Limited, Global Vice President Strategic Partnerships and UK Director; FDM Group (Holdings) plc, NED, member of the Remuneration, Audit and Nomination Committees; Women in Telecoms and Technology (WiTT) Limited, Director; Move Capital LLP Investment, Board Member and Shareholder; Arizona State University Foundation UK company, Trustee.



Board of Directors *continued*



Rosalind Singleton

Independent Non-Executive Director

Rosalind Singleton was appointed to the Board in April 2021. She is a telecoms executive with over 30 years of experience across the sector.

Rosalind is the CEO of Spring Fibre and was Managing Director of UK Broadband from 2017 to 2019. She has previously held senior roles at BT Openreach, Cable and Wireless, Vodafone, various VNOs, and other international operators from start-ups to incumbents.

She is also Chair of the UK5G Advisory Board which advises Government on developing the 5G ecosystem, a member of INCA's Board and a member of Ofcom's Spectrum Advisory Board.

Rosalind is an active angel investor with a primary focus on tech businesses with a female founder and is a member of the Angel Academe Advisory Board.

External appointments

Spring Fibre Limited, CEO and Director; Angel Academe TWSU Nominee Ltd, Director; Telecoms Supply Chain Diversity (TSCD), Advisory Council member; Independent Networks Co-Operative Association (INCA), Advisory Board member.



Paul Boudre

Independent Non-Executive Director

Paul Boudre was appointed to the Board in April 2021. Paul is the Chief Executive Officer of Soitec, a France-based international company specialising in generating and manufacturing high-performance semiconductor materials, appointed to the role in January 2015. As a 30-year semiconductor industry veteran, Paul gained extensive international experience through his previous positions: managing industrial operations for IBM Semiconductor, STMicroelectronics, Motorola Semiconductor, and Atmel. From 1997 to 2006, he managed European operations for KLA-Tencor, a leading semiconductor equipment manufacturer, and he was subsequently appointed Vice President for both the US and Europe.

Paul holds a graduate degree in Chemistry from France's Ecole Nationale Supérieure de Chimie de Toulouse.

External appointments

Soitec S.A., CEO and Board member; Fogale Nanotech S.A.S., Board member; Association for European NanoElectronics ActiviteS (AENEAS), Vice Chair; CORES, Board member; SCI Pacabou, Director; SCI Farmers and CO, Director; Tulle Holdings, Director.



Sehat Sutardja

Executive Director

Sehat Sutardja was appointed to the Board in April 2021. Sehat has extensive experience in the semiconductor industry, having co-founded Marvell Technology Group with his wife, Weili Dai, and having served as its Chief Executive Officer. Today, Sehat is the Chief Executive Officer at FLC Technology Group.





In 2006, Sehat was named Inventor of the Year by the Silicon Valley Intellectual Property Law Association. In 2010, he received the Distinguished Alumni Award from the Iowa State University Alumni Association, and in 2013, he received the Dr. Morris Chang Exemplary Leadership Award.

Sehat holds a PhD in Electronic Engineering and Computer Science from the University of California, Berkeley. He is also an IEEE Fellow of the Institute of Electrical and Electronics Engineers.

External appointments

FLC Technology Group, Inc., Chairman/CEO; Danger Devices Inc., Chairman; Zerrow Power Systems Pte Ltd, Chairman/CEO; Wolley Tech, Inc., Director; DreamBig Semiconductor Inc., Chairman; Blue Cheetah Analog Design, Inc, Director; Elastic.Cloud, Director; AvivaLinks, Director; Ventana Micro, Director; Apex, Director; Silicon Box, Chairman; Leap Frog, Director; Expedera, Director; SSWD LLC, Co-owner; Aviva Technology Holdings, Director.

Committee memberships

-  Committee Chair
-  Audit Committee
-  Remuneration Committee
-  Nomination Committee



Susan Buttsworth

Independent Non-Executive Director

Susan Buttsworth was appointed to the Board in April 2021. At that time she was Three UK's Chief Operating Officer and responsible for driving its overall network and IT transformation. Susan has worked for the CK Hutchison Group since 1996 and has delivered large scale network and IT deployments across its group. In addition to her role at Three, Susan previously led CKH Innovations Opportunities & Development (CKHIOD), a telecom unit of CK Hutchison Holdings (CKHH). CKHIOD comprises cross-border wholesale and enterprise opportunities, data monetisation and digital consumer products and services. She is currently working for CKHH as a senior consultant.

Susan holds a bachelor's degree in Commerce from the University of New South Wales, a Master's degree in Commerce from Macquarie University, and is a Certified Practising Accountant in Australia.

External appointments

CKH IOD Data Limited, Director; G&S Buttsworth Holdings Pty Ltd, Director; Buttsworth Nominees Pty Ltd, Director; Cherrybooks Pty Ltd, Director.



Victoria Hull

Independent Non-Executive Director

Victoria Hull was appointed to the Board in April 2021. Victoria has over two decades of senior management experience including roles as Executive Director and General Counsel of Invensys plc, who she joined in 2001, and Telewest Communications plc, who she joined in 1995. Prior to Telewest, she was a solicitor in the corporate finance department of Clifford Chance.

Victoria has a strong legal and corporate governance background and has operated at an Executive Committee or Board level throughout her career. She joined the board of Ultra Electronics plc (a FTSE 250 company) as Senior Independent Director in April 2017 and is a member of the Audit, Remuneration and Nomination Committees. Victoria was also appointed to the board of Network International PLC (a FTSE 250 company) in April 2019 where she chairs the Remuneration Committee and is a member of the Nomination Committee. She has recently joined IQE PLC as a Non-Executive Director in August 2021, where she chairs the Remuneration Committee and is a member of the Audit and Nomination Committees.

Victoria holds a Bachelor of Laws from the University of Southampton and qualified as a solicitor in 1987.

External appointments

Ultra Electronics Holdings plc, NED and SID; Network International Holdings plc, NED and Chair of Remuneration Committee; La Pleiade Limited, Director; IQE plc, Director and Chair of Remuneration Committee.



Management team

Our management team nurtures an engineering-focused culture that enables us to drive innovation for next generation technologies under the direction of some of the best engineering talent in wired connectivity IP.



John Lofton Holt
Executive Chair



Tony Pialis
President & Chief Executive Officer



Daniel Aharoni
Chief Financial Officer

Facts and figures

Our core DNA is to address the world's hardest-to-solve connectivity challenges.

Great engineering and design are in our blood. We are proud of our engineering-focused culture which has attracted some of the world's brightest engineers in wired connectivity IP, and supported by a diverse and experienced Board of Directors.

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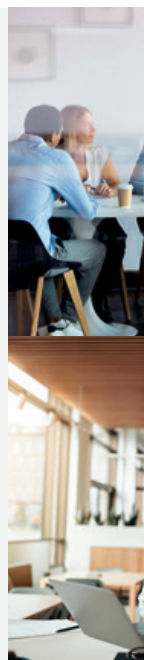
employees
(as at 31 December 2021)

>20

languages spoken

14

nationalities, with employees
hailing from six continents





Jonathan Rogers

SVP, Engineering

Jonathan Rogers co-founded Alphawave IP in 2017 and has since served as its Senior Vice President of Engineering, leading the Group's research and development function. He has over 14 years' experience as an engineering executive, including as Director of Engineering and Senior Principal Engineer at Intel Corporation between 2012 and 2017, and Director of Design Engineering at V Semiconductor and Gennum. He was also the Director of IP Development and IC Designer at Snowbush Microelectronics Inc.



Raj Mahadevan

SVP, Operations

Raj Mahadevan co-founded Alphawave IP in 2017 and has since served as its Senior Vice President of Operations and Chief Operating Officer. Raj has more than two decades of engineering executive experience in the semiconductor IP industry, including leading roles in design, architecture, operations and design methodology development. Prior to Alphawave IP, he co-founded V Semiconductor Inc. where he was a Director and also Snowbush Microelectronics Inc.

Raj holds a Bachelor of Applied Science in Engineering Science and a Master of Applied Science in Engineering from the University of Toronto.



Corporate governance statement

“The Board is firmly committed to the highest standards of corporate governance.”



John Lofton Holt
Executive Chair

Introduction

The Board is accountable to the Company’s shareholders for ensuring the sound management and long-term success of the Group. This can only be achieved if the Board is supported by appropriate governance processes to ensure that the Group is managed responsibly and with integrity, fairness, transparency and accountability.

The Board is firmly committed to the highest standards of corporate governance. As set out in the IPO Prospectus, given that the Company has a standard listing, the Board voluntarily complies and intends to continue to comply with the requirements of the UK Corporate Governance Code 2018 (the ‘Code’). The Board will also voluntarily report to its shareholders on its compliance with the Code in accordance with the requirements for premium listed companies under the Listing Rules.

The Code recommends that at least half the board of directors of a UK premium listed company, excluding the chair, should comprise non-executive directors determined by the board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the director's judgement. The Company regards all Non-Executive Directors as independent non-executive directors within the meaning of the Code and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

The Code recommends that, on appointment, the chair of a UK premium listed company should meet the independence criteria set out in the UK Corporate Governance Code. However, the Company Chair was not independent on Admission. John Lofton Holt, together with the other founders, has guided the Group's growth through its early stages. The Board considers that his continued leadership will ensure that the Group is best placed to continue its current growth trajectory. With a majority of Independent Directors on the Board, John's executive role is not expected to compromise the Board's overall independence and its firm commitment to the highest standards of corporate governance, as noted above.

The Board further believes that the current Directors bring to the Company a desirable range of skills and experience in light of its challenges and opportunities following Admission, while at the same time ensuring that no individual (or small group of individuals) can dominate the Board's decision making. The Code recommends that the board of directors of a UK premium listed company should appoint one of the independent non-executive directors to be the senior independent director to provide a sounding board for the chair and to serve as an intermediary for the other directors when necessary. The Company has appointed Jan Frykhammar as its Senior Independent Director. In compliance with the Code, the Board has established three committees: an Audit Committee, a Nomination Committee and a Remuneration Committee, and has also established a separate Market Disclosure Committee. If the need should arise, the Board may set up additional committees as appropriate.

Compliance with the Code and Listing Rules

This statement, together with the various Board Committee reports and relevant sections of the strategic report included in this annual report, describes the Board's application of and compliance with the Code published by the FRC (www.frc.org.uk).

This corporate governance statement, together with the rest of the corporate governance report and Committee reports, provides information on how the Group has applied the principles and complied with all relevant provisions of the Code, except as otherwise disclosed on pages 96 and 97, and meets applicable other requirements, including provisions of the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

The requirements under the Disclosure Guidance and Transparency Rules DTR 7.2 are covered in greater detail throughout the annual report, for which we provide a reference as follows:

- Directors' statement with regard to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 48 and 49;
- the viability statement is set out on pages 48 and 49;
- Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on pages 49 and 75;
- information with regard to share capital is presented in the Directors' report on page 97;
- information on Board and Committee composition is found in the Division of responsibilities section on pages 64 and 65;
- the Board's approach to workforce and stakeholder engagement is in the section 172(1) statement on pages 36 to 41;
- the Executive Chair's and the more comprehensive Board's performance as part of the Board evaluation are discussed in the Directors' report on page 68;
- diversity is discussed in the section on the Nomination Committee's activities on page 69 and 70;
- the section describing the work of the Audit Committee is set out on page 72; and
- the Directors' statement on fair, balanced and understandable is set out on page 74.

Board leadership and Company purpose continued

Corporate governance statement continued

Our governance framework

The Board

The Board is responsible for the overall leadership of the Group and setting the Group's values and standards, with the overall aim of delivering shareholder value. Principally, we achieve this through:

- approving the Group's business strategy proposed by management, as well as setting its purpose, values, standards and culture and ensuring that these are aligned;
- oversight of effective Group risk management and internal control processes including a robust assessment of the Group's emerging and principal risks;
- the approval of any changes relating to the Group's capital, corporate and/or listing structure; and
- oversight of the Group's ESG strategy.

Board

pages 54 to 57

Board activities

page 63

Division of responsibilities

pages 64 and 65



Audit Committee

Responsible for the integrity of the Group's financial reporting, including scrutinising accounting policies, and reporting to the Board on significant reporting issues and judgements.

Monitors the effectiveness of internal control and risk management systems and the effectiveness and objectivity of internal and external auditors.

Approves the internal audit plan and recommends the appointment of the external auditor.

Read the Audit Committee report
pages 71 to 76

Remuneration Committee

Ensures there is a formal and transparent process for establishing the Directors' Remuneration Policy.

Approves individual remuneration packages of the Executive Chair, Executive Directors and the wider workforce.

Approves the overall remuneration policy for the Group including reviewing the design and development of share plans operated for Executive Directors and others requiring shareholder approval, and approves and assesses performance targets where applicable.

Reviews workforce remuneration practices and policies when setting executive remuneration, as well as the alignment of incentives and awards with culture.

Read the Remuneration Committee
report pages 77 to 95

Nomination Committee

Facilitates the Board in meeting its responsibilities to plan and execute timely Chief Executive Officer succession and works with the Chief Executive Officer to plan and execute Executive Director succession.

Ensures suitable succession plans are in place for the Board and senior executives to achieve the Group's strategic objectives, ensuring plans are based on merit and against objective criteria.

Recommends appointments to the Board and its principal Committees.

Oversees development of a diverse pipeline in the executive succession plan and talent management.

Assists the Board in the development of a Group-wide approach to all forms of diversity and inclusion.

Oversees the Group's overall governance framework, including the governance arrangements of the Group's significant subsidiaries.

Read the Nomination Committee
report pages 66 to 70

Board activities in FY 2021

The Board makes decisions in order to ensure the long-term success of the Group whilst taking into consideration the interests of wider stakeholders as required under section 172(1) of the Companies Act 2006. Board meetings are one of the mechanisms through which the Board discharges this duty. Further information about stakeholder engagement is included on pages 36 to 41.

Culture

Alphawave IP management believes the engineering talent of its employees is critical to the Group's success. Alphawave IP's highly technical and experienced management team has created an engineering-focused culture that has enabled the Group to hire and retain some of the best engineering talent in wired connectivity IP, with research and development/engineering comprising over 85% of Alphawave IP's workforce. In recognition of the Group, TSMC, the largest semiconductor manufacturing foundry in the world, awarded Alphawave IP as Open Innovation Platform Partner of the Year for High-Speed SerDes in 2021 for the second year in a row, validating the value that the Group brings to customers and partners.

Roles and responsibilities of the Board

The Group's governance is designed to encourage a clear understanding and delivery of its strategy. The Board has accountability for the oversight, governance, direction, long-term sustainability and success of the business and affairs of the Group and is responsible to stakeholders for creating and delivering sustainable shareholder value.

The Board is also responsible for:

- approving the Group's business strategy proposed by management, as well as setting its purpose, values, standards and culture and ensuring that these are aligned;
- oversight of effective Group risk management and internal control processes including a robust assessment of the Group's emerging and principal risks; and
- the approval of any changes relating to the Group's capital, corporate and/or listed structure.

The Board has delegated certain responsibilities to its Committees and, in compliance with the Code, has established an Audit Committee, a Nomination Committee and a Remuneration Committee. The terms of reference for each of the Board's Committees were most recently updated and approved in December 2021 and are available to view on the Group's website: www.awaveip.com/en/investors/corporate-governance/. The Committee Chairs are responsible for reporting to the Board on the Committees' activities.

Details of our business model, strategy and key risks for the business can be found in our strategic report on pages 22 to 25

Board composition

The Board is comprised of ten Directors: the Executive Chair, three Executive Directors, six Non-Executive Directors, one of whom is the Senior Independent Director and two of whom take on a Committee Chair role. Jan Frykhammar is the Senior Independent Director and Chair of the Audit Committee. Victoria Hull is Chair of the Remuneration Committee. John Lofton Holt is Chair of the Board and of the Nomination Committee. The Code recommends that at least half the board of directors of a UK premium listed company, excluding the chair, should comprise non-executive directors determined by the board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the director's judgement. The Company regards all of the Non-Executive Directors as 'Independent Non-Executive Directors' within the meaning of the Code and free from any business or other relationship that could materially interfere with the exercise of their independent judgement. The Board also considers that it has complied with the requirements of the Code in relation to the balance of executive and Independent Non-Executive Directors on the Board, and the composition of the Company's Audit Committee, Remuneration Committee and Nomination Committee.

The roles of the Executive Chair and the Chief Executive Officer

The roles of the Executive Chair and the Chief Executive Officer are clearly segregated. The Executive Chair leads the Board, facilitating engagement at meetings by drawing on members' skills, experience and knowledge, and is responsible for the Board's overall effectiveness and oversight of the management of the Group. The Chief Executive Officer is responsible for the proposal and delivery of strategy, the day-to-day management of the Group and for ensuring information is presented to the Board to enable it to make decisions effectively.

Meeting attendance

The names of the Directors who served during FY 2021 are set out in the table below, together with their attendance at Board and Committee meetings held.

Each Director's attendance at Board and Committee meetings is considered part of the formal annual review of their performance. When a Director is unable to attend a Board or Committee meeting, they communicate their comments and observations on the matters to be considered in advance of the meeting via the Executive Chair, the Senior Independent Director or the relevant Board Committee's Chair for raising, as appropriate, during the meeting. Despite the challenges posed by COVID-19, the Directors' external appointments had no or extremely limited impact on their attendance of Board and Committee meetings.

The table below shows the number of scheduled Board and Committee meetings attended by each Director during the year against the total number of possible meetings in respect of each Director.

Name ^{1,2}	Board ^{4,5,6}	Audit Committee	Remuneration Committee	Nomination Committee ³
John Lofton Holt	3/3	n/a	n/a	—/—
Tony Pialis	3/3	n/a	n/a	—/—
Daniel Aharoni	3/3	n/a	n/a	—/—
Jan Frykhammar	3/3	3/3	2/2	—/—
Victoria Hull	3/3	3/3	2/2	—/—
Michelle Senecal de Fonseca	3/3	3/3	n/a	—/—
Susan Buttsworth	3/3	n/a	n/a	—/—
Rosalind Singleton	3/3	n/a	n/a	—/—
Paul Boudre ⁶	2/3	n/a	1/2	—/—
Sehat Sutardja ⁶	1/3	n/a	n/a	—/—

1. The composition of the Board and its Committees is shown as at 31 December 2021 and remains unchanged as at the date of this document.

2. The Disclosure Committee has been omitted from the above table as it meets on an ad-hoc basis, rather than a scheduled basis. It met twice during the period under review.

3. Given the relatively short period between the IPO and the end of the financial period, there have been no meetings of the Nomination Committee during the reporting period.

4. The attendance table reflects the number of Board meetings held from the IPO until 31 December 2021. The Board also met on several occasions prior to the IPO.

5. The Board held several additional ad-hoc and sub-committee meetings during the period to deal with urgent matters. All Board members who were able to attend did so.

6. Paul Boudre was unable to attend the August Board and the December Remuneration Committee meetings and Sehat Sutardja was unable to attend the September and December Board meetings due to prior commitments which were communicated to and agreed by the Board in advance.

Nomination Committee report

"I am pleased to present
Alphawave IP's first
Nomination Committee report."



John Lofton Holt

Chair of the Nomination Committee

I am pleased to present Alphawave IP's first Nomination Committee report, covering the period since the IPO on 18 May 2021 to the end of our initial financial reporting period on 31 December 2021, to provide an insight into how the Committee has discharged its responsibilities to date and its plans for the forthcoming year.

As part of the preparations for the IPO and prior to Admission, the Group formed a Nomination Committee, who amongst other key activities covered in this report, reviewed the independence of the Independent Non-Executive Directors and recommended their election to the Board. The Nomination Committee determined that they were all independent in character and judgement and that there were no relationships or circumstances which are likely to affect their judgement.

Committee composition

The Nomination Committee is comprised of John Lofton Holt as Chair and its other members are Jan Frykhammar and Susan Buttsworth, both Independent Non-Executive Directors. The biographies of each member of the Committee are set out on pages 54 to 57.

The UK Corporate Governance Code 2018 (the 'Code') recommends that a majority of the members of a nomination committee should comprise independent non-executive directors. The Board considers that the Company complies with the recommendations of the Code in this respect.

Key activities

The Nomination Committee assists the Board in discharging its responsibilities relating to the composition and make-up of the Board and any Committees of the Board. It is also responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors or Committee members as the need may arise. The Nomination Committee is responsible for evaluating the balance of skills, knowledge and experience and the size, structure and composition of the Board and Committees of the Board, retirements and appointments of additional and replacement directors and Committee members and will make appropriate recommendations to the Board on such matters.

Key areas of focus during the period

Due to a number of the key activities being undertaken pre-IPO and the short period between the IPO and end of the financial period, the Nomination Committee held no meetings during the reporting period. The Nomination Committee considers that the Independent Non-Executive Directors continue to demonstrate effective performance, enthusiasm and commitment to the role and have sufficient time to meet their responsibilities.

In accordance with the Code, all Directors will retire at the forthcoming AGM and the Board, upon the recommendation of the Nomination Committee, has recommended their election by shareholders.

Focus areas for 2022

As part of the Nomination Committee's forward planning, it intends to carry out the following key tasks for the next financial year:

- planning for the first full annual evaluation of effectiveness of the Board and its Committees;
- a review of the Board composition, skills matrix and succession planning, both at Board and senior management level; and
- setting diversity objectives and strategies for the Group, and monitoring the impact of diversity initiatives.

Succession planning

Careful consideration was given to the independence, composition and balance of the Board prior to IPO.

The Nomination Committee is satisfied that the Board has the appropriate range of skills, experience, independence and knowledge of the Group to enable it to discharge its duties and responsibilities effectively.

Continuous evaluation will be carried out as the Company matures, to ensure that the composition of the Board continues to be appropriate for the needs of the Group and its long-term success.

One of the Nomination Committee's key priorities for the year ahead is to establish a succession plan for the Board and senior management team. In doing this, the Nomination Committee intends to build upon and strengthen the work performed prior to IPO.

Composition, succession and evaluation continued

Nomination Committee report continued

Board evaluation

The first annual evaluation of the operation and effectiveness of the Board, its Committees and individual Directors has not yet fallen due. It will take place during the current financial year, with the process and outcomes of the evaluation reported on in the next annual report. The Board intends to comply with the Code guidance that an externally facilitated evaluation should take place at least every three years.

Election and re-election

In accordance with the Company's Articles, a Director appointed by the Board must stand for election at the first AGM subsequent to such appointment and other Directors must stand for re-election annually. Accordingly, as this is the first AGM of the Company, all Directors will stand for election at the Company's 2022 AGM.

The Board considers that all the current Directors continue to be effective; are committed to their roles; and have sufficient time available to perform their duties. The Board therefore recommends the election of all Directors.

Induction of new Directors and Board training

Prior to Admission, the Company's external lawyers provided all Directors with training in respect of their legal, regulatory and governance duties, responsibilities and obligations. All Directors who had not previously worked with the Group then participated in a range of meetings with members of the senior management team to familiarise them with the business and its strategy and goals. Equivalent arrangements will be put in place for future Board appointments. Regular updates are given at each Board meeting on market and industry activities and any relevant changes to the business. The Board holds an annual strategy offsite meeting. The first scheduled strategy meeting took place on 30 March 2022.

In 2021, dedicated Directors' training sessions included sessions on:

- duties and responsibilities of Directors of UK listed companies;
- potential liabilities in connection with an offer of shares to be admitted to the UK Official List; and
- executive remuneration landscape and trends.

Specific business-related presentations are given to the Board by senior management and external advisers when appropriate.

The training needs of the Directors are periodically discussed at Board meetings and briefings are arranged on key issues. A corporate governance update is a standing item at most Board meetings. Additional training is available on request, where appropriate, so that Directors can update their skills and knowledge as applicable.

The Board plans training on a forward-looking basis, collecting feedback from Non-Executive Directors on topics of interest. Board members receive formal papers a week ahead of each Board or Committee meeting, which enables them to make informed decisions on the issues under consideration. In addition to formal Board meetings, the Executive Chair maintains regular contact throughout the year with the Chief Executive Officer, Chief Financial Officer and Group management team to discuss specific issues. The Company Secretary acts as an adviser to the Board on matters concerning governance and ensures compliance with Board procedures. All Directors had access to the Company Secretary's advice since IPO and throughout 2021. Directors may also take independent professional advice at the Company's expense if required. In the event that any Director has concerns about the running of the Group, or a proposed action that cannot be resolved within the Board forum, these may be reflected in the Board minutes. The Company Secretary circulates minutes of each Board and Committee meeting following the meeting for comment and approval to ensure an accurate record is captured.

Diversity

At Alphawave IP, ensuring diverse representation and the bold ideas it creates is something we take seriously from the top down.

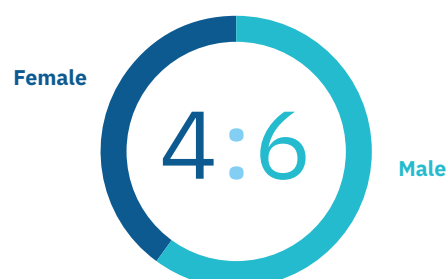
Diversity is one of the strongest assets of our organisation. The Group is committed to promoting the recognition and appreciation of our diverse and rich culture and believes that it is critical to its success to promote freedom of thought and opinion in a respectful environment. The decisions we make are rooted by respectfully considering each other's thoughts and opinions and by working towards a greater common goal.

The Group recognises the importance of having a diverse Board, including in terms of gender and ethnicity. We believe that having Board members who collectively possess a broad range of social, educational and professional backgrounds, together with different skills, experiences and cognitive strengths will contribute towards a high-performing business. As set out in the IPO documentation, management believes that Alphawave IP's engineering-focused workforce, management team and diverse and experienced Board of Directors differentiate it from the competition and are critical to the Group's success in its marketplace.

At the date of this report, I am proud to report that the Board has 40% female representation on its Board of Directors. Four of our six Independent Non-Executive Directors are women, who are leading figures in global technology companies. It is reflective of our diverse workforce, which is over 15% female and where 75% of our global workforce identifies with a minority group.

Further, we acknowledge the recommendations of the Parker review in relation to ethnic and cultural representation on listed company boards, but have not at this stage set a target, noting that the review is applicable only to premium listed FTSE 350 companies.

Board gender diversity



Board experience

	Financial	M&A	Strategy	Semi-conductors	Telecoms	Data networking
John Lofton Holt	●	●	●	●		●
Tony Pialis		●	●	●		●
Daniel Aharoni	●	●	●	●		
Sehat Sutardja		●	●	●		●
Jan Frykhammar	●	●	●	●	●	●
Michelle Senecal de Fonseca	●	●	●		●	●
Rosalind Singleton		●	●		●	●
Paul Boudre		●	●	●		
Susan Buttsworth	●	●	●		●	●
Victoria Hull	●	●	●	●		

Board geographic diversity

John Lofton Holt	
Tony Pialis	
Daniel Aharoni	
Sehat Sutardja	
Jan Frykhammar	
Michelle Senecal de Fonseca	
Rosalind Singleton	
Paul Boudre	
Susan Buttsworth	
Victoria Hull	

Nomination Committee report continued

Diversity continued

When considering Board appointments and internal promotions at senior level, the Group will continue to take account of relevant voluntary guidelines in fulfilling their role regarding diversity, while seeking to ensure that each post is offered strictly on merit against objective criteria to the best available candidate.

The Nomination Committee will continue to consider the structure, size and composition of the Board and its Committees when contemplating new appointments and succession planning for the year ahead. A range of diversity factors will be taken into account in determining optimal composition, together with the need to balance their composition and refresh this progressively over time.

Succession planning, Board independence and tenure of service

New Directors will typically be appointed by the Board and then put forward for election by shareholders at the subsequent AGM.

All Non-Executive Directors are appointed for initial terms of two three-year terms and may be terminated by either party upon one month's written notice or by shareholder vote at the AGM. The Non-Executive Directors do not have any entitlement to compensation (or payment in lieu of notice) if they are not re-elected by shareholders following any retirement.

Full details of the remuneration of the Non-Executive Directors can be found on pages 77 to 95 of this document in the Directors' remuneration report.

John Lofton Holt

Chair of the Nomination Committee

29 April 2022

Audit, risk and internal control

Audit Committee report

“I am delighted to present my first report as Chair of the Audit Committee.”



Jan Frykhammar

Chair of the Audit Committee

Dear shareholders,

I am delighted to present my first report as Chair of the Audit Committee. The report provides a summary of the Audit Committee's role and activities for the period from the IPO on 18 May 2021 to the end of our initial financial reporting period ending on 31 December 2021, and up to the Last Practicable Date, to provide an insight into how the Committee has discharged its responsibilities. I trust you will find this report to be informative and that you take assurance from the work we have undertaken.

Our external auditor KPMG attended all three of the Audit Committee meetings held during the financial period since IPO. The Executive Chair, the Chief Executive Officer, Chief Financial Officer and other members of management attend by invitation.

During the period since IPO, the Audit Committee reviewed other significant accounting matters with appropriate challenge and debate. The Audit Committee has reviewed the content in the annual report and believes that this explains our strategic objectives and is fair, balanced and understandable.

Whilst this Audit Committee report contains some of the matters addressed during the year, it should be read in conjunction with the external auditor's report starting on page 101 and the financial statements of the Group and Company in general.

Audit Committee report continued

At the 2022 AGM, shareholders will vote on the Board's recommendation to appoint KPMG LLP as our external auditor. During our financial year ending 31 December 2022, the Audit Committee will carry out a review of the effectiveness and independence of KPMG, particularly given the delay to publication of the annual results.

I would like to thank the members of the Audit Committee, the management team and the external auditor for their hard work and support during the Audit Committee's first year of operation, especially during this past year, when we have all had to continue to work under the challenges imposed by the pandemic.

Jan Frykhammar

Chair of the Audit Committee

29 April 2022

Role and key areas of activity

The role of the Audit Committee is to assist with the Board's oversight responsibilities in relation to the Group's financial and narrative reporting, the effectiveness of the internal control and risk management framework, internal audit (where appropriate) and the independence and effectiveness of the external auditor. The following sections of this report describe the key activities of the Audit Committee in each of these areas. The Board approved the terms of reference of the Audit Committee, which assists the Board in discharging its responsibilities. For more information on the Committee's terms of reference visit: <https://www.awaveip.com/en/investors/corporate-governance/>

Committee composition and meeting attendance

The Audit Committee is comprised entirely of Independent Non-Executive Directors. The Audit Committee is chaired by Jan Frykhammar and its other members are Victoria Hull and Michelle Senecal de Fonseca. The UK Corporate Governance Code 2018 (the 'Code') recommends that the Audit Committee should comprise at least three independent non-executive directors and that at least one member has recent and relevant financial experience. The Board considers that the Audit Committee complies with the requirements of the Code in these respects.

Three meetings have been held since IPO on 18 May 2021 to 31 December 2021. The Executive Chair, Chief Executive Officer and Chief Financial Officer, other members of the finance team and external auditor attend the meetings by invitation. Representatives of the external auditor attended all of the meetings of the Committee. Each scheduled meeting is held in advance of a Board meeting, allowing the Audit Committee Chair to report to the Board on the key matters discussed. The Committee meets privately without management present after scheduled meetings, as necessary. Private meetings are also held at least once a year with the external auditor to allow any issues of concern to be raised.

The Chair of the Committee meets separately with the Chief Financial Officer and the external auditor during the financial year to ensure that the work of the Audit Committee is focused on key and emerging issues.

Committee member	Meetings attended
Jan Frykhammar (Chair of the Committee)	3/3
Victoria Hull	3/3
Michelle Senecal de Fonseca	3/3

Financial reporting

The primary role of the Audit Committee in relation to financial reporting is to review and monitor the integrity of the financial statements, including annual and half-year reports, result announcements, and any other formal announcement relating to the Group's financial performance.

In considering the Group's first half-year report for the six months ended 30 June 2021, the Audit Committee conducted a page turn of the report at its meeting in September 2021 and subsequently recommended the report to the Board for approval.

The Audit Committee approved the planned scope of the audit of the Company's and Group's 2021 annual financial statements in October 2021, including materiality, the audit cycle and the proposed timetable.

In the preparation of the Company's and Group's 2021 annual financial statements, the Audit Committee has assessed the accounting principles and policies adopted, and whether management had made appropriate estimates and judgements. The Audit Committee also reviewed and challenged the alternative performance measures used by the Group. This review included evaluating our accounting policies as they relate to the alternative performance measures, the selection and overall presentation of the alternative performance measures and the clarity and consistency of the reconciliations to IFRS measures.

In doing so, the Audit Committee discussed management reports and enquired into judgements made. The Audit Committee reviewed the reports prepared by the external auditor on the 2021 annual report.

The Audit Committee, together with management and KPMG, identified significant areas of financial statement risk and judgement as described below.

Description of significant area	Work undertaken by the Audit Committee and outcomes
Revenue recognition Revenue recognition for the Group's revenue streams is complex. This is an area of focus due to the nature of the licensing transactions requiring management to exercise significant judgement.	The Committee reviewed the assumptions and disclosures around revenue recognition made by management. The Committee was satisfied with the explanations provided and conclusions reached in relation to revenue recognition. See notes 2, 3 and 5 to the financial statements.
Related party transactions Due to the nature of the technology industry, and the composition of our Board of Directors, there are several related parties that the Group transacts with and where disclosure may be required.	The Audit Committee supported KPMG's audit approach which specifically included the Group's related parties. The Audit Committee reviewed the results and recommendations within KPMG's Audit Committee report and is satisfied that the controls in place regarding identification of related party transactions are appropriate, in accordance with accounting standards and that the disclosures within this annual report are complete and accurate.
Initial Public Offering and associated accounting As a result of the listing, there are a number of large one-off expenses incurred and equity transactions recognised.	The Audit Committee reviewed the assumptions made by management and was satisfied that these were appropriately accounted for. Where the listing of shares relates to both new and existing shares, the costs should be pro-rated with only costs relating to new share issuance treated as offset against share premium.

Audit Committee report continued

Fair, balanced and understandable

At the request of the Board, the Audit Committee has reviewed the content of the 2021 annual report and considered whether, taken as a whole, in its opinion it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy. The Committee was provided with an early draft of the annual report and provided feedback on areas where further clarity or information was required in order to provide a complete picture of the Group's performance. The final draft was then presented to the Audit Committee for review before being recommended for approval by the Board. When forming its opinion, the Audit Committee reflected on discussions held during the period and reports received from the external auditor, and the following measures were adopted to ensure that this annual report meets that requirement:

- factual content was verified by management;
- members of senior management undertook a comprehensive review of the document to consider messaging and balance;
- the Audit Committee reviewed a full draft of the document, together with a summary of management's approach to the preparation of the narrative sections and the annual financial statements;
- the Audit Committee considered whether there was consistency between the key messages in this annual report and the Group's position, performance and strategy, and between the narrative sections and the Group's annual financial statements;
- it also considered whether all key events reported to the Board and its Committees during the year, both positive and negative, were adequately reflected, together with reporting by the external auditor of any material inconsistencies;
- the Audit Committee reviewed and challenged the use of alternative performance measures by the Group as described in the financial review;
- a comprehensive review of the entire annual report was carried out by the Directors; and
- feedback from the Audit Committee and other Directors on areas that would benefit from further clarity was incorporated into this annual report ahead of final approval.

The Audit Committee also considered whether the annual report included sufficient and appropriate disclosures of the impact of COVID-19 on the Group during the period under review and from the financial year end to the Last Practicable Date. Following the Committee's review, the Directors confirm that, in their opinion, the 2021 annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Risk management and internal control

The Audit Committee responsibilities include a review of the risk management systems and internal controls to ensure that they remain effective and that any identified weaknesses are properly dealt with. The Audit Committee:

- reviews annually the effectiveness of the Group's internal control framework; and
- reviews reports from the external auditor on any issues identified in the course of their work, including any internal control reports received on control weaknesses, and ensures that there are appropriate responses, from management.

The Group has internal controls and risk management systems in place in relation to its financial reporting processes and preparation of consolidated accounts. These systems include policies and procedures to ensure that adequate accounting records are maintained and that transactions are recorded accurately and fairly to permit the preparation of financial statements in accordance with IFRS.

The internal control systems include the elements described below.

Element	Approach and basis for assurance
Risk management	Whilst risk management is a matter for the Board as a whole, the day-to-day management of the Group's key risks resides with the senior management team and is documented in a risk register. The Executive Risk Committee is responsible for reviewing the risk register. A review and update of the risk register will be undertaken by the Audit Committee on an annual basis and reviewed by the Board. The management of identified risks is delegated to the senior management team, and regular updates are given to executive management at monthly meetings.
Financial reporting	Group consolidation is performed on a monthly basis with a month-end pack produced that includes an income statement, balance sheet, cash flow and detailed analysis. The month-end pack also includes KPIs, which are reviewed each month by the senior management team and the Board. Results are compared against the budget or re-forecast and narrative provided by management to explain significant variances.
Budgeting and re-forecasting	An annual budget is produced and monthly results are reported against this. The budget is prepared using a bottom-up approach, informed by a high-level assessment of market and economic conditions. Reviews are performed by the senior management team and the Board. The budget is approved by the Board.
Delegation of authority and approval limits	A documented structure of delegated authorities and approval for transactions is maintained beyond the Board's terms of reference. This is reviewed regularly by management to ensure it remains appropriate for the business.
Segregation of duties	Procedures are defined to segregate duties over significant transactions, including procurement, payments to suppliers and payroll. Key reconciliations are prepared and reviewed on a monthly basis to ensure accurate reporting.

In addition to these internal assurances, the Audit Committee took into account the findings from the external auditor's evaluation of the internal control environment performed during the audit and other external assurances commissioned, as well as its own observations throughout the period under review. The Audit Committee acknowledged the findings of the external auditor in relation to the Group's risk management and internal control systems and where areas for improvement were identified, there were processes in place to ensure that the necessary actions would be taken by management and that these outcomes would be monitored.

The Board considered the Audit Committee's findings in relation to the effectiveness of the Group's systems of risk management and internal control, and was satisfied that throughout the year under review and up to the Last Practicable Date, the Group's risk management and internal control environment continued to be effective.

Going concern and viability statement

The Audit Committee reviewed management's schedules supporting the going concern assessment and viability statements. These included the Group's medium-term plan and cash flow forecasts for the period to H1 2025. The Audit Committee discussed with management the appropriateness of the three-year period and discussed the correlation with the Group's principal risks and uncertainties as disclosed on pages 50 to 53. This three-year period aligns with the Group's internal forecasting framework, reflects the Group's high growth and evolving financial profile and accommodates the impact of the Group's announced acquisitions.

The feasibility of mitigating actions and the potential speed of implementation to achieve any flexibility required were discussed. Scenarios covering events that could adversely impact the Group were considered. The Audit Committee evaluated the conclusions over going concern and viability and the proposed disclosures in the financial statements and satisfied itself that the financial statements appropriately reflect the conclusions.

For additional detail, please refer to the external auditor's report and Strategic report contained in this annual report.

External auditor

During 2021, the Audit Committee approved the audit plan and fee for the period ending 31 December 2021 and reviewed KPMG's findings in respect of the audit of the financial statements for the period ended 31 December 2021. The Audit Committee regularly met separately with representatives from KPMG without management present and with management without representatives of KPMG present, to ensure that there were no issues in the relationship between management and the external auditor which it should address. There were none.

The year ended 31 December 2021 is the first year for which Robert Seale will sign the auditor's report as senior statutory auditor. The Committee has reviewed, and is satisfied with, the independence of KPMG LLP as the external auditor.

Non-audit services provided by the external auditor

The external auditor is primarily engaged to carry out statutory audit work. There may be other services where the external auditor is considered to be the most suitable supplier by reference to their skills and experience. It is the Group's practice that it will seek quotes from several firms, which may include KPMG, before engagements for non-audit projects are awarded. Contracts are awarded based on individual merits. The Audit Committee oversaw the application of a formal policy on the procurement of non-audit services. This policy is in place for the provision of non-audit services by the external auditor, to ensure that the provision of such services does not impair the external auditor's independence or objectivity and will be assessed going forward in line with the FRC's Ethical and Auditing Standards.

The review of the half-year report, an assurance-related non-audit service, was approved as part of the Audit Committee approval of the external audit plan. All permitted non-audit services require approval in advance by either the Audit Committee Chair, the Audit Committee or the Board, subject to the cap of 70% of the fees paid for the audit in the last three consecutive financial years.

During the year, KPMG charged the Group £938,000 for assurance services. This figure includes one-off assurance services regarding Admission of the Company to the London Stock Exchange. This IPO-related fee was a one-off service and will not be repeated in the future.

Other responsibilities

Focus areas for 2022

One of the Audit Committee's roles is to oversee the relationship with the external auditor, KPMG, and to evaluate the effectiveness of the service provided and their ongoing independence. Due to the fact that the period between IPO and the publication of this report is less than a year, a formal evaluation of the performance and effectiveness of the external auditor has not been carried out. A statement will be included in the next annual report detailing the upcoming review of KPMG which will occur later in the financial year ending 31 December 2022.

The Audit Committee will undertake a review of the need for an internal audit function during the course of 2022 and make recommendations to the Board as appropriate.

As part of the annual evaluation of the Board's effectiveness, the Audit Committee will undertake a review of its own performance since IPO, its composition and terms of reference.

Approved and signed on behalf of the Audit Committee.

Jan Frykhammar

Chair of the Audit Committee

29 April 2022

Remuneration

Directors' remuneration report

"As Chair of the Remuneration Committee, I am pleased to present our first report on Directors' remuneration since Alphawave IP's IPO in May 2021."

**Victoria Hull**

Chair of the Remuneration Committee

Chair's letter

As Chair of the Remuneration Committee, I am pleased to present our first report on Directors' remuneration since Alphawave IP's IPO in May 2021.

This report is divided into three sections:

- Remuneration Policy, which sets out the approach the Remuneration Committee takes on Directors' pay;
- details on what has been paid to Directors in 2021; and
- an outline of how we propose to pay Directors in 2022.

The Remuneration Policy, which was set out at a high level in the IPO Prospectus, will be put to a binding shareholder vote at our first AGM.

Remuneration in context

In 2021, the Committee convened to align on how we will govern executive pay at Alphawave IP – at the core of this was ensuring a clear and rigorous focus on aligning pay with performance but to equally give due consideration to the experience of all our key stakeholders.

With that in mind, we have outlined below the key drivers of our decisions in relation to the Executive Directors' remuneration outcomes for the financial year.

Directors' remuneration report continued

Remuneration in context continued

Corporate performance

Strategic priorities

- We diversified our business in terms of end-customers, end-markets and geographies. We nearly doubled our end-customer base from 11 to 20 and secured design wins with numerous leading semiconductor companies, including Samsung and Microchip, and global hyperscalers.
- We increased our engineering and operational capabilities, scaling headcount from 72 heads to 154 heads by 31 December 2021.
- We expanded our product offering to address lower process nodes, with further product IP wins and our first two chiplet IP wins announced in Q4 2021.

Financial performance

- We grew our bookings for the year by 226% to US\$244.7m, including over 90% growth in bookings from North American customers, excluding estimated potential future royalties.
- We grew our revenues for the year by 173% to US\$89.9m, with first recognition of the subscription licence agreements with VeriSilicon and WiseWave in H2 2021.
- Despite a doubling in headcount, significantly ahead of our plan, we achieved adjusted EBITDA margins of 58%, generating adjusted EBITDA of US\$51.8m.

Stakeholder experience

Our shareholders

- We are committed to take wider stakeholder experience into account when making decisions on executive pay and we have noted the performance of the shares since IPO and the factors contributing to that performance.
- Promoting share ownership is a key principle of Alphawave IP's approach to remuneration across the Group. We want all employees to be aligned with shareholders so they can share in the success of the Group and be invested in its growth story. The Executive Chair and Chief Executive Officer, as founders of the business, embody this philosophy, having retained significant stock ownership in the Company on IPO, to ensure they are aligned to the experience of new (and indeed, old) investors in the Company.

Our employees

- The 2021 average annual salary increase for the wider workforce was 3.5% (the Executive Directors have not received an increase and no increase is being proposed for 2022), and all employees are eligible for an annual bonus, with the average incentive outcome being 20% of salary. Employees are also eligible to a 10% employer pension contribution – which aligns to the Chief Financial Officer's entitlement.
- Our primary focus during the COVID-19 pandemic has been protecting the health and safety of our employees and the communities in which we operate. Therefore, we have provided our employees with the ability to work from home, together with flexible work schedules to take care of their families. We provided employees with a variety of benefits and support initiatives to address the inherent challenges of working remotely during the pandemic.
- The philosophy behind Alphawave IP's compensation programme is to support the Group's mission and values. Aligned with an effective communication plan, it is designed to support, reinforce and align our values, business strategy, operational and financial needs with a goal of growth and profitability. In alignment with our culture, we communicate openly about the goals of the business. Alphawave IP works hard to administer the compensation programme in a manner that is consistent and free of discrimination and is equitable to all employees regardless of race, ancestry, place of origin, ethnic origin, citizenship, creed, gender, sexual orientation, age, marital status, family status or disability.
- As a Canada-originated business competing in the IP solutions sector, many of our employees are situated in Canada or the United States. It is critical to our success to ensure this talent is remunerated competitively. As such, we consider a global high-tech talent market when benchmarking pay for the organisation.
- Alongside our Workforce Engagement NED, the Committee is committed to ensuring it has good oversight over pay practices and policies of the wider workforce and ensuring that any decisions made about executive remuneration are considered in the context of the wider workforce.

Government support

- In early 2021, prior to our IPO, as a private Canadian company with limited visibility on the duration, extent and impact of the COVID-19 pandemic on our business, we received US\$55,000 in Canadian Emergency Wage Subsidy to support wages to employees. This was in addition to a grant of US\$1.1m received in 2020. Post-IPO, although entitled to further grants in Canada, we have elected not to receive them. No government assistance has been requested nor taken in the UK.

2021 remuneration

Taking the context set out above into account, the Committee made the following decisions in respect of remuneration in 2021:

Bonus

Performance exceeded target for both the revenue and EBITDA metrics, weighted 60% and 40%, respectively. The Committee determined that the outcome should be a target payout (75% of salary/50% of maximum opportunity) for the Chief Financial Officer, the only Executive Director that participated in the bonus scheme for the 2021 financial year. The Committee is comfortable that this outcome is both fair and appropriate, having considered the performance achieved as well as the wider stakeholder experience. A third of this award on a gross basis will be deferred into shares, which will be held for a further two years.

Full details on the targets set and performance against them can be found on page 90 in respect of the 2021 bonus scheme.

Long-term incentives

As Alphawave IP is only in its first year as a listed company, there is no long-term incentive plan vesting to report. No long-term incentive plan awards have been made to Executive Directors yet, with the first planned to be made this year (see section below).

Full details on Directors' share interests in the Company, including a share award made to the Chief Financial Officer on recruitment, which has vested, can be found on page 92.

2022 Remuneration Policy and implementation

Base salary – no proposal to increase salary levels for any of the Executive Directors.

Annual bonus – metrics will continue to be revenue (60% weighting) and EBITDA (40%) as key strategic measures for the Group's success given its current growth phase. Threshold, target and maximum target levels have been approved by the Committee, and performance will be assessed in the same way as those for the 2021 bonus, taking due account of the wider stakeholder experiences when determining the appropriate payout level, in addition to the formulaic out-turn.

A third of the bonus earned will be deferred into shares and required to be held for a further two-year period.

While the Executive Chair and President & Chief Executive Officer are eligible to participate in the annual bonus plan, they have both waived participation again for the 2022 annual bonus, given their significant shareholdings, which amount to over 100 times their respective salaries, already provide significant alignment with Group performance. Sehat Sutardja is not entitled to participate in any bonus or variable compensation arrangement. Therefore, the Chief Financial Officer is the only Executive Director that will participate and he has the opportunity to earn up to 150% of salary for maximum performance, with target opportunity being 50% of maximum.

Long-term incentive – the first award under the Alphawave IP Group plc Long-Term Incentive Plan (LTIP) will be made to the Chief Financial Officer in May 2022, with a face value of 205% of salary. The award will be subject to relative Total Shareholder Return (TSR) (70% weighting) and EPS growth (30% weighting) performance metrics. TSR performance will be measured relative to two different indices with an equal weighting on each. These are the FTSE 250 Index and the FTSE All-World Technology Index, to reflect both our UK listing and our competitive business position in the global technology market. More details on these metrics and targets for each can be found on page 91. While the Executive Chair and President & Chief Executive Officer are eligible to participate, again they have both waived participation for the 2022 LTIP award as their significant holdings already inherently provide alignment with other shareholders. Sehat Sutardja is not entitled to participate in any bonus or variable compensation arrangement.

Full details on the Policy (including pension and benefits, shareholding guidelines and malus and clawback provisions) and further information on the proposed implementation of the Policy can be found on pages 82 to 89.

I hope you find that this report clearly explains the remuneration approach we have taken and how we will implement the Policy in 2022. I look forward to your support at the 2022 AGM in respect of the resolutions relating to the Policy and this report.

Victoria Hull

Chair of the Remuneration Committee

29 April 2022

Directors' remuneration report continued

Remuneration at a glance

Component	2021 (year ending 31 December 2021)	2022 (year ending 31 December 2022)
Fixed pay		
Base salary level	<ul style="list-style-type: none"> John Lofton Holt, Executive Chair: £450,000 Tony Pialis, President & Chief Executive Officer: £450,000. Daniel Aharoni, Chief Financial Officer: £365,000. Sehat Sutardja, Executive Director: £85,000 (part-time working arrangement). 	<ul style="list-style-type: none"> No increase from 2021.
Benefits	<ul style="list-style-type: none"> Private medical cover for the President & Chief Executive Officer and Chief Financial Officer. 	<ul style="list-style-type: none"> No change from 2021, other than that the Executive Chair will also receive private medical cover, in line with his employment agreement.
Pension	<ul style="list-style-type: none"> Only the Chief Financial Officer participates Chief Financial Officer entitlement: 10% of salary, aligned with wider workforce. 	<ul style="list-style-type: none"> No change from 2021.
Variable pay		
Annual bonus	<ul style="list-style-type: none"> Executive Chair and President & Chief Executive Officer eligible but only the Chief Financial Officer participated. Chief Financial Officer opportunity (% of salary): Target 75% / Maximum 150%. Measures: Revenue (60%) and EBITDA (40%). Deferral: 1/3 deferred into shares over two years. 	<ul style="list-style-type: none"> No change from 2021.
Long-term incentives	<ul style="list-style-type: none"> No awards made. 	<ul style="list-style-type: none"> Executive Chair and President & Chief Executive Officer eligible but only the Chief Financial Officer will participate. Chief Financial Officer opportunity (% of salary): Maximum 205%. Measures: relative TSR (70%) and EPS (30%). Performance/holding period: three-year performance plus two-year holding period.

Our governance

Our link between remuneration and strategy

Alphawave IP's strategic priorities as detailed on pages 24 and 25 are designed to maintain Alphawave IP's leading technology position, enabling it to expand its position at its existing customers and win new customers, generating profitable growth whilst retaining and motivating employees.

The proposed Remuneration Policy (the 'Policy') is designed to ensure a strong link between remuneration, the strategic priorities and delivery of objectives.

Incentive scheme targets are carefully considered by the Committee to ensure they reward performance and are correctly calibrated. Targets used in the incentive schemes are then monitored and progress measured by reference to many of the reported KPIs. With the continuing development of the Group's approach to sustainability, we are committed to understanding the most material ESG factors to Alphawave IP as a business with a view to embedding these into the executive remuneration framework, to align with the Group's strategy, in future years.

For further details on how our Policy links to strategy, see the Policy table on pages 82 to 84.

UK Corporate Governance Code 2018 (the 'Code') – Provision 40 alignment

The table below explains how the Remuneration Committee has addressed the factors set out in Provision 40 of the Code.

Clarity	
Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	<p>The Remuneration Committee has aimed to incorporate simplicity and transparency into the design and delivery of our Remuneration Policy. The remuneration structure is simple to understand for both participants and shareholders and is aligned to the strategic priorities of the business.</p> <p>We aim for disclosure of the Policy and how it is implemented to be in a clear and succinct format.</p>
Simplicity	
Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	Our remuneration arrangements for Executive Directors are purposefully simple, comprising of fixed pay (salary, benefits, pension/pension salary supplement), a short-term incentive plan (annual bonus scheme) and a long-term incentive plan (LTIP).
Risk	
Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	<p>The Policy includes a number of points to mitigate potential risk:</p> <ul style="list-style-type: none"> • defined limits on the maximum opportunity levels under incentive plans; • provisions to allow malus and clawback to be applied, where appropriate; • performance targets calibrated at appropriately stretching but sustainable levels; and • bonus deferral, LTIP holding periods, in-employment and post-employment shareholding requirements ensuring alignment of interests between Executive Directors and shareholders and encouraging sustainable performance. For founder Executive Directors, actual shareholding levels are far in excess of these requirements, providing a strong alignment between individual and investor interests.
Predictability	
The range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the policy.	We aim for our disclosure to be clear to allow shareholders to understand the range of potential values which may be earned under the remuneration arrangements.
Proportionality	
The link between individual awards, the delivery of strategy and the long-term performance of the Group should be clear. Outcomes should not reward poor performance.	A significant part of an Executive's reward is linked to performance with a clear line of sight between business performance and the delivery of shareholder value. For founder Executive Directors, the significant shareholding levels provide a strong alignment between individual and investor interests.
Alignment to culture	
Incentive schemes should drive behaviours consistent with Group purpose, values and strategy.	The incentive arrangements and the performance measures used are strongly aligned to those that the Board considers when determining the success of the implementation of the Group's purpose, values and strategy. In determining that success, the Board has regard to the impact of the Group's purpose, values and strategy on the financial performance of the business, including the revenues and profitability, and how that performance is reflected in the Company's share price over the medium and long term. The Board is able to review targets, measures and weightings for both the Short-Term and Long-Term Incentive Plans on an annual basis to ensure that they continue to be aligned with the Group's purpose, values and strategy.

Directors' remuneration report continued

This section sets out the Company's first Directors' Remuneration Policy which has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations. The Policy will be subject to a binding shareholder vote at the 2022 AGM and, subject to shareholder approval, will become effective from the date of the AGM. Our Policy was determined as part of our preparations for IPO and it does therefore not take into account the views of shareholders other than those shareholders immediately prior to the IPO. The Policy as set out below is consistent with the quantum and structure of pay outlined in the Prospectus published ahead of the Company's Admission to the London Stock Exchange (LSE) and is based on advice provided by Willis Towers Watson.

Alphawave IP is committed to maintaining high standards of corporate governance and to making consistent annual improvements in its corporate governance practices in order to reflect evolving legal requirements, critical ESG themes, investor expectations and wider stakeholder considerations. Therefore, the principles of the Code were taken into account when developing this first Policy post-Admission to the LSE. The Committee will also seek to develop and maintain an open and constructive dialogue with current and future investors on the approach it takes to Director remuneration. In the event that any material changes to the Policy or its implementation are proposed, the Committee will engage in a consultation with shareholders as appropriate.

Remuneration Policy table for Executive Directors

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Fixed remuneration			
Base salary			
To attract and retain executives of the right calibre to successfully develop and execute on an intensive and ambitious emerging markets business strategy aimed at driving shareholder returns over time.	<p>Base salaries will typically be reviewed annually, with any increases normally effective from 1 January.</p> <p>Base salary levels take account of:</p> <ul style="list-style-type: none"> the individual's role, performance and experience; business performance, individual track record and the external environment; salary increases for senior management and other employees; and salary levels for comparable roles at relevant global businesses. <p>No recovery or withholding applies.</p>	<p>Whilst there is no prescribed maximum, salary increases will generally be in line with those of the wider workforce.</p> <p>Increases may be made above this level where the Committee considers it appropriate, including (but not limited to) a significant increase in the scale, scope, market comparability or responsibilities of the role, bearing in mind potential growth and increased complexity of the business.</p> <p>Where an individual has been appointed on a salary lower than market levels, increases above the wider workforce may be made to recognise experience gained and performance in the role.</p> <p>Such increases will be explained in the relevant year's Annual Report on Remuneration.</p>	None.

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Fixed remuneration continued			
Benefits			
To provide market-competitive benefits.	<p>Benefits typically include participation in car schemes, private health insurance, disability insurance, travel insurance and life insurance. Where appropriate, other benefits may be offered, including, but not limited to, allowances for relocation.</p> <p>Executive Directors will be eligible to participate in all-employee share schemes which may be established in the future, on the same terms as other employees and subject to the limits defined in the plan rules.</p> <p>No recovery or withholding applies.</p>	<p>Benefits provided may vary by role and individual circumstance and are reviewed periodically.</p> <p>There is no overall maximum.</p>	None.
Pension (or cash allowance)			
To provide market competitive retirement benefits in line with the global workforce.	<p>Executive Directors may participate in a defined contribution scheme. Individuals may receive a cash allowance in lieu of some or all of their pension contribution.</p> <p>No recovery or withholding applies.</p>	<p>Pension contribution or cash payment is equal to the maximum employer contribution available to employees under the Defined Contribution scheme (currently 10% of salary) in line with the wider workforce.</p>	None.
Performance-related variable remuneration			
Short-Term Incentive Plan (STIP)			
To provide alignment between the successful delivery of annual strategic business priorities and reward.	<p>The bonus is earned based on the achievement of one-year performance targets and is delivered in cash or a combination of cash and deferred shares.</p> <p>At least one-third of gross bonus will be deferred into shares, typically for a period of two years. Dividend equivalents may be accrued on deferred shares.</p> <p>Malus and clawback provisions may be applied in exceptional circumstances as detailed in the notes to this table.</p>	<p>The overall policy maximum for Executive Directors is 180% of basic salary.</p> <p>The bonus pays out from threshold at 25% to target at 50% and 100% at maximum performance.</p>	<p>Performance measures, weightings and targets are reviewed annually and set at the beginning of the year to ensure they are stretching and they continue to support the achievement of the Group's key strategic priorities.</p> <p>The bonus will be based on a combination of financial, operational, strategic and individual measures.</p> <p>At least 60% of the bonus will be based on financial measures, which may include (but are not limited to) revenue and adjusted EBITDA.</p> <p>The Committee has the discretion to adjust the bonus outcomes to ensure they are reflective of underlying business performance and any other relevant factors. The Committee will consult with major shareholders where appropriate before the use of discretion to increase the outcome.</p>

Directors' remuneration report continued

Remuneration Policy table for Executive Directors continued

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Performance-related variable remuneration continued			
Long-Term Incentive Plan (LTIP)			
<p>To incentivise and reward participants over the long term for sustained performance and delivery of the business strategy and shareholder value.</p> <p>Provides longer-term alignment with the shareholder experience.</p>	<p>LTIP awards will typically be made annually and consist of rights to shares (or a cash equivalent) subject to performance conditions. Awards will normally vest no less than three years after the respective award grant date, based on satisfaction of the defined performance metrics.</p> <p>Vested shares are subject to a holding period of two years (shares may be sold at vesting to satisfy any tax-related liabilities).</p> <p>Dividend equivalents may be accrued on shares.</p> <p>Malus and clawback provisions may be applied in exceptional circumstances as detailed in the notes to this table.</p>	<p>The overall policy maximum for Executive Directors is 300% of basic salary.</p> <p>For threshold performance, payment starts at 25%.</p>	<p>The targets, measures and weightings will be determined annually by the Committee prior to the grant of the award.</p> <p>This is likely to include a market measure (such as relative TSR) and an internal financial measure.</p> <p>The Committee will set the measures and weightings each year, and has discretion to adjust the number of shares vesting from the formulaic application of the performance conditions based on a review of underlying performance of the Group. The Committee will consult with major shareholders where appropriate before the use of any material discretion to increase the formulaic outcome.</p> <p>For 2022, the Committee has selected relative TSR and EPS growth as the appropriate measures, as they align with long-term shareholder interests.</p>
Shareholding policy			
<p>To provide alignment between the interests of Executive Directors and shareholders over the longer term.</p>	<p>Shareholding guidelines will be 200% of basic salary for all Executive Directors, to be built up over a five-year period from their date of appointment to the Board. For the purposes of the policy, shares which are beneficially owned will count, as will unvested shares which are not subject to any performance conditions (on a net of tax basis).</p> <p>Post-cessation shareholding policy</p> <p>All Executive Directors will be required to maintain the in-employment guideline or their actual shareholding at the point of leaving for lesser of the two years post-cessation.</p>	Not applicable.	Not applicable.

Notes to the Policy table

Operation of incentive plans

The incentive plans will be operated within the Policy at all times and in accordance with the relevant plan rules and the Listing Rules. There are a number of areas over which the Committee retains flexibility, as detailed below:

- who participates in each plan;
- the timing and size of an award and/or payment (subject to any maximums indicated in the table above);
- the performance measures, weightings and targets that will apply each year and any intra-period adjustments thereof;
- treatment of leavers; and
- amendments of plan rules in accordance with their terms.

Where appropriate, any use of discretion by the Committee will be disclosed in the relevant Annual Report on Remuneration and may be subject to consultation with the Company's shareholders.

Malus and clawback provisions

Consistent with best practice, malus and clawback provisions will be operated at the discretion of the Committee in respect of both the annual bonus and LTIP where it considers that there are exceptional circumstances. Such exceptional circumstances include those relating to material misstatement of accounts, errors in calculating the LTIP award, corporate failure and, a participant's conduct resulting in material reputational damage.

Clawback may be applied from the point of payment for the bonus for a period of up to three years and, for the LTIP, from vesting until the fifth anniversary of the award (or two years from vesting, for a three-year award).

Discretion

The Committee recognises the importance of ensuring that pay reflects performance aligned with the Group's strategy, ambitions and risk appetite.

Consequently, and in line with the Code, the Committee expects to review formulaic outcomes to ensure alignment with Alphawave IP's long-term goals and shareholder and stakeholder experience, and may apply appropriate judgement and adjustments, upwards or downwards. In addition, the Committee may amend formulae, performance metrics and targets to reflect changes in Group strategy, acquisitions or disposals or other exceptional circumstances. Such exercise of judgement or discretion shall be disclosed in the remuneration report.

Existing arrangements

Payments may be made to satisfy commitments made prior to the approval of this Policy. This may include, for example, but without limitation, payments made to satisfy legacy arrangements agreed prior to an employee (and not in contemplation of) being promoted to the Board. All such outstanding obligations may be honoured, and payment will be permitted under this Policy.

The Chief Financial Officer holds 2.8m shares resulting from arrangements made before the IPO. These normally vest in 36 equal instalments on a monthly basis as from December 2021 but the Board can allow earlier vesting and they will vest in full on a change of control. He cannot normally sell the shares until vesting and if he leaves (other than for one of the good leaver reasons listed below in relation to the LTIP) he may be required to sell the shares for the lesser of the price paid for them or their then market value.

Minor amendments

The Committee may make minor amendments to the Policy (for example for tax, regulatory, exchange control or administrative purposes) without obtaining shareholder approval.

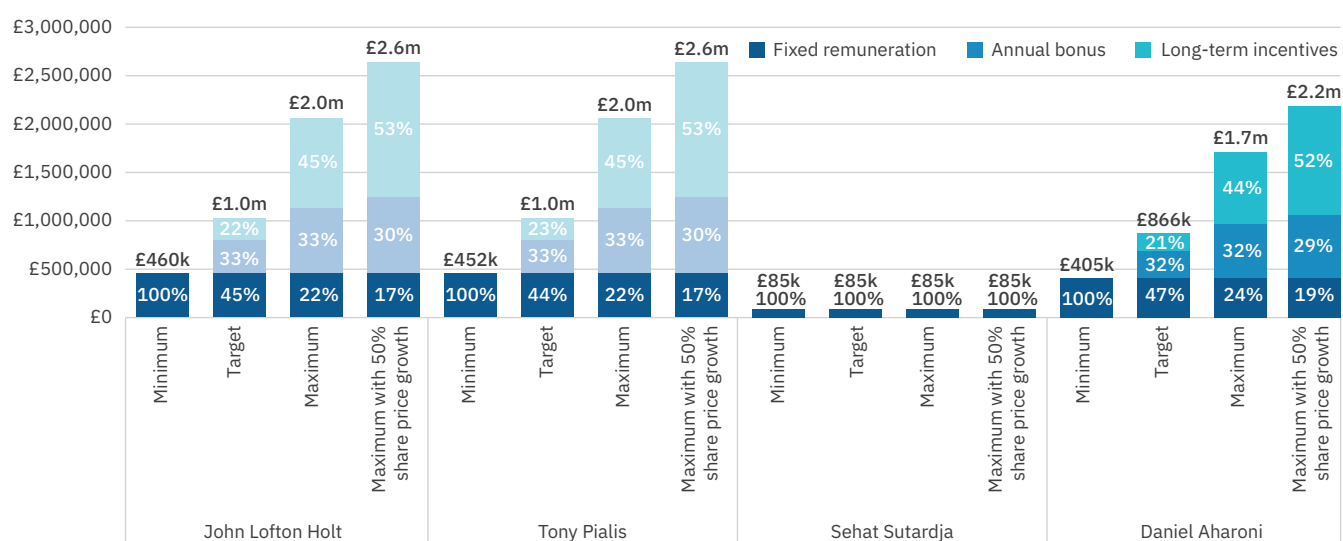
Directors' remuneration report continued

Illustrations of application of the Policy

The graphs below provide estimates of the potential reward opportunity for the current Executive Directors and the split between the three different elements of remuneration under three different performance scenarios: 'Minimum', 'Target' and 'Maximum'. In line with the reporting regulations, a scenario assuming 50% share price growth over the three-year LTIP performance period is also shown below. The assumptions used for these charts are set out in the table below.

The bar charts are part shaded for the Executive Chair and President & Chief Executive Officer to show the theoretical entitlement under the Policy (at the same opportunity level as for the Chief Financial Officer), for which they have opted to waive participation for 2021 and 2022. Sehat Sutardja is not entitled to participate in any incentive arrangements.

Illustrative scenario analysis (2022)



Minimum	<ul style="list-style-type: none"> Fixed remuneration (salary, pension and benefits) only No payout under the STIP or LTIP vesting
Target	<ul style="list-style-type: none"> Fixed remuneration 50% of maximum payout under the STIP 25% of maximum vesting under the LTIP
Maximum	<ul style="list-style-type: none"> Fixed remuneration 100% of maximum payout under the STIP 100% of maximum vesting under the LTIP
Maximum + 50% share price growth	<ul style="list-style-type: none"> Fixed remuneration 100% of maximum payout under the STIP 100% of maximum vesting under the LTIP 50% assumed share price growth over three-year LTIP performance period

The charts above are based on the anticipated bonus and LTIP award levels for 2022 and assume a one-third bonus deferral. Other than the 'Maximum scenario with 50% share price growth', no share price growth has been included in the charts above and it is assumed that no dividends or dividend equivalents are paid.

Recruitment remuneration

In agreeing a remuneration package for a new Executive Director, the structure and quantum of variable pay elements would reflect those set out in the Policy table above. Salary would reflect the skills and experience of the individual, and may be set at a level to allow future progression to reflect performance in the role. On recruitment, relocation benefits may be paid as appropriate.

This overall approach would also apply to internal appointments, with the provision that any commitments entered into before promotion, which are inconsistent with this Policy, can continue to be honoured under the Policy. Similarly, if an Executive Director is appointed following the Group's acquisition of or merger with another company, legacy terms and conditions would be honoured.

An Executive Director may initially be hired on a contract requiring 24 months' notice which then reduces pro rata over the first year of the contract to requiring twelve months' notice. The Committee may award compensation for the forfeiture of awards from a previous employer in such form as the Committee considers appropriate taking account of all relevant factors including the expected value of the award, performance achieved or likely to be achieved, the proportion of the performance period remaining and the form of the award. There is no specific limit on the value of such awards, but the Committee's intention is that the value awarded would be similar to the value forfeited.

Maximum variable pay will be in line with the maximum set out in the Policy table (excluding buy-outs). The Committee retains discretion in exceptional circumstances to make appropriate remuneration decisions outside the standard Remuneration Policy to meet the individual circumstances when:

- i) an interim appointment is made to a fill an Executive Director role on a short-term basis;
- ii) exceptional circumstances require that the Executive Chair or a Non-Executive Director takes on an executive function on a short-term basis.

For Non-Executive Directors, the Board would consider the appropriate fees for a new appointment taking into account the existing level of fees paid to the Non-Executive Directors, the experience and ability of the new Non-Executive Director and the time commitment and responsibility of the role.

Directors' service contracts and letters of appointment

Executive Directors' contracts have rolling terms and are terminable on no more than twelve months' notice, with the exception of Sehat Sutardja, whose contractual notice period is one month. The key elements of the service contract for Executive Directors relate to remuneration, payments on loss of office (see below) and restrictions during active employment (and for twelve months thereafter). These restrictions include non-competition and non-solicitation of customers and employees.

Non-Executive Directors do not have service contracts but each has a letter of appointment. In accordance with the Company's Articles, following their appointment, all Directors must retire at each AGM and may present themselves for re-election. The Executive Chair may terminate their appointment at any time, on three months' notice. None of the other Non-Executive Directors has a notice period or any provision in their letters of appointment giving them a right to compensation upon early termination of appointment.

Executive Directors' service contracts and Non-Executive Directors' letters of appointment are available to inspect at the Company's registered office.

Treatment of corporate events

The plan rules contain provisions relating to change of control. In general, outstanding awards would normally vest and become exercisable on a change of control, to the extent that the Committee determines that any applicable performance conditions have been satisfied at that time or are likely to be satisfied. Unless the Committee decides otherwise (or the award is a bonus deferral award), the number of shares vesting will also be reduced, reflecting the time period to the date of the event. Alternatively, awards may be exchanged for equivalent awards over shares in the acquiring company. Any holding period will come to an end on the date of the change of control.

The Committee can decide that similar treatment will apply on a demerger, delisting, distribution (other than an ordinary dividend) or other transaction which could affect the value of an award. The Committee can adjust the number or type of shares subject to an award and/or any exercise price to take account of any rights issue, demerger, special dividend or other variation of capital or similar corporate event.

Directors' remuneration report continued

Payments for departing Executive Directors

Notice period and compensation for loss of office in service contracts

The Company can make payments in lieu of notice which is limited (except in the case of Tony Pialis) to basic salary and contractual benefits. Any such payments can be made on a monthly basis with payments reduced by the amount of earnings from any alternative employment.

Annual bonus

Upon termination, the annual bonus is only payable if the participant is considered to be a good leaver as determined by the Committee (which would include ill-health, injury, disability, retirement, the employing company ceasing to be a member of the Group and redundancy or in other circumstances if the Committee so decides). In these circumstances, the payment will be pro-rated for the period of service during the financial year and will reflect the extent to which Group performance has been achieved (subject to Committee discretion).

Bonus deferral awards that have not yet vested will not lapse on the leave date but will continue in effect until they vest or lapse according to the terms of the plan. However, if a participant leaves because of misconduct or otherwise in circumstances in which their employment could have been terminated without notice, the award will lapse.

LTIP

An LTIP award which has not vested will automatically lapse on the date the participant leaves employment, except if they leave in circumstances detailed in the plan rules, such as ill health, injury, disability, retirement, the employing company ceasing to be a member of the Group and redundancy or in other circumstances, if the Committee so decides, the award will continue in effect (or may vest on or after leaving). Vesting of the award will be subject to the extent that performance conditions have been or are likely to be satisfied (as determined by the Committee), and any additional conditions as the Committee may impose. Unless the Committee decides otherwise, the number of shares that vest will be reduced to reflect the proportion of the period up to the vesting date which has elapsed by the date the participant left employment. The normal vesting date will apply, unless the Committee exercises its discretion to allow an award to vest on the date the participant leaves employment or any later date it chooses. If a participant dies, any outstanding awards will vest on the date of death in full.

Pension and benefits

Generally pension and benefit provisions will continue to apply until the termination date. Where appropriate, other benefits may be receivable, such as (but not limited to) payments in lieu of accrued holiday, legal fees or tax advice costs in relation to the termination, settlement of any potential legal claims and repatriation.

Pay and conditions throughout the Group

The pay and conditions of employees are considered by the Committee in setting policy for the Executive Directors and senior management. The Committee is kept regularly informed on the pay and benefits provided to employees and base salary increase data from the annual salary review for the wider employee population general staff is considered when reviewing Executive Directors' salaries and those of senior management. The Committee did not consult with employees when setting the Policy. However, as described on page 94, Michelle Senecal de Fonseca has been appointed as the Workforce Engagement NED and will be engaging with employees on a range of topics including remuneration.

Remuneration Policy table for Non-Executive Directors

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Fees			
The Company offers competitive fee arrangements to attract and retain high calibre and experienced individuals to serve on the Board.	<p>Non-Executive Directors receive an annual base fee. They may receive further fees for additional responsibilities such as being the Senior Independent Director or chairing a Board Committee and also for membership of a Board Committee.</p> <p>Fees are subject to review taking into account time commitment, responsibilities and market practice.</p> <p>Non-Executive Directors are entitled to be reimbursed for reasonable expenses incurred during the performance of their duties, including any tax due on these benefits.</p>	Total fees paid will be within the limit stated in the Articles of Association.	None.
Benefits	<p>Non-Executive Directors do not participate in incentive schemes or receive a pension provision.</p> <p>The Company reimburses travel expenditure and provides travel insurance when on Company business and provides professional advice in respect of Company business. Generally there are no other benefits but the Company may offer other benefits reflecting the requirements of the role, or changing market.</p>	Not applicable.	Not applicable.

Directors' remuneration report *continued*

This section of the Directors' remuneration report provides details of:

- how Directors were paid for the year ending 31 December 2021; and
- how we propose to implement our Policy for 2022, which is our first full financial year as a listed company.

This section of the report will be subject to an advisory vote at the 2022 AGM.

Remuneration paid to Executive Directors in respect of 2021**Single figure of remuneration for the 2021 financial year (audited)**

The table below sets out the total remuneration paid to Executive Directors for the period from 14 May 2021 to 31 December 2021. 14 May 2021 is the date of completion of the transactions whereby Alphawave IP Inc became a wholly-owned subsidiary of the Company as part of the pre-IPO reorganisation detailed in the IPO Prospectus. Therefore, the information below does not reconcile to the amounts disclosed in note 8 of the financial statements which represents the 2021 full year.

Director	Salary and fees ¹	Benefits ¹	Pension/cash in lieu of pension ³	Bonus ⁴	LTIP Award	Total remuneration	Total fixed remuneration	Total variable remuneration
John Lofton Holt	£280,357	—	—	—	—	£280,357	£280,357	—
Tony Pialis	£281,021	£1,146	—	—	—	£282,167	£282,167	—
Daniel Aharoni	£232,653	£2,561	£27,708	£273,750	—	£536,672	£262,922	£273,750
Sehat Sutardja	£53,531	—	—	—	—	£53,531	£53,531	—

1. Equates to an annual, post-Admission salary for John Lofton Holt, Tony Pialis, Daniel Aharoni and Sehat Sutardja of £450,000, £450,000, £365,000 and £85,000 respectively. Prior to Admission, Tony Pialis had a salary of CAD\$100,000 per annum and a portion of this has been included representing his salary between the date of completion of the pre-IPO reorganisation (14 May 2021) and the day prior to Admission (17 May 2021). Service agreements with the Company for the Executive Directors took effect on date of the Admission (18 May 2021).
2. Benefits represent the taxable value of benefits paid and comprise private family health insurance in respect of John Lofton Holt, Tony Pialis and Daniel Aharoni. Daniel Aharoni was a Director of the Company as from 11 January 2021 and the value of benefits has been included as from that date.
3. Pension contribution: Only Daniel Aharoni participates in the Company pension scheme and his contribution is 10% of salary, which is aligned to that of the wider workforce. Daniel Aharoni was a Director of the Company as from 11 January 2021 and the value of his pension/cash in lieu of pension has been included from that date. It does not equate to 10% of his salary in this table, as prior to 18 May 2021, he was an employee of Alphawave IP Inc, which became a subsidiary of the Company on 14 May 2021, and the proportion of his salary prior to 14 May 2021 has not been included.
4. In respect of the annual bonus for the Chief Financial Officer, the amount is based on 75% of his annual base salary of £365,000, as this reflects work undertaken in his capacity as an Executive Director and employee of the Company, post-Admission. As per the Remuneration Policy on page 80, one third of the bonus payment will be deferred into shares for a period of two years.

Annual bonus out-turn for 2021

Measure	Weighting %	Target US\$m	Actual US\$m	% achievement (of target)
Revenue	60%	82.0	89.9	110%
Adjusted EBITDA	40%	42.5	51.8	122%

As targets were set at the beginning of the financial year, which was pre-IPO, no threshold or maximum target levels were set. However, performance achieved exceeded the target performance level set for both metrics. Based on this performance, the Committee determined that the outcome for the Chief Financial Officer should be an on-target payout of 75% of base salary/50% of maximum opportunity. In exercising their discretion, the Committee has had regard to any accounting judgements which have had a material impact on the performance measures, including management's judgement to eliminate the Group's share of gains from sales to WiseWave as a loss from an equity accounted joint venture in the consolidated statement of comprehensive income. The other Executive Directors did not participate in the bonus scheme for 2021. Going forward, we recognise the expectation of us as a listed company to set and clearly disclose threshold, target and maximum performance targets, and assess performance against these. The Committee has approved these for the 2022 plan.

LTIP awards and vesting within the year

As Alphawave IP is only in its first year as a listed company, there is no LTIP vesting to report and no LTIP awards were made in 2021.

Application of Policy in 2022

Base salary and benefits

The below tables show the 2021 salary levels for each Executive Director and 2022 proposed. No changes to these salary levels are being made for 2022.

Director	2021 Salary level	2022 Salary level	Proposed change for 2022 (%)
John Lofton Holt	£450,000	£450,000	0%
Tony Pialis	£450,000	£450,000	0%
Daniel Aharoni	£365,000	£365,000	0%
Sehat Sutardja ¹	£85,000	£85,000	0%

1. Sehat Sutardja's base salary is reflective of a part-time working arrangement.

Benefit provision will be unchanged in 2022, except that John Lofton Holt will receive private medical cover, in line with his employment agreement.

Annual bonus

The Chief Financial Officer's maximum bonus opportunity will be 150% of base salary. The President & Chief Executive Officer will continue to waive participation and Sehat Sutardja is not entitled to participate. Revenue and adjusted EBITDA have been selected as the performance measures as they are two strategically critical financial measures for the Group. The performance measures and weightings for 2022 are outlined below:

Measure	Weighting %
Revenue	60%
Adjusted EBITDA	40%

The full targets and performance against them will be disclosed in detail in next year's report as commercial sensitivity prevents disclosure on a forward-looking basis.

Long-term incentives awarded during the financial year (audited)

Although the Company listed in 2021, the first LTIP awards will be made in 2022, subject to shareholder approval of the Policy at the AGM. An LTIP award of a face value of 205% of base salary will be made to the Chief Financial Officer. The President & Chief Executive Officer will continue to waive participation and Sehat Sutardja is not entitled to participate. The performance measures, weightings and targets for 2022 are outlined below:

Measure	Weighting	Threshold (25% vesting)	Maximum (100% vesting)
Relative TSR vs constituents of the FTSE 250	35%	Median	Upper quartile
Relative TSR vs constituents of the FTSE All-World Technology Index	35%	Median	Upper quartile
Adjusted EPS growth	30%	See below	See below

These performance metrics have been selected as they align with the Group's focus on ambitious growth and profitability. The targets were set at a level the Committee believes to be appropriately stretching taking into account both internal performance expectations and external analyst forecasts. The Committee has chosen to use TSR as an important measure of value created for our shareholders and measure against the constituents of the FTSE 250, reflecting our UK listing, and against those of the All-World Technology Index, reflecting our sector. Stretching EPS targets will reflect our focus on ambitious growth and profitability. As at the date of this report, the Committee had not finalised the calibration of the adjusted EPS growth targets. It is therefore intended that the targets will be fully disclosed via RNS at the date of grant. The calibration of these targets will take into account a consideration of both internal performance expectations and external analyst forecasts.

Directors' remuneration report continued

Application of Policy in 2022 continued**Directors' interests in the shares of the Company (audited)**

A summary of interests in shares and scheme interests of the Directors who served during the year and their connected persons is given below, as at 31 December 2021.

	Total number of interests in shares	Unvested with performance conditions	Unvested without performance conditions	Shares held as % of salary ²
Executive Directors				
John Lofton Holt ¹	26,624,584	—	—	11,005%
Tony Pialis	95,333,160	—	—	39,404%
Daniel Aharoni	2,800,000	—	2,722,223	1,427%
Sehat Sutardja	78,896,880	—	—	172,645%
Total	203,654,624	—	2,722,223	

1. As disclosed in the IPO Prospectus, John Lofton Holt has an option to acquire up to 51,531,420 shares from other major shareholders.

2. Shares held as % of salary based upon Alphawave IP one-month volume-weighted average share price of £1.86 as at 31 December 2021.

The Chief Financial Officer was awarded share options in November 2020, which were exercised and exchanged for restricted shares prior to the IPO. Post-Admission, he has interest in 2.8m shares, vesting in 36 equal instalments on a monthly basis from December 2021. These shares, to the extent not vested, have been included in the above table in the column titled 'Unvested without performance conditions'. Other Executive Director shareholdings are beneficially owned. The Directors held no options granted by the Company during the year.

	Total number of interests in shares
Non-Executive Directors	
Jan Frykhammar	48,780
Michelle Senecal de Fonseca	50,782
Rosalind Singleton	9,668
Victoria Hull	102,821
Susan Buttsworth	48,780
Paul Boudre	48,780
Total	309,611

Alignment to shareholder interests (audited)

Current levels of ownership by the Executive Directors, and the date by which the goal should be achieved, are shown below.

Based on a one-month volume-weighted average share price of £1.86 as at 31 December 2021, John Lofton Holt, Tony Pialis and Sehat Sutardja far exceed their shareholding requirement (% of salary). By virtue of being founders and significant shareholders in the Company, they are inherently aligned to the experience of other shareholders. Daniel Aharoni currently holds or is entitled to shares equivalent to 1,427% of base salary, which is in excess of the 200% of salary requirement.

Director	Requirement as a % of salary	Current % of salary held	Number of shares owned	% of issued share capital	Date of requirement to be achieved
John Lofton Holt	200%	11,005%	26,624,584	4.00%	n/a
Tony Pialis	200%	39,404%	95,333,160	14.34%	n/a
Daniel Aharoni	200%	1,427%	2,800,000	0.42%	n/a
Sehat Sutardja	200%	172,645%	78,896,880	11.86%	n/a

Note: % of issued share capital based on issued shares as at 31 December 2021.

Non-Executive Directors' single figure of remuneration (audited)

The remuneration of the Non-Executive Directors for 2021 is set out below.

Non-Executive Directors	Fees 2021	Benefits 2021	Total 2021
Jan Frykhammar	£102,504	—	£102,504
Michelle Senecal de Fonseca	£46,726	—	£46,726
Rosalind Singleton	£40,496	—	£40,496
Victoria Hull	£56,071	—	£56,071
Susan Buttsworth	£53,097	—	£53,097
Paul Boudre	£46,726	—	£46,726
Total	£345,620	—	£345,620

No changes to fees are being proposed for 2022.

Payments to past Directors (audited)

There were no payments made to past Directors.

Payments for loss of office (audited)

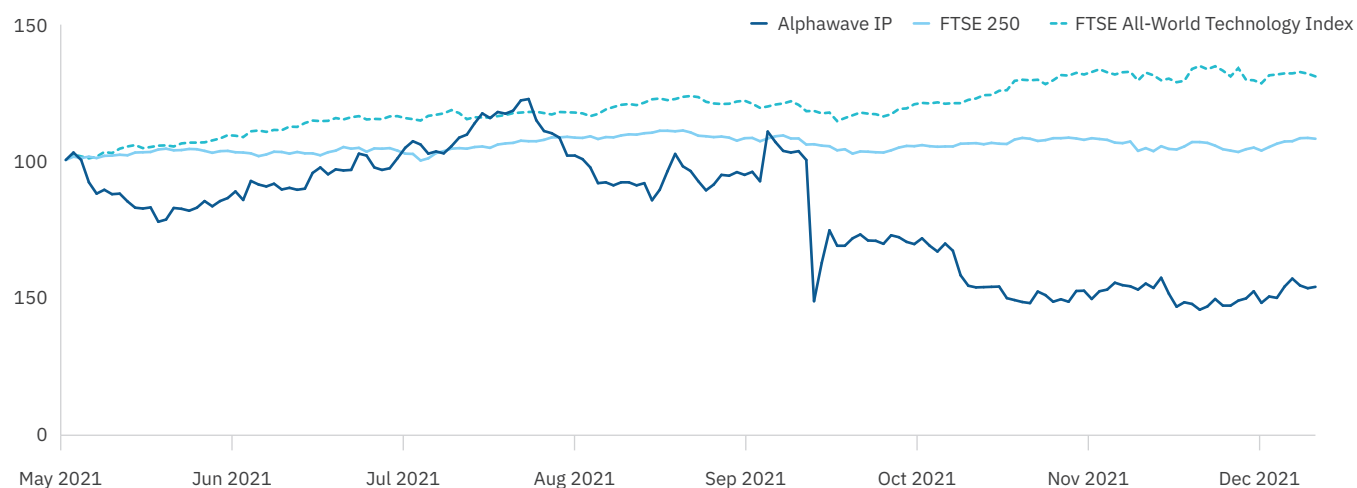
There were no payments made to past Directors.

CEO pay history and Company performance

As we have only completed one partial financial year as a listed company, only one year of data is shown below. This will be built on over the years to come, to eventually present a view of total remuneration for the President & Chief Executive Officer over ten years.

Single figure of remuneration for the CEO

	2021
President & Chief Executive Officer – Tony Pialis	£332,758
Annual bonus payout (% of maximum)	n/a
LTIP payout (% of maximum)	n/a



The graph above shows the value, as at 31 December 2021, of £100 invested at the IPO date (13 May 2021) in Alphawave IP compared with the value of £100 invested in the comparative indices. We have compared against the FTSE 250 and FTSE All-World Technology indices as these are reflective of our UK listing and our sector, respectively, and are also the comparisons used for the TSR conditions under the LTIP.

Directors' remuneration report continued

Relative importance of spend on pay

The table below shows the total expenditure on employee remuneration compared to distributions to shareholders in 2021. As the Group was listed in May 2021, there is no comparable information to disclose for the prior year.

	2021
Employee remuneration	US\$20.9m
Distributions to shareholders	n/a ¹

1. Our policy is to reinvest any profits back into the business and we do not intend to pay dividends for the foreseeable future.

CEO pay ratio

Although we do not currently have a large enough employee population to meet the threshold under the UK regulations for CEO pay ratio figures to be robust, the Remuneration Committee is satisfied that relativities between employees and Executive Directors are appropriate. We have a highly skilled and competitively rewarded employee population and the President & Chief Executive Officer does not currently participate in incentive arrangements. As a fast-growing business, we are recruiting rapidly and expect to report CEO pay ratio figures in the annual report once the population is sufficient for this to be done on a robust basis.

Engagement with colleagues

Alphawave IP's headcount in 2021 was small enough to allow for management to regularly meet with employees to ascertain the engagement levels and implement measures to reinforce engagement. As the organisation has grown, Alphawave IP has appointed a Workforce Engagement NED, Michelle Senecal de Fonseca, whose responsibilities include understanding the concerns of the workforce, representing those views and concerns in Board meetings, and ensuring the Board takes appropriate steps to evaluate the impact of proposals and developments on the workforce and consider what steps should be taken to mitigate any adverse impact. The Workforce Engagement NED will work with our Human Resources function to execute on the Board's engagement plans.

Remuneration Committee

In this section we give details of the composition of the Remuneration Committee and activities undertaken during the 2021 financial year. The Committee's function is to exercise independent judgement and consists only of the following Independent Non-Executive Directors:

Chair: Victoria Hull

Committee members: Jan Frykhammar and Paul Boudre
Biographical details are provided on pages 54 to 57.

During 2021, the Committee asked the Executive Directors to attend meetings and assist its discussions. This excluded matters connected to their own remuneration, service agreements or terms and conditions of employment. The Committee takes care to recognise and manage conflicts of interest when receiving views from Executive Directors or senior management. The Committee reserves the right to conduct in full or start its meetings without executive management present when it wishes to do so. It also engages regularly with the Head of Human Resources on remuneration matters, who is invited to attend Committee meetings.

External advisers

Willis Towers Watson (WTW) were appointed advisers to the Company prior to IPO, to advise the Company on remuneration matters in the context of UK listed company best practice corporate governance expectations and regulatory requirements. WTW now provide independent advice to the Committee on all aspects of executive remuneration and attend Remuneration Committee meetings. The Committee reviews the advice, challenges conclusions and assesses responses from its advisers to ensure objectivity and independence.

WTW is a founder member of the Remuneration Consultants Group and, as such, voluntarily operates under the Remuneration Consultants Group Code of Conduct in relation to executive remuneration consulting in the UK. This is based upon principles of transparency, integrity, objectivity, competence, due care and confidentiality by executive remuneration consultants. WTW has confirmed that it adheres to that Code of Conduct for all remuneration services provided to Alphawave IP and therefore the Committee is satisfied that it is independent and objective. The Remuneration Consultants Group Code of Conduct is available at www.remunerationconsultantsgroup.com. The fees payable to WTW for services to the Committee during the year were £22,800.

Victoria Hull

Chair of the Remuneration Committee

29 April 2022

This Directors' remuneration report has been prepared in accordance with the requirements of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). The report also meets the relevant requirements of the Listing Rules of the Financial Conduct Authority, and describes how the Board has complied with the principles and provisions of the UK Corporate Governance Code relating to remuneration matters. Remuneration tables are subject to audit in accordance with the relevant statutory requirements.

Directors' report

The Directors present their report, together with the audited financial statements, for the period ended 31 December 2021.

The Directors' report, together with the strategic report on pages 1 to 53, represent the management report for the purposes of compliance with the Disclosure Guidance and Transparency Rules 4.1.8R.

In accordance with section 414C(11) of the Companies Act 2006 and the Companies (Miscellaneous Reporting) Regulations 2018, the Board has included certain disclosures in the strategic report set out below:

Disclosure	Page
Future business developments	Market opportunities, pages 14 to 19
Risk management	Principal risks and uncertainties, pages 50 to 53
Going concern and viability statement	Viability statement, pages 48 and 49
Disabled employees	Section 172(1) statement, pages 36 to 41
Business relationship with suppliers, customers and other stakeholder engagement	Section 172(1) statement, pages 36 to 41
Climate-related financial disclosures, greenhouse gas consumption, energy consumption and energy efficiency action	ESG, pages 30 to 35 Climate-related disclosures
Workforce engagement	Section 172(1) statement, pages 36 to 41

Compliance with the UK Corporate Governance Code 2018

Alphawave IP Group plc was admitted to the standard listing segment of the FCA's Official List and to trading on the London Stock Exchange's main market on 18 May 2021 ('Admission'). Save as set out in the corporate governance statement, the Board voluntarily complies with the requirements of the UK Corporate Governance Code (the 'Code'). Prior to 18 May 2021, the Group was not required to comply with the principles and provisions of the Code. Since Admission, the Group has complied with all provisions of the Code, except as noted below.

The first annual evaluation of the operation and effectiveness of the Board, its Committees and individual Directors has not yet fallen due. It will take place during the current financial year, with the process and outcomes of the evaluation reported on in the next annual report. The Board intends to comply with the Code guidance that an externally facilitated evaluation should take place at least every three years.

Whilst the Group did not have an internal audit function during the period under review, the Company has complied with the requirement in Provision 25 for the Audit Committee to consider annually whether there is a need for one. During the period under review, the Group did not have an internal audit function as it had been agreed that the Group's size and activities were such that internal assurance was achievable through other means. As set out in the Audit Committee report, the Audit Committee will undertake a review of the need for an internal audit function during the course of 2022 and make recommendations to the Board as appropriate.

The first annual evaluation reviewing the effectiveness of the external audit process (in accordance with Provision 25 of the Code) has not yet fallen due. It will take place during the current financial year, with the process and outcomes of the evaluation reported on in the next annual report.

The first annual evaluation of the Group's risk management and internal control systems (in accordance with Provision 29 of the Code) has not yet fallen due. It will take place during the current financial year, with the process and outcomes of the evaluation reported on in the next annual report.

The Executive Chair of the Company, John Lofton Holt, was not independent on Admission. Together with the other founders, John has guided the Group's growth through its early stages and the Board considers that his continued leadership will ensure that the Group is best placed to continue its current growth trajectory.

Further information on the Company's application of the principles and provisions of the Code can be found in the corporate governance report on pages 60 to 65.

Corporate governance statement

The information that fulfils the requirements of the corporate governance statement for the purposes of the FCA's Disclosure Guidance and Transparency Rules can be found in the corporate governance information on pages 60 to 65 (all of which forms part of this Directors' report) and in this Directors' report.

Disclosure of information to auditors

The Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware. Each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Insurance and indemnities

The Group has maintained Directors' and Officers' liability insurance cover throughout the reporting period. The Directors are able to obtain legal or other relevant advice at the expense of the Company in their capacity as Directors. The Company has also provided a qualifying third-party indemnity to each Director as permitted by section 234 of the Companies Act 2006 and by the Articles, which remain in force at the date of this report.

The Directors' and Officers' liability insurance cover also extends to the directors of Group subsidiaries.

Political and charitable donations

The Group did not make any political or charitable donations or incur political expenditure during the reporting period.

Subsidiaries, principal activities and branches

The Company acts as a holding company for the Group of subsidiaries. The Group's subsidiaries are set out on page 145 of the financial statements.

Share capital

Details of the Company's share capital, together with details of the movements in the share capital during the year, are shown on pages 115 and 116 of the accounts. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at a general meeting of the Company. Restrictions on share transfers are set out in the Company's Articles of Association. The Company is not aware of any agreements between shareholders that restrict the transfer of shares or voting rights attached to the shares. As approved by the IPO Committee of the Board on 12 May 2021 and the High Court of Justice Business and Property Court of England and Wales on 16 November 2021, the nominal value of the Company's ordinary shares reduced from £1.00 to £0.01 on 17 November 2021.

Exchangeable shareholders

As set out in the Company's Prospectus, a portion of the interests of The Tony Pialis (2017) Family Trust, The Rajeevan Mahadevan (2017) Family Trust, 2641239 Ontario Inc. and certain other pre-IPO shareholders in the Company immediately prior to Admission ('exchangeable shareholders') are held through ordinary shares that were issued to Project AuroraIP Limited (JerseyCo) on 14 May 2021. These ordinary shares (referred to as underlying shares) are legally and beneficially owned by JerseyCo, except that (i) the exchangeable shareholders will have a right to direct the voting rights attaching to such shares, and (ii) JerseyCo will irrevocably waive its rights to distributions declared on such shares for as long as it holds them. Each of the exchangeable shareholders will also be issued with exchangeable shares on a one-for-one basis for each ordinary share that will be held by JerseyCo. The exchangeable shares can be redeemed at any time for a cash price that can be satisfied by the transfer to such exchangeable shareholder of an underlying share. Each exchangeable share also carries a right to receive, upon redemption, a cash payment that is equal to all dividends and distributions declared on an ordinary share from time to time. The total number of underlying shares that are issued to JerseyCo is 266,572,359, representing 40.09% of the Company's issued ordinary share capital.

Directors' report continued

Substantial shareholdings

As at 31 December 2021 and at 31 March 2022, the following persons were directly or indirectly interested (within the meaning of the Companies Act 2006) in 3% or more of the Company's issued share capital or voting rights. Further, as at the date of this report, the following contains information received, in accordance with Rule 5 of the FCA's Disclosure Guidance and Transparency Rules, from holders of notifiable interest in the Company's issued share capital.

The information provided below is correct at the date of notification.

Holder	As at 31 December 2021		As at 31 March 2022	
	Number of shares	Voting rights (%)	Number of shares	Voting rights (%)
The Tony Pialis (2017) Family Trust ¹	95,333,160	14.3%	95,333,160	14.3%
The Rajeevan Mahadevan (2017) Family Trust ²	95,333,160	14.3%	95,333,160	14.3%
2641239 Ontario Inc. ³	95,333,140	14.3%	95,333,140	14.3%
Sutardja Family LLC ⁴	78,896,880	11.9%	78,896,880	11.8%
BlackRock	54,069,843	8.1%	51,588,375	7.7%
Wise Road Capital	45,497,280	6.8%	45,497,280	6.8%
July Twelve Capital Limited ⁵	26,624,584	4.0%	26,624,584	4.0%
CI Global Asset Management	21,344,084	3.2%	22,085,976	3.3%
Janus Henderson Investors	19,828,768	3.0%	20,158,765	3.0%
Kabouter Management	19,502,834	2.9%	22,845,417	3.4%

1. This includes interests held by Pitech Investments Inc., a discretionary beneficiary of The Tony Pialis (2017) Family Trust and a person closely associated with Tony Pialis (within the meaning of the Market Abuse Regulation). Tony Pialis is the trustee of The Tony Pialis (2017) Family Trust and he is also a discretionary beneficiary.
2. This includes interests held by Jeevan Capital Inc., a discretionary beneficiary of The Rajeevan Mahadevan (2017) Family Trust and a person closely associated with Rajeevan Mahadevan (within the meaning of the Market Abuse Regulation). Rajeevan Mahadevan is the trustee of The Rajeevan Mahadevan (2017) Family Trust and (through a wholly owned company) he is also a discretionary beneficiary.
3. The shares of 2641239 Ontario Inc. are wholly owned by The Jonathan Rogers (2018) Family Trust. Jonathan Rogers is the trustee of The Jonathan Rogers (2018) Family Trust.
4. Sehat Sutardja holds 10% of the shares in Sutardja Family LLC. The remaining shares are held by his family members.
5. July Twelve Capital Limited is a person closely associated with John Lofton Holt (within the meaning of the Market Abuse Regulation). In addition to the interests listed in this table, July Twelve Capital Limited also has an option to purchase up to 51,531,420 Exchangeable Shares in aggregate from The Tony Pialis (2017) Family Trust, 2641239 Ontario Inc. and The Rajeevan Mahadevan (2017) Family Trust.

Information provided to the Company pursuant to Rule 5 of the FCA's Disclosure Guidance and Transparency Rules is published on a Regulatory Information Service.

Dividend policy

In the near term, the Group currently intends to retain any future earnings to finance the operation and expansion of its business, and to drive continued growth. The Group will review its dividend policy on an ongoing basis, with respect to the cash position of the Group, the growth of the Group's businesses, and the macroeconomic environment, but does not expect to declare or pay any dividends for the foreseeable future.

Articles of Association and powers of the Directors

The Company's Articles of Association (the 'Articles') contain the rules relating to the powers of the Company's Directors and their appointment and replacement mechanisms. The Articles may only be amended by special resolution at a general meeting of the shareholders. Subject to the Group's Articles and relevant regulatory measures, including the Companies Act 2006, the day-to-day business of the Group is managed by the Board who may exercise all the powers of the Company.

Authority to purchase own shares

At a general meeting held on 12 May 2021, shareholders passed a special resolution in accordance with the Companies Act 2006 to authorise the Company to purchase in the market a maximum of 66,496,580 ordinary shares, representing 10% of the Company's issued ordinary share capital immediately following Admission. No shares have been purchased under this authority. The authority will expire at the forthcoming Annual General Meeting. The Directors are seeking renewal of the authority, in accordance with relevant institutional guidelines.

Significant agreements and change of control

The Group has a number of contractual arrangements which it considers essential to the business of the Group. A change of control of the Company may cause some agreements to which the Group is a party to alter or terminate.

The Company has a Long-Term Incentive Plan in place, which contains provisions relating to a change of control.

Compensation for loss of office

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid, except that provisions of the Company's share plans may allow options and awards granted to Directors and employees to vest on a takeover.

Additional disclosures

The following information can be found elsewhere in this document, as indicated in the table below, and is incorporated into this report by reference.

Disclosure	Page
Directors' interests	Directors' remuneration report, pages 77 to 95 and 156
Directors of the Company	Board of Directors, pages 54 to 57
Dividends	Financial review, pages 42 to 47
Financial instruments	Financial statements, pages 153 to 156
Important events since the financial year end	Events after the balance sheet date, pages 26 and 158
Statement of Directors' responsibilities	Directors' responsibilities, page 100

Appointment of auditor

On the recommendation of the Audit Committee, resolutions will be proposed at the 2022 AGM to re-appoint KPMG LLP as auditor of the Company and to authorise the Audit Committee to set the auditor's remuneration.

Annual General Meeting

The Company's AGM will be held on 6 June 2022. Details of the resolutions to be proposed at the AGM are set out in the Notice of Meeting, which is provided to all shareholders.

The Directors' report, which has been prepared in accordance with the requirements of the Companies Act 2006, has been approved by the Board and signed on its behalf by:

Daniel Aharoni

Chief Financial Officer

29 April 2022

Statement of Directors' responsibilities

In respect of the annual report and financial statements

The Directors are responsible for preparing the annual report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the Group's profit or loss for that period. In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report, Directors' report, Directors' remuneration report and corporate governance statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Tony Pialis

President & Chief Executive Officer

Daniel Aharoni

Chief Financial Officer

29 April 2022

Alphawave IP Group plc

6th Floor
65 Gresham Street
London
EC2V 7NQ
United Kingdom



Independent auditor's report

to the members of Alphawave IP Group plc

1. Our opinion is unmodified

We have audited the financial statements of Alphawave IP Group plc ("the Company") for the year ended 31 December 2021 which comprise the Consolidated statement of comprehensive income, Consolidated statement of financial position, Company statement of financial position, Consolidated statement of cash flows, Consolidated statement of changes in equity, Company statement of changes in equity, and the related notes, including the accounting policies in note 2.

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 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; 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 are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors on 16 April 2021. The period of total uninterrupted engagement is for the one financial year ended 31 December 2021. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality:	\$1.0m
group financial statements as a whole	3.0% of normalised profit before tax

Coverage	95% of group profit before tax
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Key audit matters

New risks	Revenue recognition
	Related party transactions
	Initial public offering and associated accounting

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Revenue recognition (\$89.9 million; 2020: \$32.9 million) <i>Refer to page 73 (Audit Committee Report), page 119 (accounting policy) and page 135 (financial disclosures).</i>	Accounting application: The Group enters into contracts with customers that include various combinations of products. Each contract is bespoke with varying options and terms and the application of accounting standards to these terms is complex and involves judgement. There is a risk that the individual performance obligations are not correctly identified. Revenue includes subjective measurements requiring management to exercise significant judgement with respect to estimated total hours to complete the contract. This gives rise to estimation uncertainty and judgement is required in the assessment of the stage of completion. There is a risk that this estimate is inappropriate. The recent listing and an increased focus on the performance of EBITDA together with the significant judgement involved increases the risk of fraudulent premature revenue recognition.	We performed the detailed tests below rather than seeking to rely on any of the Group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls. Our procedures included: — Test of details: We assessed whether the Group's revenue recognition policy was in line with the requirements of the accounting standards, which included consideration of alternative accounting treatment; — We assessed the Group's determination of distinct performance obligations contained within their contracts by selecting a sample of the contracts and considering the terms together with the requirements of the accounting standards and whether any alternative treatment existed; — We considered the appropriateness of the allocation of contract revenue to the identified performance obligations by comparing to the requirements of the accounting standards; — We agreed all invoices raised in the year in respect of revenue and to cash receipts for those paid; — Independent reperformance: We recalculated the stage of completion based on the hours incurred as at year end and the Group's estimate of future hours to complete contracts, which included assessment of the historical accuracy of the Group's estimates, to assess the appropriate amount of revenue to recognise and compared this to the amounts recorded by the Group; — Assessing transparency: We considered the adequacy of the Group's disclosures in respect of revenue recognition and the judgements and estimates made in determining the revenue recognised. Our results — We found revenue recognition to be acceptable.



2. Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
Related party transactions <i>Refer to page 73 (Audit Committee Report) and page 157 (financial disclosures).</i>	Potential disclosure omission: <p>The Group transacts with several related parties.</p> <p>As such, there is an increased risk that related party transactions may not be appropriately identified and disclosed.</p> <p>There is also a risk that related party transactions are not conducted on terms equivalent to those prevailing in arm's length transactions.</p> <p>Transactions with related parties is a key disclosure as the proportion of revenue from related parties is a key market consideration of external parties that could impact the share price of the Group.</p>	<p>We performed the detailed tests below rather than seeking to rely on any of the Group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> — Control design: We assessed the design of controls in place over identification of these transactions by enquiry with management — Our forensic expertise: We engaged our forensic and corporate intelligence teams to conduct targeted research into all directors, key management and senior salespeople of the group, which included; <ul style="list-style-type: none"> — Consideration of the career history, business interests and relationships of the company Directors; — Assessment of the business relationships with the joint venture, Wisewave, established during the year and the reseller agreement with Verisilicon and considered whether this was at arm's length; — Test of details: We obtained confirmations from all directors of their potential related parties, including both companies and close family relationships; — We performed a detailed review of the full journals listing for any of the Group's related parties to search for any transactions and assess the completeness of the transactions identified; — Assessing transparency: We considered the adequacy of the Group's disclosures in respect of related parties and the requirements of the relevant accounting standards. <p>Our results</p> <ul style="list-style-type: none"> — We found the related party disclosure to be acceptable.



2. Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
<p>Initial public offering and associated accounting (Parent company only)</p> <p><i>Refer to page 73 (Audit Committee Report), page 118 (accounting policy) and pages 134 and 139 (financial disclosures).</i></p>	<p>Accounting treatment:</p> <p>The Group was admitted to the London Stock Exchange on 13 May 2021.</p> <p>As a result of the listing, there are a number of large one-off expenses incurred as disclosed in Notes 4 and 11 of the financial statements.</p> <p>In addition there are material transactions recognised in equity for the issuance of shares and reorganisation accounting disclosed in Note 23.</p> <p>The accounting for these items can be complex and requires judgement as disclosed in Note 3 of the financial statements.</p> <p>There is a risk that transactions are not accounted for correctly as expenses may not relate directly to the issuance of shares.</p>	<p>We performed the detailed tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> — Accounting analysis: We considered the policy adopted for recognition of the initial public offering related transactions and whether this was in line with the accounting standards; — Test of details: We tested a sample of expenses and vouched them to supporting documentation; — We tested a sample of expenses and assessed whether they had been recorded in the correct financial statement caption; — Assessing transparency: We considered the adequacy of the Group's disclosures in respect of the IPO related transactions and also their inclusion in non-GAAP measures. <p>Our results</p> <ul style="list-style-type: none"> — We found the accounting associated with the initial public offering acceptable.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at \$1,000,000, determined with reference to a benchmark of Group profit before tax, normalised to exclude non-recurring IPO costs and M&A costs as disclosed in note 4, of which it represents 3.0%.

Materiality for the parent Company financial statements as a whole was set at \$900,000 determined with reference to a benchmark of Company total assets, of which it represents 0.2%.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 65% of materiality for the financial statements as a whole, which equates to \$650,000 for the Group and \$585,000 for the parent Company. We applied this percentage in our determination of performance materiality based on changes in the control environment during the period.

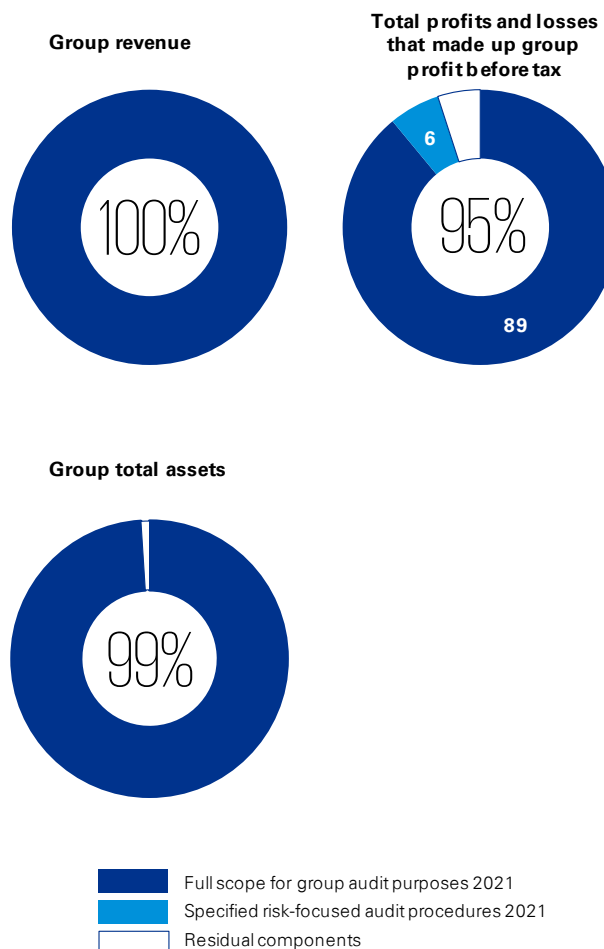
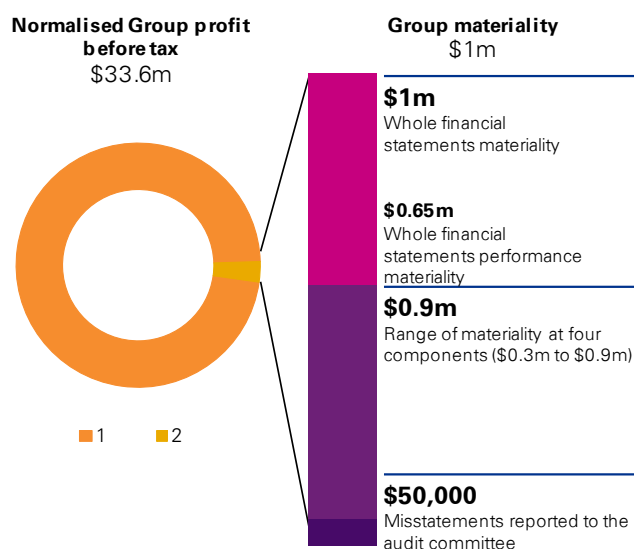
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding \$50,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's five reporting components, we subjected three to full scope audits for group purposes and one to specified risk-focused audit procedures over intangible assets and cash. The latter were not financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed.

The components within the scope of our work accounted for the percentages illustrated opposite.

The remaining 5% of Group profit before tax and 1% of total Group assets is represented by one reporting component. For the residual component, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within this.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.



4. Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Group's available financial resources over this period was lower than expected trading volumes.

We considered whether these risks could plausibly affect the liquidity in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Group's financial forecasts.

We assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and
- we have nothing material to add or draw attention to in relation to the Directors' statement in note 2 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note 2 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit committee minutes.
- Considering remuneration incentive schemes and performance targets for management, directors and sales staff.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Our forensic specialists assisted us in identifying key fraud risks in relation to related parties. This included attending meetings the engagement partner and audit team and assisting with designing and executing relevant audit procedures to respond to the identified fraud risks. They also attended meetings with management to discuss key fraud risk areas.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk that Group and component management may be in a position to make inappropriate accounting entries;
- the risk of bias in accounting estimates underpinning revenue recognition; and
- the risk that license revenue is overstated through recording revenues in the wrong period.

We also identified a fraud risk related to related party transactions being conducted on terms equivalent to those prevailing in arm's length transactions.

Further detail in respect of revenue recognition related party transactions is set out in the key audit matter disclosures in section 2 of this report.

We also performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts during the year and at year-end.
- Evaluated the business purpose of significant unusual transactions.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, regulatory capital and liquidity, export law and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.



6. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Going concern and viability statement on page 48 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal risks and uncertainties disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the Going concern and viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

7. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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 and the part of the Directors' Remuneration Report to be audited 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.

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 100, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and 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 they 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

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9. The purpose of our audit work and to whom we owe our responsibilities

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

Robert Seale (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

29 April 2022



Consolidated statement of comprehensive income

for the year ended 31 December 2021

		Year ended 31 December 2021 US\$'000	Year ended 31 December 2020 US\$'000
Continuing operations	Note		
Revenue	5	89,931	32,946
Cost of sales		(5,199)	(1,547)
Gross profit		84,732	31,399
Research and development/engineering	6	(29,444)	(8,816)
Sales and marketing		(1,275)	(766)
General and administration		(5,364)	(3,428)
Other expenses		(12,614)	(1,547)
Operating profit		36,035	16,842
Other expenses charged in arriving at operating profit:			
Non-recurring Initial Public Offering costs	11	(9,961)	—
M&A costs/professional costs		(533)	—
Share-based payment	25	(6,143)	(565)
Exchange gain/(loss)		4,023	(982)
Other expenses		(12,614)	(1,547)
Finance income	10	312	198
Finance expense	10	(320)	(195)
Share of post-tax loss of equity-accounted joint ventures	17	(12,939)	—
Profit before tax		23,088	16,845
Tax expense	12	(13,657)	(4,640)
Profit for the year		9,431	12,205
Other comprehensive (expense)/income			
Exchange (losses)/gains arising on translation of foreign operations		(23,096)	1,378
Tax relating to other comprehensive (expense)/income		—	—
Other comprehensive (expense)/income for the period, net of tax		(23,096)	1,378
Total comprehensive (expense)/income for the year		(13,665)	13,583
Profit per ordinary share attributable to the shareholders (expressed in cents per ordinary share)			
Basic earnings per share (US\$ cents)	13	1.51	2.27
Diluted earnings per share (US\$ cents)	13	1.34	1.94

The notes on pages 117 to 159 form part of these financial statements.

Consolidated statement of financial position

as at 31 December 2021

	Note	31 December 2021 US\$'000	31 December 2020 US\$'000
Assets			
Current assets			
Trade and other receivables	18	13,103	6,224
Accrued revenue	5	31,719	10,328
Taxes receivable		2,605	2,553
Cash and cash equivalents	32	500,964	14,039
Total current assets		548,391	33,144
Non-current assets			
Property and equipment	14	1,626	412
Intangible assets	15	1,167	140
Right-of-use assets	16	7,672	6,915
Investments in equity-accounted associates	17	9,421	—
Total non-current assets		19,886	7,467
Total assets		568,277	40,611
Liabilities			
Current liabilities			
Trade and other payables	19	5,805	2,207
Lease liabilities	16	2,160	1,672
Deferred revenue	5	12,661	7,381
Income tax payable		6,970	3,550
Flexible spending account	5	6,819	2,335
Loans and borrowings	20	—	27
Total current liabilities		34,415	17,172
Non-current liabilities			
Loans and borrowings	20	—	27
Lease liabilities	16	5,668	5,129
Deferred income taxes	22	422	492
Total non-current liabilities		6,090	5,648
Total liabilities		40,505	22,820
Net assets		527,772	17,791
Issued capital and reserves attributable to owners of the parent			
Share capital	23	9,399	1,881
Preference shares	23	—	—
Share premium account	24	—	—
Share-based payment reserve	25	4,777	331
Merger reserve	24	(793,216)	—
Foreign exchange reserve	24	(21,718)	1,378
Retained earnings	24	1,328,530	14,201
Total equity		527,772	17,791

The financial statements on pages 117 to 159 were approved and authorised for issue by the Board of Directors on 29 April 2022 and were signed on its behalf by:

D Aharoni

Director

The notes on pages 117 to 159 form part of these financial statements.

Company statement of financial position

as at 31 December 2021

	Note	31 December 2021 US\$'000
Assets		
Current assets		
Trade and other receivables	18	146
Amounts owed by Group undertakings		367
Taxes receivable		205
Cash and cash equivalents	32	463,360
Total current assets		464,078
Non-current assets		
Investments in subsidiaries	17	22,391
Amounts owed by Group undertakings		22,997
Total non-current assets		45,388
Total assets		509,466
Liabilities		
Current liabilities		
Trade and other payables	19	1,013
Amounts owed to Group undertakings		150
Income tax payable		253
Total current liabilities		1,416
Total liabilities		1,416
Net assets		508,050
Issued capital and reserves attributable to owners of the parent		
Share capital	23	9,399
Preference shares	24	—
Share premium account	24	—
Share-based payment reserve	25	4,497
Merger reserve	24	(777,751)
Foreign exchange reserve	24	(23,486)
Retained earnings	24	1,295,391
Total equity		508,050

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The loss of the Company for the period was £8.5m.

The financial statements on pages 117 to 159 were approved and authorised for issue by the Board of Directors on 29 April 2022 and were signed on its behalf by:

D Aharoni

Director

The notes on pages 117 to 159 form part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2021

	Note	Year ended 31 December 2021 US\$'000	Year ended 31 December 2020 US\$'000
Cash flows from operating activities			
Profit for the year		9,431	12,205
Adjusted for:			
Income tax expense	12	13,731	4,379
R&D tax credit		(3,039)	(1,802)
Depreciation of property and equipment	14	642	172
Depreciation of right-of-use asset	16	2,485	740
Share of loss in joint venture	17	12,939	—
Share-based payment	25	6,143	565
Subcontracting expense obtained for common shares		—	30
Deferred income taxes	12	(74)	261
Finance income	10	(312)	(198)
Finance cost	10	26	113
Lease interest	10	294	82
Foreign exchange (gain)		(112)	—
		42,154	16,547
Changes in working capital			
(Increase) in trade and other receivables		(6,879)	(3,160)
Decrease/(increase) in accrued revenue		(21,391)	(9,052)
Increase in trade and other payables		2,859	1,841
Increase in deferred revenue and flexible spending account		9,764	5,654
		(15,647)	(4,717)
Cash generated from operating activities before tax		26,507	11,830
Income tax paid		(3,383)	(582)
Withholding taxes paid		(4,232)	(935)
Net cash generated from operating activities		18,892	10,313

The notes on pages 117 to 159 form part of these financial statements.

Consolidated statement of cash flows continued

for the year ended 31 December 2021

	Note	Year ended 31 December 2021 US\$'000	Year ended 31 December 2020 US\$'000
Cash flows from investing activities			
Purchase of property and equipment	32, 14	(1,129)	(368)
Collection of notes receivables		—	36
Purchase of intangible assets	15	(1,038)	(133)
Interest received	10	312	198
Investment in joint venture	17	(22,360)	—
Net cash used in investing activities		(24,215)	(267)
Cash flows from financing activities			
Issuance of common shares – Initial Public Offering	23	509,003	—
Issuance of common shares	23	1,282	864
Initial Public Offering share issuance costs	23	(20,308)	—
Exercise of options	25	5,089	—
Proceeds from Initial Public Offering stabilisation	23	22,238	—
Interest paid	10	(26)	(113)
Decrease in bank indebtedness		(54)	(2,169)
Increase in long-term debt	20	—	52
Repayment of principal under lease liabilities	16	(2,494)	(1,001)
Net cash generated from/(used in) financing activities		514,730	(2,367)
Net increase in cash and cash equivalents		509,407	7,679
Cash and cash equivalents at start of year		14,039	5,626
Effects of foreign exchange on cash and cash equivalents		(22,482)	734
Cash and cash equivalents at end of year	32	500,964	14,039

The notes on pages 117 to 159 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2021

	Note	Ordinary share capital US\$'000	Preference share capital US\$'000	Share premium account US\$'000	Share-based payment reserve US\$'000	Merger reserve US\$'000	Currency translation reserve US\$'000	Retained earnings US\$'000	Total equity US\$'000
Balance at 1 January 2021		1,881	—	—	331	—	1,378	14,201	17,791
Reorganisation accounting		(1,881)	—	—	—	—	—	—	(1,881)
		—	—	—	331	—	1,378	14,201	15,910
Comprehensive income for the year									
Profit for the year		—	—	—	—	—	—	9,431	9,431
Other comprehensive expense		—	—	—	—	—	(23,096)	—	(23,096)
Total comprehensive income / (expense) for the year		—	—	—	—	—	(23,096)	9,431	(13,665)
Contributions by and distributions to owners									
Issue of shares, primary	23	124,147	71	384,856	—	—	—	—	509,074
Issue of shares, reorganisation	23	796,958	—	—	—	(793,216)	—	—	3,742
Issue of shares, other	23	313	—	969	—	—	—	—	1,282
Exercise of share options	25	4,064	—	—	(1,060)	—	—	1,060	4,064
Transfer on Exercise of share options, pre reorganisation		—	—	—	(637)	—	—	—	(637)
Effect of exercise price below nominal value	23	14,381	—	(14,381)	—	—	—	—	—
Net costs on issuance of shares relating to Initial Public Offering	23	—	—	1,930	—	—	—	—	1,930
Capital reduction		(930,464)	—	(373,374)	—	—	—	1,303,838	—
Share-based payments	25	—	—	—	6,143	—	—	—	6,143
Shares redeemed		—	(71)	—	—	—	—	—	(71)
Total contributions by and distributions to owners		9,399	—	—	4,446	(793,216)	—	1,304,898	525,527
Balance at 31 December 2021		9,399	—	—	4,777	(793,216)	(21,718)	1,328,530	527,772
Balance at 1 January 2020		462	—	—	35	—	—	1,996	2,493
Comprehensive income for the year									
Profit for the year		—	—	—	—	—	—	12,205	12,205
Other comprehensive income		—	—	—	—	—	1,378	—	1,378
Total comprehensive income for the year		—	—	—	—	—	1,378	12,205	13,583
Contributions by and distributions to owners									
Issue of shares		1,419	—	—	(269)	—	—	—	1,150
Share-based payments		—	—	—	565	—	—	—	565
Total contributions by and distributions to owners		1,419	—	—	296	—	—	—	1,715
Balance at 31 December 2020		1,881	—	—	331	—	1,378	14,201	17,791

The tax impact of other comprehensive income/expense is US\$nil.

The notes on pages 117 to 159 form part of these financial statements.

Company statement of changes in equity

for the period ended 31 December 2021

	Note	Ordinary share capital US\$'000	Preference share capital US\$'000	Share premium account US\$'000	Share-based payment reserve US\$'000	Merger reserve US\$'000	Currency translation reserve US\$'000	Retained earnings US\$'000	Total equity US\$'000
Balance at 9 December 2020		—	—	—	—	—	—	—	—
Comprehensive expense for the period									
Loss for the period		—	—	—	—	—	—	(8,447)	(8,447)
Other comprehensive expense		—	—	—	—	—	(23,486)	—	(23,486)
Total comprehensive expense for the period		—	—	—	—	—	(23,486)	(8,447)	(31,933)
Contributions by and distributions to owners									
Issue of shares, Primary	23	124,147	71	384,856	—	—	—	—	509,074
Issue of shares, Secondary	23	796,958	—	—	—	—	—	—	796,958
Issue of shares, other	23	313	—	969	—	—	—	—	1,282
Exercise of share options	25	4,064	—	—	—	—	—	—	4,064
Reorganisation accounting	23	—	—	—	—	(777,751)	—	—	(777,751)
Effect of exercise price below nominal value	23	14,381	—	(14,381)	—	—	—	—	—
Net costs on issuance of shares relating to Initial Public Offering		—	—	1,930	—	—	—	—	1,930
Capital reduction		(930,464)	—	(373,374)	—	—	—	1,303,838	—
Share-based payments	25	—	—	—	4,497	—	—	—	4,497
Shares redeemed	23	—	(71)	—	—	—	—	—	(71)
Total contributions by and distributions to owners		9,399	—	—	4,497	(777,751)	—	1,303,838	539,983
Balance at 31 December 2021		9,399	—	—	4,497	(777,751)	(23,486)	1,295,391	508,050

The tax impact of other comprehensive income/expense is US\$nil.

The notes on pages 117 to 159 form part of these financial statements.

Notes to the consolidated financial statements

for the year ended 31 December 2021

1 General information

Alphawave IP Group plc (the 'Company') is a public limited company whose shares are listed on the main market of the London Stock Exchange and is incorporated and domiciled in England and Wales. The address of its registered office is 6th Floor, 65 Gresham Street, London, United Kingdom, EC2V 7NQ.

The principal activities of the Company and its subsidiaries (the 'Group') are detailed in the Directors' report.

2 Accounting policies

Basis of preparation

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

The Company was incorporated on 9 December 2020. Therefore, the Company results represent the period from incorporation to 31 December 2021.

The consolidated financial statements are presented in US\$, which is the Group's presentational currency. Each of the five trading entities in the Group have different functional currencies, with Alphawave IP Inc. being accounted for in CAD\$, Alphawave IP Corp., Alphawave IP Limited and Alphawave IP (BVI) Ltd in US\$ and the Company in GBP. The currencies used by each entity reflect the functional currency of that entity. However, it was decided to use US\$ as the Group's presentational currency as substantially all of the Group's revenues and a significant part of the costs are denominated in US\$ and it is typically the presentational currency used across the semiconductor industry.

Amounts are rounded to the nearest thousand, unless otherwise stated.

The consolidated financial statements of the Group (the 'consolidated financial statements') have been prepared in accordance with international accounting standards in accordance with UK-adopted international accounting standards ('UK-adopted IFRS'). The Company has elected to prepare its individual financial statements in accordance with FRS 101; these are presented on pages 112 and 116.

In preparing separate financial statements, the Company has taken advantage of certain disclosure exemptions conferred by FRS 101:

- certain disclosures required under IFRS 15 Revenue from Contracts from Customers, including disaggregation of revenue, details of changes in contract assets and liabilities, and details of incomplete performance obligations;

- paragraphs 91 to 99 of IFRS 13 Fair Value measurement (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111, 134 and 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 of IAS 24 Related Party Disclosures to disclose key management personnel compensation and 18A of IAS 24 Related Party Disclosures to disclose amounts incurred by the entity for provision of key management personnel services that are provided by a separate management entity; and
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

The 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.

In addition, and in accordance with FRS 101, further disclosure exemptions have been applied because equivalent disclosures are included in the consolidated financial statements:

- the requirements of IFRS 7 Financial Instruments: Disclosures.

Where required, equivalent disclosures are given in the Group financial statements.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

Basis of measurement

The financial statements have been prepared on the historical cost basis except where IFRS requires an alternative treatment, including certain financial instruments.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

2 Accounting policies continued

Changes in accounting policies

a) New standards, interpretations and amendments

There were a number of amendments to existing standards which were effective in the year ended 31 December 2021, none of which were relevant to the Group.

b) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

In response to feedback and enquiries from stakeholders, in December 2020, the IFRS Interpretations Committee (IFRIC) issued a Tentative Agenda Decision, analysing the applicability of the amendments to three scenarios. However, given the comments received and concerns raised on some aspects of the amendments, in April 2021, IFRIC decided not to finalise the agenda decision and referred the matter to the IASB. In its June 2021 meeting, the IASB tentatively decided to amend the requirements of IAS 1 with respect to the classification of liabilities subject to conditions and disclosure of information about such conditions and to defer the effective date of the 2020 amendment by at least one year.

The Directors are currently assessing the impact of these new accounting standards and amendments. The Directors do not expect any standards issued by the IASB, but not yet effective, to have a material impact on the Group.

Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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

Joint ventures are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of comprehensive and other comprehensive income (except for losses in excess of the Group's investment in the joint venture unless there is an obligation to make good those losses).

Business combinations

The Company was incorporated on 9 December 2020. On 14 May 2021, a reorganisation of Alphawave IP's corporate structure was completed, which resulted in the Company being the sole owner of Alphawave IP Inc. Pursuant to an agreement between the Company, Alphawave IP Inc. and each of the members of Alphawave IP Inc., the issued and outstanding Alphawave IP Inc. common shares were exchanged for 20 ordinary shares of the Company with a nominal value of GBP1. As such the Company issued 563,859,059 ordinary shares increasing its share capital by this amount. At the time of the exchange, the net assets of Alphawave IP Inc. had a book value of GBP13,589,766 which was posted as an investment in the books of the Company and the difference posted to the merger reserve, in line with merger accounting as described below.

The merger reserve in the consolidated financial statements reflects the difference between the share capital of the shares issued in the Company US\$796,958 in exchange for the shares in Alphawave IP Inc. and the share capital of Alphawave IP Inc. US\$3,742 (as at the date of the reorganisation).

The Group reconstruction has been accounted for in accordance with the principles of merger accounting, as a common control transaction under IFRS 3.B1. Alphawave IP Inc. was controlled by the same individuals as Alphawave IP Group plc previously, and their rights relative to each other were unchanged. Therefore, the shareholders have a continuing interest in the business, both before and after its transfer. Consequently, these financial statements have been prepared as if Alphawave IP Group plc had always been the holding company.

The Company was admitted to listing on the London Stock Exchange on 18 May 2021.

There has been no recognition of acquisitions in the year that have been agreed but not closed out by the year end.

Going concern

As of 31 December 2021, the Group had cash and cash equivalents of US\$501m. Considering the Group's financial position as of 31 December 2021 and its principal risks and opportunities, a going concern analysis has been prepared for the twelve-month period from the date of signing the consolidated financial statements (the 'going concern period') utilising realistic scenarios and applying a severe but plausible downside scenario.

The Directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included:

- obtaining and reviewing management's base case scenario, including the twelve-month period from the date of signing the consolidated financial statements, together with the basis for key trading and financial assumptions;
- obtaining and reviewing management's downside scenarios over the forecast period, including the extreme scenario that the Group fails to win any new orders and executes only against its existing contracted orders with no significant reduction in its operating cost base;
- considering whether the assumptions are consistent with our understanding of the business obtained during the course of the audit and external circumstances arising from the impact of COVID-19, noting that the impact on the business thus far from COVID-19 has not been material. Beginning in March 2020, the governments of Canada and Ontario, as well as foreign governments, instituted emergency measures as a result of the COVID-19 virus. The Group has continued to operate with limited impact on its financial position and cash flows; and

- ensuring that post-year end events have been factored into management's forecasts, including completion of the acquisition of Precise-ITC in January 2022 and assuming completion of the acquisition of OpenFive.

Even under the severe downside scenario, the analysis demonstrates the Group can continue to maintain sufficient liquidity headroom and continue to comply with all financial obligations. Therefore, the Directors believe the Group is adequately resourced to continue in operational existence for at least the twelve-month period from the date of signing the consolidated financial statements. Accordingly, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Basis of organisation

The Group's management has performed its evaluation for reporting its reportable segments, if any, and concluded that the Group's business constitutes only one operating segment as all its products and services are of similar nature and focus on customers from the same industry. Its entire revenues, expenses, assets and liabilities pertain to the one business as a whole. This has been ratified by the chief operating decision-makers (CODMs), Tony Pialis (President & Chief Executive Officer) and Daniel Aharoni (Chief Financial Officer), who are deemed best placed to evaluate the entity's operating results to assess performance and to allocate resources. Therefore, there was no information to be disclosed for operating segments.

Revenue recognition

Revenue is recognised in accordance with IFRS 15 Revenue From Contracts with Customers, upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Group expects to be entitled to in exchange for those products or services.

The Group enters into contracts with customers to license its intellectual property (IP) products, which consist primarily of software files that customers use to create, integrate and operate functional building blocks within a semiconductor device. Such contracts can include various combinations of IP products and support, some of which are distinct and are accounted for as separate performance obligations.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

2 Accounting policies continued

Revenue recognition continued

IP products

The Group's IP products are typically licensed under standard pay-per-use licence agreements and are delivered over the period its customers are developing their semiconductor products, which can span several years.

The Group categorises its standard pay-per-use licences into three types: derivative, migration and R&D:

- derivative licences are utilised when the licensed IP is derived from an existing IP already developed for a specific foundry manufacturing node;
- migration licences are utilised when there is a requirement to migrate existing IP products to new foundry manufacturing nodes; and
- R&D licences are utilised for new IP products, depending on the level of complexity, that are being developed.

Due to the complexity of the IP products being delivered and the need for customers to integrate the IP products with other IP building blocks in their chip designs, the Group's IP products are typically delivered in multiple stages, referred to as IP views, all of which require some level of customisation and/or configuration. The delivery of these IP views occurs over the development phase of the customers' chip design.

Although delivery of the licensed IP products is split over multiple deliveries of IP views, each of these deliveries is not considered distinct as each IP view is highly dependent on or interrelated with one or more of the other IP views, as each successive IP view is based on the prior views of that IP product. Therefore, each IP view is not separately identifiable from other IP views of the same IP product and hence they are considered part of the same performance obligation, being the transfer of the IP product and associated deliverables to final specification. Further, where a contract contains multiple IP products and non-recurring engineering (NRE) work, these products and any NRE required to deliver them are considered to be a single performance obligation and not distinct from each other as customers are unable to benefit from the IP products on their own or together with other readily available resources, due to the bespoke nature of the configuration that the Group performs on the IP products as part of the licence arrangements. Support is considered a separate performance obligation from the transfer of the IP product, as customers can benefit from the service with other resources that are readily available to them and the Group's promise to transfer the service is separately identifiable from other performance obligations in the contract.

Each contract to license the Group's IP products includes pricing to be paid by the customer, based on the specific IP products licensed and the amount of any NRE required. Contracts do not typically permit refunds and payment terms often align with delivery of the IP views and final silicon acceptance and are within the contract milestones, and as such, there is no financing element associated with the contractual payment terms. Payment terms are based on completion of milestones throughout the project life for fixed price contracts and payment is generally due within 30 days of receipt of invoice. In one instance we offered credit terms to a customer on which a commercial rate of interest was charged.

Any major modifications to the contract or IP product specification will typically result in a new contract being signed with the customer for the additional work. In assessing whether a contract modification should be accounted for as part of the original contract or as a separate contract, the Group considers the following:

- whether the contract modification is 'accepted', i.e. it creates legally enforceable rights and obligations on the parties to the contract;
- if the contract modification is accepted, whether it adds distinct goods or services that are priced commensurate with stand-alone selling prices; and
- if the contract modification does not add distinct goods or services that are priced commensurate with stand-alone selling prices, whether the remaining goods or services are distinct from those already transferred.

If the contract modification is not accepted, it is accounted for as part of the original contract until such point that it is accepted. If the contract modification is accepted and it adds distinct goods or services that are priced commensurate with stand-alone selling prices, it is accounted for as a separate contract. If the contract modification is accepted and it does not add distinct goods or services that are priced commensurate with stand-alone selling prices, and the remaining goods or services are distinct from those already transferred, it is accounted for as termination of the existing contract and creation of a new contract. If the contract modification is accepted and it does not add distinct goods or services that are priced commensurate with stand-alone selling prices, and the remaining goods or services are not distinct from those already transferred, it is accounted for as part of the original contract.

The contract price is allocated to the support performance obligation based on its relative standalone selling price and the Group uses the residual method to allocate the remaining contract price to the IP product performance obligation. The contract price allocated to the IP products is recognised as the IP products are delivered to the customer.

On partially completed contracts, the Group recognises IP product revenue based on the stage of completion of the IP delivery, which is estimated by comparing the number of hours spent with the total number of hours expected to be spent to complete the IP delivery (i.e. an input-based method). Revenue on such contracts is recognised over time in this way, as, due to the highly bespoke nature of the work carried out by the Group in configuring IP views for a customer, the Group is limited practically from readily directing the asset (the IP product) in its completed state for another use and the Group has an enforceable right to payment for performance completed to date, as per the terms of the contract.

Material hours are typically incurred towards fulfilment of the performance obligation prior to contract signature. These hours are included in our percentage of completion calculations.

Following delivery of final IP product deliverables, a proportion of revenue is held back (the amount dependent on the type of licence and the maturity of the licensed IP products), until silicon acceptance is achieved by the customer. Silicon acceptance is a contractual milestone where the customer confirms or is contractually deemed to confirm that our IP, once integrated into silicon, complies with the contractual specification. The amount of revenue deferred, which is based on judgement, is intended to cover the potential for any additional work required to ensure our delivered IP meets the specifications in the licence agreement.

The cumulative effects of revisions to contract revenues and estimated completion costs are recorded in the accounting period in which the amounts become evident and can be reasonably estimated. These revisions can include such items as the effects of change orders as described above.

Support

Contracts for IP products contain a separate performance obligation to provide support services. Such support services typically cover two areas of support, namely 'Integration Support' and 'Bring-up Support'.

Integration Support consists of assistance with the integration of the licensed IP product into the licensee's target product (i.e. their semiconductor design). Such assistance includes support to address questions and debug integration issues encountered by the licensee.

Bring-up Support consists of assistance with troubleshooting 'bring-up' issues with ensuring the licensed IP product is functional in the licensee's target product. 'Bring-up' is a semiconductor industry term for ensuring a test chip is functional.

Support is considered a separate performance obligation from delivery of the IP products, as customers can benefit from the service with other resources that are readily available to the customer and the Group's promise to transfer the service is separately identifiable from other performance obligations in the contract.

The support performance obligation is separately priced in customer contracts and revenue is allocated to it based on its relative standalone selling price. Payment milestones are on the anniversaries of the contract effective date and payment is generally due within 30 days of receipt of invoice.

Support revenue is recognised over time, as it is a stand-ready obligation, and the customer simultaneously receives and consumes the benefits provided as they are performed by the Group. As the number of hours required to provide support services is uncertain and there is typically no maximum number of hours stated in the contract, revenue is recognised rateably over the contractual period of support provision.

Reseller

Under the three-year exclusive subscription reseller agreement with VeriSilicon, exclusivity fees are invoiced and collected quarterly. Revenue is recognised on a percentage of completion basis once the IP is licensed by VeriSilicon to a third party, with any invoices credited against exclusivity fees paid. The exclusivity payments represent minimum annual payments from the reseller to Alphawave IP and can be offset against any purchases made for licences to third parties in the calendar year.

Exclusivity payments under this agreement are a form of 'breakage', as defined in the accounting standard. Our expectation is that the exclusivity payments will be utilised against purchases of IP products by the reseller, which can occur at any time during the calendar year. We consider that the likelihood of the customer exercising its remaining rights only becomes remote at the end of the period to which the exclusivity payment relates as any unused exclusivity payments cannot be carried forward to future periods. This judgement minimises the risk of a significant reversal of revenue in the period.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

2 Accounting policies continued

Revenue recognition continued

Income from joint venture

The subscription licence agreement entered into with WiseWave provides them with right of use to a library of our IP products for a period of five years. The Group does not expect to undertake any activities that impact the IP product after delivery to the customer. Based on engineering schedules, we have estimated the total number of IP products that we expect to provide into the library for the duration of the agreement. This estimate gives rise to a variable price per IP product as the total contract value is assigned to the estimated total number of performance obligations. As we do not usually provide individual licences without NRE to customers it is difficult to determine the standalone selling price of each performance obligation. Given that there is a variable number of products to be provided in the future, on an if-and-when available basis, the revenue attributable to each performance obligation constitutes variable consideration. Therefore, we exercise judgement in applying constraints for revenue recognition in order to minimise the risk of significant reversals of revenue in future periods. Revenue on this agreement is recognised at a point in time when an IP product is added to the library, as this is when we consider control of the IP product is transferred to the customer.

Accrued revenue and deferred revenue

The timing of delivery of products and services to customers may differ from the timing of invoices and the customers' payments. Billed and/or collected amounts for which the products or services are not yet delivered, and recognition conditions are not met as at the reporting date, are recorded as deferred revenue. Where products or services are delivered, and recognition conditions are met, however no amounts have been billed and/or collected, revenue is recognised with a corresponding amount recorded as accrued revenue.

Costs of obtaining long-term contracts and costs of fulfilling contracts

Incremental commissions paid to staff for work in obtaining contracts of periods longer than one year are recorded in capitalised contract costs and amortised based on the stage of completion of the contract, i.e. in the same pattern as revenue is recognised (see above). No judgement is needed to measure the amount of costs of obtaining contracts as the commission paid is based on a percentage of the booking. Under IFRS 15, in order for costs of obtaining contracts (including commissions) to be capitalised, they must be incremental. The Group is satisfied that it is appropriate to capitalise these costs in accordance with IFRS 15 as they would not have been incurred had it not been for the acquisition of new customer contracts.

Strategic, integration and other non-recurring items

The Group incurred costs from certain strategic, integration and other non-recurring items, e.g. Initial Public Offering costs. Management has disclosed these separately to enable a greater understanding of the underlying results of the trading business so that the underlying run rate of the business can be established and compared on a like-for-like basis each year.

Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the year to which they relate.

Government grants

Government grants received for qualifying expenditure are netted against the cost incurred by the Group. Where retention of a government grant is dependent on the Group satisfying certain criteria, it is initially recognised as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the consolidated statement of comprehensive income or netted against the asset purchased.

Share-based payments

The Group operates an equity-settled, share-based payment compensation plan, under which the entity receives services from employees as consideration for equity instruments, options and restricted share units (RSUs), of the Group. The fair value of the employee service received in exchange for the grant of the options is recognised as an expense over the vesting period.

Share options and RSUs granted to employees are accounted for under the fair value-based method of accounting using fair value for the underlying equity instrument. Fair values are determined in accordance with the Black-Scholes-Merton option-pricing model (BSM). Management exercises judgement in determining the underlying share price volatility, expected forfeitures and other parameters of the calculations. Share options and RSUs granted to service providers are valued using fair value of services obtained, and if that is not determinable, at the fair value of the underlying equity instrument as per BSM.

Where options and RSUs are exercised, the Company issues new shares and the proceeds received, net of any directly attributable transaction costs, are credited to share capital.

If an option or RSU is cancelled this is accounted for as an acceleration of the vesting period and any amount unrecognised is recognised immediately.

Upon expiry of the options or RSUs, the value that had been ascribed to the expired options or RSUs remains in the share-based payment reserve.

When terms of the options or RSUs are modified at a future date, the fair value of the options or RSUs are adjusted for the new terms using the BSM. Any difference in fair value is adjusted as a change to share-based payment reserve and share-based payment expense.

Research and development

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the asset and to use or sell it;
- the ability to use or sell the intangible asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

As of 31 December 2021, the Group has not capitalised any development costs as technical feasibility has not been reached.

Foreign currency

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their 'functional currency') are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the consolidated statement of comprehensive income.

On consolidation, the results of overseas operations are translated into US\$ 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 and accumulated in the foreign exchange reserve.

Exchange differences recognised in profit or loss in Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation.

Interest income

Interest income is recorded on accrual basis and is included in finance income in the consolidated statement of comprehensive income.

Interest income from customers is recognised monthly at an agreed annual interest rate over the period of the contract.

Borrowing costs

Interest expense is recognised on the basis of the effective interest method and is included in finance expense in the consolidated statement of comprehensive income.

Taxation

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

The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Group operates and generates taxable income.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and
- investments in subsidiaries and joint arrangements where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities are settled.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

2 Accounting policies continued

Taxation continued

When there is uncertainty concerning the Group's filing position regarding the tax bases of assets or liabilities, the taxability of certain transactions or other tax-related assumptions, then the Group:

- considers whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- determines if it is probable that the tax authorities will accept the uncertain tax treatment; and
- if it is not probable that the uncertain tax treatment will be accepted, measures the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Group company; or
- different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Sales made to customers incorporated in China and Korea are subject to withholding tax. Since invoices are raised by Group entities which operate under the tax authorities in Canada, a country which has a tax treaty with China and Korea, withholding tax amounts are treated as prepaid tax and offset against corporation taxes payable.

Intangible assets

The intangible asset is a purchased licence to use IP. This IP is being developed by a third-party vendor and amounts paid to date represent instalments to initiate the development which is carried at cost.

Expenditure on the developed IP is capitalised if it can be demonstrated that:

- it is technically feasible to develop the IP for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the IP;
- sale of the IP will generate future economic benefits, and
- expenditure on the project can be measured reliably.

The intangible asset is carried at cost less accumulated amortisation and impairment. The intangible asset has a finite useful economic life and will be amortised on a straight-line basis over the term of the licence, which is five years from the date of completion.

Intangible assets are not amortised until the date the asset is available for use. An intangible asset that is under development and not yet available for use is tested for impairment annually by comparing its carrying amount with its recoverable amount. The residual values and useful lives are reviewed by management at each reporting date and those estimates are adjusted if required.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and impairment losses, if any. Cost includes initial cost and subsequent expenditures that are directly attributable to the related asset when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the consolidated statement of comprehensive income during the year they are incurred.

Depreciation is provided on items of property and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Computer equipment	– 50% straight line
Furniture and fixtures	– 20% straight line
Leasehold improvements	– 40% straight line

Property and equipment acquired during the year are depreciated from the date the asset is available for use as intended until the date of de-recognition. The residual values and useful lives are reviewed by management at each reporting date and adjusted if the impact on depreciation is significant. Property and equipment are regularly reviewed to eliminate obsolete items.

An item of property and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset is included in the consolidated statement of comprehensive income in the year the asset is de-recognised.

Leases

Identifying leases

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- there is an identified asset;
- the Group obtains substantially all the economic benefits from use of the asset; and
- the Group has the right to direct use of the asset.

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that arise from the use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Group applies other applicable IFRSs rather than IFRS 16.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low-value assets; and
- leases with a term of twelve months or less.

The Group has elected to use the recognition exemptions listed above and thus does not apply the right-of-use asset and lease liability measurement requirements to these items. Leases of low-value assets and short-term leases are expensed on a straight-line basis over the life of the lease.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to exercise that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of the termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it reassesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

Where a variable lease payment that is dependent on an index or rate is present in the lease, the lease liability and right-of-use asset is remeasured once the rate is known. Any variable lease payments that are not dependent on an index or rate are expensed in the period they are incurred.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

2 Accounting policies continued

Leases continued

Identifying leases continued

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- in all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased for an amount that is not commensurate with the standalone price for the additional rights-of-use obtained), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount; and
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use assets are reduced by the same proportion to reflect the partial for full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the Group to use an identified asset and require services to be provided to the Group by the lessor, the Group has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

Investments in subsidiaries

Investments in subsidiaries in the Company financial statements are carried at cost less any provision for losses arising on impairment.

Investments in joint ventures

The Group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

Joint ventures are initially recognised in the consolidated statement of financial position at cost. Subsequently joint ventures are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of comprehensive income (except for losses in excess of the Group's investment in the joint venture unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the Group and its joint ventures are recognised only to the extent of unrelated investors' interests in the joint venture. The Group's share in the joint venture's profits and losses resulting from these transactions is eliminated against the carrying value of the joint venture.

Any premium paid for a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the joint venture. Where there is objective evidence that the investment in the joint venture has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognised in the consolidated statement of comprehensive income. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of comprehensive income.

Investment tax credits

Investment tax credits receivable are amounts recoverable from the Canadian federal and provincial government under the SRED incentive programme. These tax credits are not received in cash, they are netted off against the Group's current tax charge. The amounts that are claimed under the programme represent the amounts submitted by management based on research and development costs paid during the year and include a number of estimates and assumptions made by management in determining the eligible expenditures. Investment tax credits are recorded when there is reasonable assurance that the Group will realise the investment tax credits receivable and are netted against the related expenditure. Recorded investment tax credits are subject to review and approval by tax authorities and, therefore, amounts eventually netted off against the Group's current tax charge may be different from the amounts recorded.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Cash and cash equivalents

Cash and cash equivalents include cash and liquid investments with a term to maturity of 90 days or less at the reporting date.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Except for financial assets and financial liabilities measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, upon initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets are classified in one of the three categories:

a) Amortised cost

Financial assets that are debt instruments and are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest (SPPI) on the principal outstanding, are measured at amortised cost at each subsequent reporting period. The Group classifies accounts receivable and notes receivable as financial assets that are subsequently measured at amortised cost.

b) Fair value through other comprehensive income

The Group and Company does not have any financial assets classified as being at fair value through other comprehensive income.

c) Fair value through profit or loss

The Group and Company does not have any financial assets classified as being at fair value through profit or loss.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (ECL) on accounts receivable that are measured at amortised cost. The Group applies the simplified approach for accounts receivable and recognises the lifetime ECL for these assets. The ECL on accounts receivable is estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the customers, and general current and forecasted economic conditions at the reporting date, including time value of money where appropriate.

For all other financial assets measured at amortised cost or fair value through other comprehensive income, the Group recognises lifetime ECL only when there has been a significant increase in credit risk since initial recognition. If the credit risk on such financial instruments has not increased significantly since initial recognition, the Group measures the loss allowance on those financial instruments at an amount equal to twelve-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial asset. In contrast, twelve-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial asset that are possible within twelve months after the reporting date.

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial asset at the reporting date with the risk of default occurring at the initial recognition. The Group considers both quantitative and qualitative factors that are supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

2 Accounting policies continued

Financial instruments continued

Impairment of financial assets continued

Irrespective of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise. Despite the foregoing, the Group presumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying a significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management purposes, the Group considers a financial asset not recoverable if the customer balance owing is 180 days past due and information obtained from the customer and other external factors indicate that the customer is unlikely to pay its creditors in full.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- a) significant financial difficulty of the issuer or the counterparty;
- b) a breach of contract, such as a default or past due event;
- c) the lender(s) of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the lender(s) would not otherwise consider;
- d) it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off and derecognises a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in an equity instrument which the Group has designated on initial recognition to measure at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit or loss.

Financial liabilities are classified as at fair value through profit or loss when the financial liability is:

- a) contingent consideration of an acquirer in a business combination;
- b) held for trading; or
- c) it is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if it has been acquired principally for the purpose of repurchasing it in the near term or on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking, or it is a derivative financial liability.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at fair value through profit or loss upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

Financial liabilities classified or designated at fair value through profit or loss are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss. However, for financial liabilities that are designated as fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the issuer is recognised in other comprehensive loss, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive loss would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of a liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive loss are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

The Group classifies accounts payable, accrued liabilities and lease liabilities at amortised cost.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Stabilisation programme

As part of the Underwriting Agreement for the IPO transaction, the Company agreed to an over-allotment and stock stabilisation programme with the founder shareholders and the IPO syndicate banks. The stabilisation programme was put into effect and given the aftermarket performance of the shares immediately post-IPO, resulted in proceeds to the Company of US\$22.2m (£15.7m). As these proceeds were not part of the normal operation of the business and related to the IPO transaction, they were posted to the share premium account to set against IPO issuance costs.

3 Significant accounting estimates and judgements

In the application of the Group's and Company's accounting policies, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the Group's accounting policies

Revenue recognition

Management exercises judgement in determining the separate performance obligations present in contracts with customers. As described in note 2, the Group considers the multiple deliveries of IP views of a single IP product to be part of a single performance obligation, as each IP view is highly dependent on or interrelated with one or more of the other IP views, as each successive IP view is based on the prior views of that IP. As such, customers are unable to benefit from IP views on their own or together with other readily available resources. Additionally, if a contract contains multiple IP products, the deliverables are considered part of a single performance obligation, as customers are unable to benefit from the IP products on their own or together with other readily available resources, due to the bespoke nature of the configuration that the Group performs on the IP products as part of the licence arrangements.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

3 Significant accounting estimates and judgements continued

Critical judgements in applying the Group's accounting policies continued

Revenue recognition continued

As described in note 2, IP products are delivered in various stages, referred to as IP views. At each IP view delivery, management exercises its judgement as to what percentage of the contract price allocated to the IP product should be recognised as revenue. At Preliminary IP view delivery (the first IP view delivered to customers), revenue is typically recognised at 30% (for licences categorised as derivative), 25% (for licences categorised as migration) or 10% (for licences categorised as R&D) of the price allocated to the IP product.

Delivery of Preliminary IP views may occur very shortly after a licence agreement is signed by a customer and hence significant research and development or engineering hours may not have been expended up to that point from contract signing up to that point.

There are hours incurred prior to the signing of contracts that relate to the fulfilment of the performance obligations that are subsequently agreed to in such contracts. Judgement is made with respect to the pre-contract hours that are excluded or included in the calculation of the revenue to be recognised such that any included hours directly relate to the fulfilment of any contractual performance obligations. Such pre-contract hours are taken into account in our calculation of percentage of completion and amounted to approximately 23,000 hours in 2021. Had we included all of these hours in our percentage of completion calculation, we would have recognised an additional US\$1.5m of revenue.

At Final IP view delivery (the last IP view delivered to the customer ahead of test chip manufacture), an amount of revenue is held back for any post-delivery work that may be required to ensure the customer 'taped out' silicon meets the specifications detailed in the contract. The percentage held back is 10% for licences categorised as derivative, 25% for licences categorised as migration or 34% for licences categorised as R&D. This revenue is held back until the earlier of 'customer silicon acceptance' (customer silicon meets specifications) or a time specified in the contract. Any post-Final IP view delivery work related to silicon 'Bring up' and 'Integration' is covered by the support contract and is a separate performance obligation.

Both the recognition of a proportion of the contract value at Preliminary IP view delivery using pre-contract hours and the hold back of revenue until customer silicon acceptance require significant judgement from management. Such judgement is based on deep knowledge and understanding of the development effort required in delivering IP products to customers and the potential for any further work required to ensure successful silicon production by customers. This judgement may not be representative of the work to be completed in all cases. As the Group completes more IP deliveries to customers, it will establish a broader data set on which to base its judgements.

In FY 2021, if revenue had been recognised based purely on percentage of completion at Preliminary IP view delivery excluding all hours incurred prior to contract signature instead of the judgement described above, our revenue would have been US\$5.6m lower. Conversely, if we had recognised all revenue in contracts at delivery of Final IP views rather than hold back a percentage of revenue for customer silicon acceptance, on the assumption that all post-Final IP view acceptance work is covered by support, our revenue would have been US\$13.2m higher.

Revenue under the subscription licence agreement with WiseWave is recognised at the point in time at which control of the goods is transferred to WiseWave. The Group considers control to have transferred to WiseWave when each IP product and update to those IP products is uploaded to the library that they have access to under the agreement. At the point of upload of IP products and updates to IP products to the library, WiseWave has the ability to direct the use of, and obtain substantially all of the remaining benefits from, those IP products and updates to IP products, by utilising the products in their semiconductor designs from which they can then generate cash inflows.

As outlined in our IPO Prospectus, we assigned the VeriSilicon reseller arrangement to WiseWave in order to consolidate the Group's activities in China under a single entity and this was implemented in Q4 2021. WiseWave are entitled to retain payments from that contract totalling \$13.6m reflecting work that they will be expected to perform in future periods to fulfil that contract. As WiseWave are currently building their technical capabilities and are not yet able to fully perform this work, this sum has been accounted for as a reduction in the value of the subscription licence agreement with WiseWave, subject to future adjustment as and when WiseWave begin performance. As outlined in our IPO prospectus, these arrangements were contemplated at the time of entering into the VeriSilicon reseller contract and establishing WiseWave and have been taken into account in the disclosed aggregate booking of \$147.8m for these transactions. As a result of the assignment of the VeriSilicon reseller arrangement, there is no significant change anticipated to the overall net financial impact on the Group.

Research and development costs

Judgement is exercised in determining whether costs incurred should be capitalised in line with IAS 38. The judgement includes whether it is technically feasible to complete the relevant assets on which costs are incurred so that they will be available for use or sale.

Common control transaction

The reorganisation which occurred just prior to the IPO has been accounted for as a common control transaction on the basis that control of the organisation immediately prior to and immediately following the reorganisation was substantially the same. In line with IFRS 3.B1, we had the choice of book value or fair value to determine the investment value of Alphawave IP Inc. We chose book value as a more readily available valuation method, resulting in the creation of the merger reserve.

Joint ventures

As at year end, the Group owned 42.5% of WiseWave, a newly formed company established in China in Q4 2021 to develop and sell silicon products incorporating silicon IP licensed from the Group. We equity account for the investment as a joint venture, resulting in a US\$0.6 loss for 2021.

Judgement is used in determining the extent of the control the Group has over WiseWave. The Group is satisfied WiseWave should be treated as a joint venture under IFRS 11 as opposed to being treated as an associate. For all joint arrangements structured in separate vehicles the Group must assess the substance of the joint arrangement in determining whether it is classified as a joint venture or joint operation. This assessment requires the Group to consider whether it has rights to the joint arrangement's net assets (in which case it is classified as a joint venture), or rights to and obligations for specific assets, liabilities, expenses and revenues (in which case it is classified as a joint operation). Factors the Group must consider include:

- structure;
- legal form;
- contractual agreement; and
- other facts and circumstances.

Upon consideration of these factors, the Group has determined that all of its joint arrangements structured through separate vehicles give it rights to the net assets and are therefore classified as joint ventures.

Joint venture revenue

The Group's proportion of revenue recognised from sales to WiseWave under the subscription licence agreement has been eliminated in the 'loss from joint venture' line in the consolidated statement of comprehensive income to the extent that the revenue is not realised based on WiseWave's utility and in line with IAS 28. The Group exercised judgement in eliminating the revenue in this way. Had the Group eliminated our share of the gains from sales to the joint venture against the revenue line, our revenues would have reduced by US\$12.3m to US\$77.6m.

Initial Public Offering related costs

In accordance with IAS 32, the Group has only recognised costs within equity that are related to the transaction of issuing new shares, being US\$20.3m posted to the share premium account. All other costs, totalling US\$10.0m, relating to the Initial Public Offering, including costs relating to existing shares and listing-related costs, have been recognised within other expenses in the consolidated statement of comprehensive income.

To calculate this, issuance costs were split between new shares and existing shares. Where costs covered both new and existing shares, an apportionment was made based on the proportion of new shares being issued to existing shares. A judgement was made that this was a fair reflection of the costs associated with new and existing shares.

Impairment of financial assets

As described in note 2, the Group recognises a loss allowance for expected credit losses (ECL) on accounts receivable and applies the simplified approach, recognising the lifetime ECL for these assets. The Group uses a provision matrix based on the Group's historical credit loss experience to inform the level of ECL allowance and exercises significant judgement in assessing the factors that are specific to the customers and the general current and forecasted economic conditions that are used to adjust the ECL.

As at 31 December 2021, the Group's ECL allowance for accounts receivable was not material and therefore not recognised (31 December 2020: also not material). This level of ECL allowance reflects the Group's historical credit loss experience and its assessment of each of the customers making up its accounts receivable balance at each reporting date and the prevailing and predicted macroeconomic conditions that may impact on those customers' ability to pay their outstanding invoices. One of the Group's customers has payment of a US\$0.5m invoice tied to securing additional funding.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

3 Significant accounting estimates and judgements continued

Critical judgements in applying the Group's accounting policies continued

[Impairment of financial assets continued](#)

In respect of this customer, management has assessed the likelihood of the funding round being successful, the likely timing of such funding round and the customer's ability and willingness to pay their outstanding invoice following the funding round. The Group's conclusions at each reporting date were that all customers with amounts due to the Group had or would have both the ability and willingness to pay their outstanding invoices and hence the Group was satisfied that no adjustment to the ECL allowance was required.

Paragraph 5.5.11 of IFRS 9 presumes that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due. In FY 2021, if the Group had provided the full amount of accounts receivable that was more than 30 days past due in the ECL allowance, accounts receivable would have been US\$2.6m lower and operating profit would have been US\$2.6m lower (FY 2020: accounts receivable would have been US\$0.5m lower and operating profit would have been US\$0.5m lower).

As at the Last Practicable Date (28 April 2022), US\$0.3m of accounts receivable that were more than 30 days past due at 31 December 2021 remains outstanding. As at the Last Practicable Date, US\$1.7m of accounts receivable relating to the accrued revenue balance as at 31 December 2021 is more than 30 days past due and following the same process as described above and in note 2, management has concluded that no adjustment to the ECL allowance is required.

The Group's accrued revenue balance at the end of 2021 was US\$31.7m (2020: US\$10.3m). As at the Last Practicable Date, US\$15.6m of accrued revenue has been invoiced. Of this invoiced amount, US\$2.7m has been collected and US\$12.9m is just over 30 days past due. Following the same process for assessing ECL for trade receivables as described above and in note 2, management has concluded that there has been no significant increase in credit risk in relation to accrued revenue since initial recognition and hence no adjustment to the ECL is required.

Key sources of estimation uncertainty in the consolidated financial statements

The key assumptions concerning the future, and other key sources of estimation uncertainty at the consolidated statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

[Revenue recognition](#)

Revenue recognition for IP products licensed under our standard pay-per-use contracts is based upon cost to completion using the input method, as this best reflects the transfer of control of the licensed IP products to the customer, with percentage of completion based on management judgements and estimates approximating the work required to meet contract deliverables. These judgements and estimates vary depending on the contract type, the maturity of the IP being licensed, customer requirements and involvement, customer specifications, whether the contract deliverables are in their early or later stages and whether the IP has already been silicon-proven. If different estimates of the work required to meet contract deliverables had been made, our revenue may have been different from that shown in the consolidated statement of comprehensive income and the accrued revenue and deferred revenue balances shown in the consolidated statement of financial position may also have been different. Refer to note 5 for further information regarding the sensitivity of accrued revenue and deferred revenue to the estimation uncertainty of work required to meet contract deliverables.

For the subscription licence agreement with WiseWave, the Group uses point-in-time revenue recognition. The agreement includes multiple performance obligations for delivery of distinct IPs and periodic updates to those IPs. Revenue is recognised based on delivery of each distinct IP as a proportion of management's estimate of the total number of IPs to be delivered during the five-year term of the agreement. If different assumptions were made about the total number of IPs to be delivered during the contract term and the amount of contract price allocated to each IP, the revenue recorded against this contract in the consolidated statement of comprehensive income and the accrued revenue and deferred revenue balances shown in the consolidated statement of financial position may be different from that shown.

4 Alternative Performance Measures (APMs)

The Group uses certain financial measures that are not defined or recognised under IFRS. The Directors believe that these non-GAAP measures supplement GAAP measures to help in providing a further understanding of the results of the Group and are used as key performance indicators within the business to aid in evaluating its current business performance.

The measures can also aid in comparability with other companies who use similar metrics. However, as the measures are not defined by IFRS, other companies may calculate them differently or may use such measures for different purposes to the Group.

Bookings

The Group monitors and discloses bookings and backlog as key performance indicators of future revenues. Bookings are a non-IFRS measure and represent legally binding and largely non-cancellable commitments by customers to license our technology. Our bookings comprise licence fees, non-recurring engineering, support and in some instances, our estimate of potential future royalties.

Our royalties are estimated based on contractually committed royalty prepayments or, in limited instances, on sensitised volume estimates provided by customers. Our bookings for FY 2021, including royalties, totalled US\$244.7m, (2020: US\$75.0m), and excluding royalties, US\$220.8m, (2020: US\$52.0m).

Backlog represents bookings over the life of the Group that have not yet been recognised as revenues and which we expect to be recognised in future periods. Backlog as at the end of 2021 is calculated based on our backlog as at the end of 2020, plus new bookings, less revenues recognised during the period.

	US\$m
Backlog (end of FY 2020)	37.3
Add: New bookings excluding royalties (FY 2021)	220.8
Less: Revenues recognised in FY 2021 ¹	(89.4)
Backlog (end of FY 2021)	168.6

1. Difference from reported revenue due to foreign exchange differences.

Earnings before interest, taxation, depreciation and amortisation (EBITDA)

EBITDA provides a supplemental measure of earnings that facilitates review of operating performance on a period-to-period basis by excluding items that are not indicative of the Group's underlying operating performance and is a key profit measure used by the Board to assess the underlying financial performance of the Group. EBITDA is stated before the following items and for the following reasons:

- interest is excluded from the calculation of EBITDA because the expense and income bears no relation to the Group's underlying operational performance;
- charges for the depreciation of property and equipment, acquired intangibles and right-of-use assets are excluded from the calculation of EBITDA, removing these non-monetary items allows management to better project the Group's long-term profitability; and
- tax is excluded from the calculation of EBITDA because the expense bears no relation to the Group's underlying operational performance.

Operating profit to EBITDA reconciliation

	Year ended 31 December 2021 US\$'000	Year ended 31 December 2020 US\$'000
Operating profit	36,035	16,842
Add backs:		
Depreciation of tangible fixed assets and right-of-use assets	3,127	912
EBITDA	39,162	17,754

Two further measures are adjusted EBITDA and adjusted profit after tax, defined in the tables below. These further allow for a more accurate assessment of underlying business performance by making exclusions of items which do not form part of the Group's normal underlying operations.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

4 Alternative Performance Measures (APMs) continued

EBITDA to adjusted EBITDA reconciliation

	Year ended 31 December 2021 US\$'000	Year ended 31 December 2020 US\$'000
EBITDA	39,162	17,754
Add backs:		
Non-recurring Initial Public Offering costs	9,961	—
M&A/professional costs	533	—
Share-based payment	6,143	565
Exchange (gain)/loss	(4,023)	982
Adjusted EBITDA	51,776	19,301

M&A/professional costs are one-off legal and professional costs incurred as a result of the Group's execution of agreements for the formation and commercial arrangements relating to the Group's joint venture, WiseWave, as well as professional fees related to the acquisition of Precise-ITC, announced in Q4 2021. Whilst still included in operating expenses and not included in non-recurring Initial Public Offering costs, these expenses were deemed to be one-off and added back to adjusted EBITDA. We believe that excluding the effect of share-based payments from adjusted EBITDA assists management and investors in making period-to-period comparisons in the Group's operating performance because the amount of such expenses in any specific period may not directly correlate to the underlying performance of our business operations. Additionally, these expenses can vary significantly between periods as a result of the timing of grants of new share-based awards, including grants in connection with acquisitions. The exchange gain in 2021 has been removed from EBITDA as it relates to an unrealised gain relating to cash held and therefore does not form part of the Company's operating performance.

Profit for the year to adjusted profit after tax reconciliation

	Year ended 31 December 2021 US\$'000	Year ended 31 December 2020 US\$'000
Profit for the year	9,431	12,205
Add backs:		
Non-recurring Initial Public Offering costs	9,961	—
M&A/professional costs	533	—
Share-based payment	6,143	565
Exchange (gain)/loss	(4,023)	982
Adjusted profit for the year	22,045	13,752

Adjusted profit per ordinary share attributable to the shareholders (expressed in cents per ordinary share)

	Note	Year ended 31 December 2021	Year ended 31 December 2020
Adjusted basic earnings per share (US\$ cents)	13	3.52	2.56
Adjusted diluted earnings per share (US\$ cents)	13	3.14	2.18

5 Revenue

Disaggregation of revenue

The Group has disaggregated revenue into various categories in the following tables, which is intended to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

	Year ended 31 December 2021 US\$'000	Year ended 31 December 2020 US\$'000
Revenue by type:		
Products	46,971	30,160
Support	4,253	2,786
Reseller	8,861	—
Income from joint venture	29,846	—
	89,931	32,946

Whilst this part of the note shows revenue by type, due to materiality, we have separately itemised the revenue from our reseller and joint venture, both based in China. The income from our joint venture in China, WiseWave, predominantly relates to a five-year subscription licence agreement where we have recognised US\$27.7m based on our deliveries of IP to WiseWave. The remaining US\$2.1m revenue from WiseWave relates to a separate agreement signed in Q4 2021 to deliver chiplet IP.

	Year ended 31 December 2021 US\$'000	Year ended 31 December 2020 US\$'000
Revenue by region:		
North America	37,642	19,380
China	43,063	8,396
APAC (ex-China)	9,226	5,170
	89,931	32,946

Customer revenue concentration

For 2021, revenue of US\$29.8m from a single customer (WiseWave) was greater than 10% of the Group's total revenues.

For 2020, revenues from several customers were individually greater than 10% of the Group's total revenues, as shown in the table below:

	Year ended 31 December 2020 US\$'000
Customer – Asia Pacific	6,733
Customer – North America	5,261
Customer – Asia Pacific	5,073
Customer – North America	4,432
Customer – North America	3,548

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

5 Revenue continued

Sensitivity analysis

Product revenue

Revenue recognition for product revenue is determined using the input method on a percentage of completion basis. The percentage of completion is calculated as a function of total hours estimated to fulfil the contract. The table below illustrates the sensitivity the percentage of completion estimate has on revenue recognition and the associated balance sheet balances, assuming a 10% increase and a 10% decrease to all percentages of completion applied to product revenue in 2021 and 2020:

	As reported US\$'000	+10% US\$'000	-10% US\$'000
Year ended 31 December 2021			
Product revenue	46,971	51,668	42,274
Accrued revenue	31,719	34,509	28,929
Deferred revenue	12,661	11,599	13,723
Year ended 31 December 2020			
Product revenue	30,160	33,176	27,144
Accrued revenue	10,328	11,361	9,296
Deferred revenue	7,381	6,749	8,013

Product revenue in the above analysis makes up part of the overall revenue of US\$89.9m in the 2021 consolidated statement of comprehensive income (2020: US\$32.9m), as described in the disaggregation of revenue section of this note 5. The accrued revenue and deferred revenue balances are those shown in the consolidated statement of financial position and they include all types of revenue mentioned above in the disaggregation of revenue section of this note 5. However, the sensitivity of the accrued and deferred revenue balances only pertains to the product revenue within these balances.

WiseWave – subscription licence agreement

Revenue recognition for the WiseWave subscription licence agreement is determined with reference to the estimated total number of IP uploads to be delivered to WiseWave during the term of the agreement and the number of uploads made to WiseWave each period. The table below illustrates the sensitivity of revenue recognition and the associated balance sheet balances to a change in the estimated total number of IP products to be delivered and assumes a 10% increase and a 10% decrease in the total number of uploads, but the same number of uploads made during 2021. There are no 2020 comparatives as the subscription licence agreement was signed during 2021.

	As reported US\$'000	+10% US\$'000	-10% US\$'000
Year ended 31 December 2020			
WiseWave SLA revenue	27,700	25,229	30,714
WiseWave SLA accrued revenue	3,700	1,229	6,714

Accrued and deferred revenue movements

Below is a reconciliation of the movement in accrued revenue during the period:

	Year ended 31 December 2021 US\$'000	Year ended 31 December 2020 US\$'000
At 1 January	10,328	775
Revenue accrued in the period	30,482	20,566
Accrued revenue invoiced in the period	(8,959)	(11,516)
Foreign exchange difference	(132)	503
At 31 December	31,719	10,328

Below is a reconciliation of the movement in deferred revenue during the period:

	Year ended 31 December 2021 US\$'000	Year ended 31 December 2020 US\$'000
At 1 January 2021	7,381	3,685
Revenue recognised in the period	(6,450)	(3,685)
Revenue deferred in the period	11,554	6,000
Cumulative catch-up adjustments	8	1,123
Foreign exchange difference	168	258
At 31 December	12,661	7,381

The cumulative catch-up adjustment represents a change in estimate of the total number of hours expected to complete a project.

The deferred revenue balance is all expected to be satisfied within twelve months of the consolidated statement of financial position date.

The flexible spending account has increased to US\$6.8m as at 31 December 2021 from US\$2.3m as at 31 December 2020. This represents mainly non-current deferred income, and these are contracts with customers who have committed to regular periodic payments to us over the term of the contract. These payments are not in respect of specific licences or other deliverables, but they can be used as credit against future deliverables.

The balances related to costs to obtain contracts from customers are as follows:

	Year ended 31 December 2021 US\$'000	Year ended 31 December 2020 US\$'000
Capitalised contract costs	609	233

The costs to obtain contracts from customers include commissions. Amortisation of US\$3.0m (2020: US\$1.5m) and impairment of US\$nil (2020: US\$nil) was charged to the consolidated statement of comprehensive income in the period.

6 Research and development/engineering

The Group incurred research and development costs that have been expensed in the consolidated statement of comprehensive income. The amounts are expensed through research and development/engineering and are as follows:

	Year ended 31 December 2021 US\$'000	Year ended 31 December 2020 US\$'000
Research and development/engineering	29,444	8,816

7 Employee benefit costs

The aggregate employee benefit expenses were as follows:

	Group Year ended 31 December 2021 US\$'000	Group Year ended 31 December 2020 US\$'000	Company Period ended 31 December 2021 US\$'000
Wages, salaries and benefits	19,216	7,957	328
Defined contribution pension costs	253	133	10
Social security costs	1,447	106	41
Share-based payment expense	6,143	565	342
Investment tax credit	(3,039)	(1,802)	—
Government grants	(56)	(1,063)	—
Total	23,964	5,896	721

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

7 Employee benefit costs continued

The average number of employees during the period, analysed by category, was as follows:

	Group 2021	Group 2020	Company 2021
Research and development/engineering	110	60	—
General and administration	10	3	3
Sales and marketing	4	3	—
Total	124	66	3

The number of employees at the period end, analysed by category, was as follows:

	Group 2021	Group 2020	Company 2021
Research and development/engineering	134	66	—
General and administration	15	4	5
Sales and marketing	5	2	—
Total	154	72	5

8 Directors' and key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the Directors of the Company, the co-founders and the Chief Financial Officer of the Company.

	Year ended 31 December 2021 US\$'000	Year ended 31 December 2020 US\$'000
Remuneration (including benefits in kind)	2,235	536
Defined contribution pension costs	4	7
Share-based payment expense	252	30
	2,491	573

One Director exercised options during the period. Details are as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
Number of options, in thousands, exercised by Directors and key management	4,000	1,199
Gains made on exercise of options by Directors and key management US\$'000	5,636	5,864

2020 does not reflect the 20:1 share split which occurred in May 2021.

Details of the highest paid Director's remuneration are as follows:

	Year ended 31 December 2021 US\$'000	Year ended 31 December 2020 US\$'000
Remuneration (including benefits in kind)	740	149
Defined contribution pension costs	4	2
	744	151
Number of options, in thousands, exercised by Director	4,000	—

The number of options at 31 December 2021 has been adjusted for the 20 for 1 share exchange that happened immediately prior to the Initial Public Offering in May 2021.

Shortly following the Company's incorporation, 50,000 preference shares of nominal value of £1 each were issued to John Lofton Holt, a Company Director. The preference shares were issued as fully paid up in consideration for an undertaking from Mr Holt to pay to the Company a sum of £50,000. The preference shares were redeemed by the Company on 6 December 2021 and the undertaking to pay was thereby cancelled.

A loan of CAD\$1,280,000 was made to Daniel Aharoni, a Director of the Company for the exercise of share options in Alphawave IP Inc. prior to the IPO date. The loan was repaid on the sale of shares in the Company at the IPO and following the exchange of Alphawave IP Inc. shares into Company shares prior to the IPO date. The loan was interest free.

9 Auditor's remuneration

The Group paid the following amount to its auditor in respect of the audit of the Group's financial statements and for other non-audit services provided to the Group.

	Year ended 31 December 2021 US\$'000	Year ended 31 December 2020 US\$'000
Audit of the financial statements	725	71
Taxation compliance services	—	7
Other tax advisory services	—	26
Corporate finance services	—	45
Audit-related assurance services	155	—
Other assurance services	1,135	—
	2,015	149

Other assurance services relate to financial services provided for our Admission to list on the London Stock Exchange. In 2020 the Group had a different firm of auditors.

10 Finance income and expense

	Year ended 31 December 2021 US\$'000	Year ended 31 December 2020 US\$'000
Finance income		
Interest income from customer	202	198
Bank interest	110	—
	312	198
Finance expense		
Bank charges	(26)	(113)
Lease interest	(294)	(82)
	(320)	(195)
Net finance (expense)/income	(8)	3

11 Non-recurring Initial Public Offering costs

In accordance with the Group's policy for non-recurring items, the following charges were included in this category for the period:

One-off costs relating to Project Aurora, the project name for the Group's Initial Public Offering on the London Stock Exchange, that were not able to be offset against share premium under IAS 32 totalled US\$10.0m (2020: US\$nil). Over half of these total fees related to LSE Admission fees and legal costs associated with the Initial Public Offering. Per IAS 32, costs that relate to the stock market listing or are otherwise not incremental and not directly attributable to issuing new shares should be recorded in the consolidated statement of comprehensive income.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

12 Tax expense

	Year ended 31 December 2021 US\$'000	Year ended 31 December 2020 US\$'000
Current taxation		
UK corporation tax	257	—
UK corporation tax adjustment to prior periods	125	—
Overseas tax	13,349	4,379
Total current tax	13,731	4,379
Deferred tax		
Origination and reversal of temporary differences	(74)	261
Total deferred tax	(74)	261
Taxation on profit	13,657	4,640

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax applied to profits for the year are as follows:

	Year ended 31 December 2021 US\$'000	Year ended 31 December 2020 US\$'000
Profit before tax	23,088	16,845
Income tax expense at the UK corporation tax rate of 19%	4,387	3,201
Effects of:		
Stock-based compensation	1,036	150
Expenses not deductible for tax purposes	1,902	3
Share issue costs	—	(3)
Research and development tax credits and incentives	72	33
Under accrual of prior year provision	125	—
Different tax rates applied in overseas jurisdictions	3,677	1,256
Share of joint venture's loss	2,458	—
Total tax charge for year	13,657	4,640

Changes in tax rates and factors affecting the future tax charge

An increase in the future main UK corporation tax rate to 25% from 1 April 2023, from the previously enacted 19%, was announced at the Budget on 3 March 2021, and substantively enacted on 24 May 2021. The deferred tax balance at the year end has been calculated based on the rate as at that date.

There have been no legislative changes announced in 2021 in relation to Canadian or US tax rates which will affect the Group.

13 Earnings per share

Basic earnings per share is calculated by dividing net income from operations by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding during the period to assume conversion of all potential dilutive share options and restricted share units to common shares.

	Year ended 31 December 2021	Year ended 31 December 2020
(US\$ thousands except number of shares)		
Numerator:		
Profit for the year	9,431	12,205
Denominator:		
In issue at 1 January	27,927,252	25,816,419
Effect of 20 for 1 share exchange	558,545,040	516,328,380
Effect of pre-IPO option conversion	3,986,807	21,669,167
Effect of primary share issue at IPO	54,776,719	—
Effect of exercise of options at IPO	8,138,237	—
Effect of share issue post IPO	137,957	—
Weighted average number of common shares outstanding for basic earnings per share	625,584,760	537,997,547
Adjustment for share options and RSUs	76,905,071	91,831,919
Weighted average number of common shares outstanding for diluted earnings per share	702,489,831	629,829,466
Basic earnings per share (US\$ cents)	1.51	2.27
Diluted earnings per share (US\$ cents)	1.34	1.94

The number of shares at 31 December 2020 has been adjusted for the 20 for 1 share exchange that happened immediately prior to the Initial Public Offering in May 2021, in order to give comparative figures. The earnings per share values have also been adjusted to reflect this.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

14 Property and equipment

Group	Computer equipment US\$'000	Furniture and fixtures US\$'000	Leasehold improvements US\$'000	Total US\$'000
Cost				
Balance at 1 January 2020	236	53	23	312
Additions	255	3	111	369
Foreign exchange	17	1	6	24
Balance at 31 December 2020	508	57	140	705
Additions	1,595	5	268	1,868
Foreign exchange	(15)	—	(4)	(19)
Balance at 31 December 2021	2,088	62	404	2,554
Accumulated depreciation				
Balance at 1 January 2020	88	16	8	112
Depreciation charge for the year	136	8	28	172
Foreign exchange	8	—	1	9
Balance at 31 December 2020	232	24	37	293
Depreciation charge for the year	540	7	95	642
Foreign exchange	(6)	—	(1)	(7)
Balance at 31 December 2021	766	31	131	928
Net book value				
At 31 December 2019	148	37	15	200
At 31 December 2020	276	33	103	412
At 31 December 2021	1,322	31	273	1,626

Company

The Company has no property, plant and equipment.

15 Intangible assets

Group	2021 US\$'000
Cost	
Balance at 1 January 2020	—
Additions	133
Foreign exchange	7
Balance at 1 January 2021	140
Additions	1,038
Foreign exchange	(11)
Balance at 31 December 2021	1,167
Net book value	
At 31 December 2019	—
At 31 December 2020	140
At 31 December 2021	1,167

The intangible asset is a licence to use IP. This IP is being developed by a third-party vendor and amounts paid to date represent instalments to initiate the development which is carried at cost. No amortisation is recorded as the intangible asset is not yet available for use. The carrying amount was tested for impairment at 31 December 2021 which concluded that no adjustments are necessary. There are no further contractual commitments for the acquisition of intangible assets.

Company

The Company has no intangible assets.

16 Right-of-use assets and lease liabilities

Right-of-use assets

Group	Buildings US\$'000	Equipment US\$'000	Total US\$'000
Cost			
Balance at 1 January 2020	1,009	656	1,665
Additions	4,826	1,620	6,446
Disposal	—	(635)	(635)
Foreign exchange	280	65	345
Balance at 31 December 2020	6,115	1,706	7,821
Additions	2,321	898	3,219
Disposal	—	(22)	(22)
Foreign exchange	24	(3)	21
Balance at 31 December 2021	8,460	2,579	11,039
Accumulated depreciation			
Balance at 1 January 2020	371	410	781
Depreciation charge for the year	323	417	740
Disposal	—	(635)	(635)
Foreign exchange	24	(4)	20
Balance at 31 December 2020	718	188	906
Depreciation charge for the year	1,144	1,341	2,485
Foreign exchange	(10)	(14)	(24)
Balance at 31 December 2021	1,852	1,515	3,367
Net book value			
At 31 December 2019	638	246	884
At 31 December 2020	5,397	1,518	6,915
At 31 December 2021	6,608	1,064	7,672

Nature of leasing activities (in the capacity as lessee)

The Group has leases for corporate offices, development facilities and certain equipment. These leases have remaining lease terms ranging from four months to 8.5 years, some of which include options to extend the leases for up to ten years or to terminate the lease with notice periods of 90 days to six months or at predetermined dates as specified within the lease contract. The Group has classified the assets related to these leases as right-of-use assets and the liabilities associated with the future lease payments under these leases as lease liabilities. The weighted average incremental borrowing rate applied to these lease liabilities at initial recognition during the year was 3.95% per annum.

At 31 December 2021, the carrying amounts of lease liabilities are not reduced by the amount of payments that would be avoided from exercising break clauses because at that date it was considered reasonably certain that the Group would not exercise its right to break the lease. Total lease payments of US\$0.1m (2020: US\$nil) are potentially avoidable were the Group to exercise break clauses at 31 December 2021.

The use of extension and termination options gives the Group added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's strategy and the economic benefits of exercising the option exceed the expected overall cost.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

16 Right-of-use assets and lease liabilities continued

Nature of leasing activities (in the capacity as lessee) continued

Amounts not included in the measurement of lease liabilities are as follows:

Group	Year ended 31 December 2021 US\$'000	Year ended 31 December 2020 US\$'000
Short-term lease expense	—	—
Low-value lease expense	—	—
Expense relating to variable lease payments not included in the measurement of lease liabilities	42	36
	42	36

Lease liabilities

Group	Total US\$'000
At 1 January 2020	957
Additions	6,445
Interest expense	83
Lease payments	(1,001)
Foreign exchange	317
At 31 December 2020	6,801
Additions	3,219
Disposals	(32)
Interest expense	294
Lease payments	(2,494)
Foreign exchange	40
At 31 December 2021	7,828

Lease liabilities are due as follows:

Group	Group 31 December 2021 US\$'000	Group 31 December 2020 US\$'000
Not later than one year	2,160	1,672
Between one and five years	5,525	4,032
Over five years	143	1,097
	7,828	6,801

The total cash outflow for leases is as follows:

Group	Year ended 31 December 2021 US\$'000	Year ended 31 December 2020 US\$'000
Total cash outflow	2,494	1,001

The Group does not face a significant liquidity risk with regard to its lease liabilities.

Company

The Company has no leases.

17 Investments

Group subsidiaries

All subsidiaries have been included in the consolidated financial statements using the equity method. Details of the Group's subsidiaries as at 31 December 2021 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Class of share	Proportion of ownership interest and voting rights held by the Group
Alphawave IP Inc.	Developing and licensing high performance connectivity intellectual property for the semiconductor industry	Canada	Ordinary	100%
Alphawave IP Corp.	Sales and sale support to licence intellectual property for the semiconductor industry	United States	Ordinary	100%
Alphawave IP (BVI) Ltd	To facilitate IP licensing to WiseWave Technology Co., LTD	British Virgin Islands	Ordinary	100%
Alphawave Call. Inc.	Holding company incorporated to facilitate the exchangeable share structure	Canada	Ordinary	100%
Alphawave Exchange Inc.	Holding company incorporated to facilitate the exchangeable share structure	Canada	Ordinary and Exchangeable	100%
Alphawave IP Limited	To facilitate the investment into WiseWave Technology Co., LTD	China	Ordinary	100%

All of the above subsidiaries, with the exception of Alphawave IP (BVI) Ltd, Alphawave Call. Inc., and Alphawave IP Limited, are indirectly held subsidiaries.

The registered office of Alphawave IP Corp. is 1730 N 1st St, Suite 650, San Jose, CA, 95112.

The registered office of Alphawave IP (BVI) Ltd is Trinity Chambers, PO Box 4301, Road Town, Tortola, British Virgin Islands.

The registered office of Alphawave IP Limited is 21 Avendia da Praia Grande, No 409, Edificio China Law, 21 andar, em Macau.

The registered office of all other subsidiaries is 70 University Ave, 10th Floor, Toronto, Ontario, Canada M5J 2M4.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

17 Investments continued

Summary of the Company investments

Company	Subsidiaries US\$'000
Cost	
On incorporation	—
Addition	18,236
Share-based payment capital contribution	4,155
At 31 December 2021	22,391
Carrying amount	
At 31 December 2021	22,391

As noted in note 23, the Company was incorporated and acquired control of Alphawave IP Inc. via a 20 shares in the Company for one share in Alphawave IP Inc exchange.

Investment in joint ventures

The following entities have been included in the consolidated financial statements using the equity method:

Name of joint venture	Principal activity	Country of incorporation and principal place of business	Class of share	Proportion of ownership interest and voting rights held by the Group
WiseWave Technology Co., LTD	A semiconductor device company focused on the mainland Chinese market	China	Ordinary	42.5%

The registered office of WiseWave Technology Co., LTD is Room 105, No. 6, Baohua Road, Hengqin New District, Zhuhai, China.

Group	Joint venture US\$'000
Cost and net book value	
At 1 January 2021	—
Additions	22,360
Share of loss	(12,939)
At 31 December 2021	9,421

Additions in the year of US\$22.4m represents our first investment, out of a total committed investment of up to US\$170.0m, into WiseWave Technology Co., LTD. The investment was made in Q4 2021 out of a total funding round of US\$52.6m, with the majority of the funds contributed by Wise Road Capital.

Summarised financial information for joint venture:

	Year ended 31 December 2021 US\$'000
Current assets	32,114
Property and equipment	12
Intangible assets	29,018
Current liabilities	9,707
Non-current liabilities	—
Included in the above amounts are:	
Cash and cash equivalents	30,664
Current financial liabilities (excluding trade payables)	—
Non-current financial liabilities (excluding trade payables)	—
Net assets (100%)	51,437
Group share of net assets (42.5%)	21,861

Period ended 31 December:

Revenues	—
Loss from continuing operations	(1,522)
Other comprehensive income	—
Included in the above amounts are:	
Depreciation and amortisation	(925)
Interest expense	(73)
Total comprehensive expense (100%)	(1,522)
Group share of total comprehensive expense (42.5%)	(647)

The above summary financial information has been aligned with the accounting policies of the Group. The recognition of intangible assets and related amortisation has been adjusted for the purposes of aligning the Group recognition policies.

Share of post-tax loss of equity-accounted joint ventures:

	Year ended 31 December 2021 US\$'000
Share of loss	647
Elimination of gains from sales to the joint venture	12,292
Total	12,939

Revenues of US\$29.8m were made from provision of IP to WiseWave. To the extent that WiseWave has not yet utilised the IP, the proportion of the Group's revenues has been eliminated and will be released over the term of the subscription licence of five years.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

18 Trade and other receivables

	Group 31 December 2021 US\$'000	Group 31 December 2020 US\$'000	Company 31 December 2021 US\$'000
Trade receivables from contracts with customers	12,074	5,214	—
Less: expected credit loss provision	—	—	—
Trade receivables at amortised cost – net	12,074	5,214	—
Other receivables	158	428	—
Total financial assets other than cash and cash equivalents carried at amortised cost	12,232	5,642	—
Prepayments	262	349	146
Capitalised contract costs	609	233	—
Total current trade and other receivables	13,103	6,224	146

Group

The carrying value of trade and other receivables approximates to fair value.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses (ECL) using a lifetime ECL provision for trade and other receivables. The expected loss rates are based on the Group's historical credit losses. The historic loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

The Group's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other receivables is disclosed in note 26.

All trade and other receivables have been reviewed under the ECL impairment model. As at 31 December 2021, the Group's ECL provision was immaterial and therefore not recognised (31 December 2020: also immaterial).

Included in other receivables is an amount of US\$nil (2020: US\$428,000) of notes receivable from employees. The notes receivable from employees had no stated terms of repayment, were due on demand and bore interest at 1% per annum. In the event of default, the notes were to be enforced under applicable laws.

19 Trade and other payables

Trade and other payables: Current

	Group 31 December 2021 US\$'000	Group 31 December 2020 US\$'000	Company 31 December 2021 US\$'000
Trade payables	1,317	1,091	366
Other payables	—	3	—
Accrued expenses	4,038	979	637
Employee-related liabilities	450	134	10
Social security and other taxes	—	—	—
Total trade and other payables	5,805	2,207	1,013

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

Amounts owed to Group undertakings are interest free and repayable on demand.

20 Loans and borrowings

	Group 31 December 2021 US\$'000	Group 31 December 2020 US\$'000	Company 31 December 2021 US\$'000
Non-current			
Bank loans secured	—	27	—
Current			
Bank loans secured	—	27	—
Total borrowings	—	54	—

Bank loans were long-term debt under the Paycheck Protection Program (PPP) in the United States of America. The debt bore interest at 1% per annum and was fully repaid in the year.

21 Employee benefits liabilities

Liabilities for employee benefits comprise:

	Group 31 December 2021 US\$'000	Group 31 December 2020 US\$'000	Company 31 December 2021 US\$'000
Accrual for annual leave	450	134	10

22 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 25%. The increase in the main rate of UK corporation tax to 25% was substantively enacted on 24 May 2021. This new rate has been applied to deferred tax balances which are expected to reverse after 1 April 2023, the date on which that new rate becomes effective.

The movement on the deferred tax account is as shown below:

	Group US\$'000	Company US\$'000
2021		
At 1 January 2021	492	—
Credit to profit or loss	(74)	—
Foreign exchange	4	—
At 31 December 2021	422	—
2020		
At 1 January 2020	218	—
Charge to profit or loss	261	—
Foreign exchange	13	—
At 31 December 2020	492	—

The deferred taxation liability is made up as follows:

	Group 31 December 2021 US\$'000	Group 31 December 2020 US\$'000	Company 31 December 2021 US\$'000
Accelerated capital allowances	74	17	—
Leases	(41)	31	—
Other temporary differences	389	444	—
Total	422	492	—

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

23 Share capital

Authorised share capital	Number of shares	US\$'000
Ordinary shares of £0.01 each	664,965,934	9,399
Issued and fully paid	Number of shares	US\$'000
Redeemable preference shares of £1 each		
Balance as at 31 December 2020	—	—
Primary share issue at Initial Public Offering	50,000	71
	50,000	71
Shares redeemed	(50,000)	(71)
Balance as at 31 December 2021	—	—
Issued and fully paid	Number of shares	US\$'000
Ordinary shares of £0.01 each		
Balance as at 31 December 2020 in Alphawave IP Inc.	27,927,252	—
Exercise of options pre Initial Public Offering	265,701	—
Sub-total	28,192,953	—
20 for 1 share exchange	563,859,060	796,958
Shares issued to option holders on exercise	13,049,861	18,445
	576,908,921	815,403
Primary share issue at Initial Public Offering	87,835,796	124,147
Further issue of shares	221,217	313
	664,965,934	939,863
Capital reduction	—	(930,464)
Balance as at 31 December 2021	664,965,934	9,399

On 14 May 2021, the Company acquired the entire issued share capital of Alphawave IP Inc. in return for 563,859,060 ordinary shares issued by the Company with a nominal value of £1. This was based on 20 shares in the Company for each share in Alphawave IP Inc.

The Company issued 87,835,796 shares, as a primary offering, with a nominal value of £1 as part of its listing on the London Stock Exchange at a price of US\$5.79 (£4.10), resulting in gross proceeds to the Company of US\$509.0m (£360.1m) accounted for as share capital of US\$124.1m (£87.8m) and share premium of US\$384.9m (£272.3m).

Net proceeds after bank syndication fees were US\$492.1m (£347.1m) with further costs relating to the issuance of shares resulting in total costs of US\$20.3m (£14.5m), chargeable to the share premium account. However, the Company received US\$22.2m (£15.7m) as proceeds of a stock stabilisation programme which were set off against these Initial Public Offering costs, resulting in the net proceeds of US\$1.9m being posted to the share premium account. The Company had further costs of US\$10.0m (£7.2m) relating to the IPO but not relating directly to the issuance of new shares. These have been charged to the statement of comprehensive income as non-recurring costs.

As part of the transaction there was a secondary offering where certain employees, Directors and founders sold a total of 120,859,856 shares, including the 13,049,861 options converted to shares and described below, at £4.10 per share.

In addition, all options held over Alphawave IP Inc. stock became, by way of an amendment to option agreements, options in Company shares, on the basis of 20 options in the Company for one option in Alphawave IP Inc., each with an exercise price of 1/20th of the original exercise price at the grant date.

On the Initial Public Offering date and as part of the secondary offering, 13,049,861 options were exercised into newly issued ordinary shares in the Company. The options exercised all had exercise prices below the £1 nominal value as a result of them maintaining their original exercise prices when they were granted as options in the shares of Alphawave IP Inc. This resulted in exercise proceeds of US\$4.1m (£2.8m) with the shortfall in share capital of US\$14.4m (£10.2m) being transferred from the share premium account to the ordinary share capital account.

Finally, at IPO a further 221,217 ordinary shares were issued and purchased by our Non-Executive Directors at the market price of £4.10.

The reorganisation of the Company's corporate structure described above has been accounted for as a common control transaction. A merger reserve has been established which reflects the difference between the share capital issued to acquire the shares in Alphawave IP Inc. and the share capital of Alphawave IP Inc. acquired at the transaction date of 14 May 2021.

On 19 November 2021, the Company performed a capital reduction, reducing share capital to 1% of the previous share capital, and also completed a cancellation of share premium, approved by the High Court of Justice Business and Property Courts of England and Wales Companies Court.

On 6 December 2021 the preference shares were redeemed.

Rights and restrictions

Each ordinary share carries the right to one vote on a poll. The right to vote is determined by reference to the register of members at a time specified in the Notice of Meeting. All dividends shall be declared and paid according to the amounts paid up on the share. The shares do not carry any rights with respect to capital to participate in a distribution (including on winding up) other than those that exist as a matter of law. The shares are not redeemable.

24 Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share capital	Amount subscribed for share capital at nominal value.
Share premium	The premium arising on issue of equity shares, net of issue expenses.
Share-based payment reserve	The share-based payment reserve is used to recognise the grant date fair value of shares issued to employees.
Merger reserve	The difference between the share capital issued to acquire the shares in Alphawave IP Inc. and the share capital of Alphawave IP Inc. acquired at the transaction date of 14 May 2021.
Foreign exchange reserve	Gains or losses arising on retranslating the net assets of overseas operations.
Retained earnings	All other net gains and losses and transactions with owners not recognised elsewhere.

25 Share-based payment

The Company operates two equity-settled share-based incentive schemes for employees – an option scheme, which was utilised prior to the IPO, and a restricted share unit (RSU) scheme used both pre and post-IPO. The terms of any options and RSUs granted under the schemes are specified within individual grant agreements.

Both options and RSUs typically vest over four years with 25% vesting after one year from the grant date with the remaining 75% vesting equally each month over the following 36 months. They have a life of five years which can be extended with Board approval. The exercise price of option grants was set at the fair value of the Company's common shares as determined by the implied valuation at the prior funding round.

Each share option or RSU in Alphawave IP Inc. became 20 share options or RSUs in the Company by way of an amendment to the option or RSU agreements immediately prior to the Company's Admission to listing on 18 May 2021. The exercise price of any share options outstanding at that time was divided by 20.

Each share option or RSU converts into one voting share of the Company on exercise or vesting. No amounts are paid or payable by the recipient on receipt of the option or RSU. The options or RSUs carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. The only vesting condition of the options and RSUs is that the individual remains an employee of the Group over the vesting period.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

25 Share-based payment continued

	31 December 2021 Number of share options	31 December 2021 Weighted average exercise price (US\$)	31 December 2020 Number of share options	31 December 2020 Weighted average exercise price (US\$)
Options on voting common shares:				
Outstanding at the beginning of the period	—	—	1,199,000	0.270
Exercised during the period	—	—	(1,199,000)	0.270
Outstanding at the end of the period	—	—	—	—
Exercisable at the end of the period	—	—	—	—

The exercise price of options over voting shares outstanding at 31 December 2021 was US\$nil (2020: US\$0.27).

	31 December 2021 Number of share options	31 December 2021 Weighted average exercise price (US\$)	31 December 2020 Number of share options	31 December 2020 Weighted average exercise price (US\$)
Options on non-voting common shares:				
Outstanding at the beginning of the period	4,557,955	1.874	4,078,372	0.263
Exercised during the period	(936,944)	5.760	(911,833)	1.016
Forfeited during the period	—	—	(152,084)	1.795
Granted during the period	1,142,650	20.04	1,543,500	5.514
Share exchange during the period	90,509,559	—	—	—
Outstanding at the end of the period	95,273,220 ¹	0.280 ¹	4,557,955	1.874
Exercisable at the end of the period	63,833,174¹	0.08¹	1,603,004	1.085

The exercise price of options over non-voting shares outstanding at 31 December 2021 ranged between US\$0.08¹ cents and US\$1.13¹ (2020: US\$0.08 cents and US\$1.13¹) and their weighted average contractual life was 3.07 years (2020: 2.79 years).

The weighted average value per option during the year was US\$0.17.

The total expense included within the consolidated statement of comprehensive income for the Group for the current year is US\$6,143,000 (2020: US\$565,000) and for the Company is US\$342,000.

The following information is relevant in the determination of the fair value of options granted during the year:

	31 December 2021	31 December 2020
Option pricing model used	Black-Scholes-Merton	Black-Scholes-Merton
Risk-free interest rate	0.91%	0.57%
Expected volatility	29.72%	27.16%
Expected dividend yield	0%	0%
Expected life of stock option	4 years	4 years

The Group has determined the forfeiture rate to be nil and volatility was determined in reference to listed entities similar to the Group.

Volatility was determined with reference to similar listed entities using the historical stock price volatility of those entities over the estimated expected term of the option awards.

1. Stated after adjusting for the 20:1 share split which happened in May 2021.

26 Financial instruments – risk management

The Group is exposed through its operations to the following financial risks:

- credit risk;
- interest rate risk;
- foreign exchange risk;
- other market price risk;
- liquidity risk; and
- capital risk.

In common with other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- trade and other receivables;
- cash and cash equivalent; and
- trade and other payables.

The Group and Company's financial instruments are categorised as follows:

Financial assets

Amortised cost

	Group 31 December 2021 US\$'000	Group 31 December 2020 US\$'000	Company 31 December 2021 US\$'000
Trade receivables	12,074	5,214	—
Amounts owed by Group undertakings	—	—	23,364
Other receivables	158	428	—
Accrued revenue	31,719	10,328	—
Cash and cash equivalents	500,964	14,039	463,360
Total financial assets held at amortised cost	544,915	30,009	486,724

Financial liabilities

Amortised cost

	Group 31 December 2021 US\$'000	Group 31 December 2020 US\$'000	Company 31 December 2021 US\$'000
Trade payables	1,317	1,091	366
Other payables	—	3	—
Accrued expenses	4,038	979	637
Employee-related liabilities	450	134	10
Amounts owed to Group undertakings	—	—	150
Flexible spending account	6,819	2,335	—
Loans and borrowings	—	54	—
Total financial liabilities held at amortised cost	12,624	4,596	1,163

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

26 Financial instruments – risk management continued

Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximates their fair value.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. Whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's centralised finance function, from which the Board receives regular updates.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from its operating activities (primarily for accounts receivable). The Group recognises expected credit losses based on past experience of losses arising, the current position and forward-looking information where it is available. The Group's experience with such customers has been characterised by prompt payment and no uncollectible accounts.

Under the general approach under IFRS 9 there is an assessment of whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on twelve-month expected credit losses. This determination is made at the end of each financial period.

Thus, the basis of the loss allowance for a specific financial asset could change year on year. For trade receivables which do not contain a significant financing component, the loss allowance is determined as the lifetime expected credit losses of the instruments. For financial assets other than trade receivables, the general approach under IFRS 9 is followed.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and ageing. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts. The expected credit losses are based on the Group's historical credit losses which are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The Group has identified gross domestic growth rates, unemployment rates and inflation rates as the key macroeconomic factors in the countries in which the Group operates.

As at 31 December 2021, the Group had accounts receivable from one customer that made up 25% (2020: 51%) of the total balance. None of the amounts outstanding have been challenged by the customer and the Group continues to conduct business with them on an ongoing basis. Accordingly, management has no reason to believe that these balances are not fully collectible in the future.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. The Group monitors the credit quality of financial institutions where it keeps its funds. Currently, it deals with a bank having Aa2 credit rating by Moody's.

The Group trades only with recognised, creditworthy third parties and independent credit checks and credit limits are managed by the trading entities. Credit limits can only be exceeded if authorised by the Chief Financial Officer. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant, especially given past payment history of longstanding customers. There are no significant concentrations of credit risk within the Group.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market. Market price risks includes interest rate risk, currency risk and other price risk.

The Group also repaid its long-term borrowings in the year and is not exposed to interest rate risk in the current year.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. In the prior year, the Group was exposed to interest rate risk on its floating rate bank indebtedness. If the interest rates were to fluctuate by 5%, there would be no significant impact on the Group's financial statements due to the short-term nature of the debt.

Foreign exchange risk

Foreign exchange risk is the risk to the Group's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. There is a risk that significant fluctuations in the exchange rates between US\$ and CAD\$ and between US\$ and GBP cause an adverse impact on the Group's profitability. The Group does not use derivative instruments to reduce its exposure to foreign exchange risk.

The Group's exposure to foreign exchange risk is as follows:

	CAD US\$'000	GBP US\$'000	Total US\$'000
31 December 2021			
Cash and cash equivalents	876	364,837	365,713
Trade and other receivables	12,836	146	12,982
Accrued income	28,016	—	28,016
Trade and other payables	4,615	366	4,981
Deferred income	12,661	—	12,661
	59,004	365,349	424,353
31 December 2020			
Cash and cash equivalents	339	—	339
Trade and other receivables	6,224	—	6,224
Accrued income	10,328	—	10,328
Trade and other payables	2,207	—	2,207
Loans and borrowings	54	—	54
Deferred income	7,381	—	7,381
	26,533	—	26,533

As at 31 December 2021, if CAD\$ had strengthened/weakened by 5% with all other variables held constant, profit for the year would have been approximately US\$10,405,000 and US\$9,640,000 (2020: US\$12,843,000 and US\$11,627,000), respectively, mainly as a result of the foreign exchange gains and losses on translation of foreign exchange financial instruments.

As at 31 December 2021, if GBP had strengthened/weakened by 5% with all other variables held constant, profit for the year would have been approximately US\$10,376,000 and US\$9,631,000 respectively, mainly as a result of the foreign exchange gains and losses on translation of foreign exchange financial instruments.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. There are no financial assets subject to market rate price fluctuations. The Group's exposure to other price risk is minimal.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

26 Financial instruments – risk management continued

General objectives, policies and processes continued

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient liquid assets to allow it to meet its liabilities when they become due.

The Group manages its liquidity risk by reviewing its growth plans on an ongoing basis as well as maintaining excess capacity on its line of credit.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

	Due within 1 year US\$'000	Due between 1 and 5 years US\$'000	Due > 5 years US\$'000	Total US\$'000
31 December 2021				
Trade payables	1,317	—	—	1,317
Other payables	—	—	—	—
Accrued expenses	4,038	—	—	4,038
Employee-related liabilities	450	—	—	450
Loans and borrowings	—	—	—	—
Flexible spending account	6,819	—	—	6,819
Lease liabilities	2,160	5,525	143	7,828
	14,784	5,525	143	20,452
	Due within 1 year US\$'000	Due between 1 and 5 years US\$'000	Due > 5 years US\$'000	Total US\$'000
31 December 2020				
Trade payables	1,091	—	—	1,091
Other payables	3	—	—	3
Accrued expenses	979	—	—	979
Employee-related liabilities	134	—	—	134
Loans and borrowings	27	27	—	54
Flexible spending account	2,335	—	—	2,335
Lease liabilities	1,672	4,032	1,097	6,801
	6,241	4,059	1,097	11,397

Capital risk management

The Group's primary objectives with respect to its capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and to have sufficient cash resources to fund the research, development and operations. To secure the additional capital necessary to pursue these plans, if needed, the Group may attempt to raise additional funds through the issuance of equity.

Management reviews its capital management approach on an ongoing basis. There were no changes in the Group's approach to capital management in the year ended 31 December 2021. The Group is not subject to externally imposed capital requirements.

27 Retirement benefit schemes

Defined contribution schemes

Group

The Group operates defined contribution retirement benefit schemes. The pension cost charge for the year represented contributions payable by the Group to the schemes and amounted to US\$253,000 (2020: US\$133,000). Contributions totalling US\$2,000 (2020: US\$nil) were payable to the schemes at the end of the year and are included in other creditors.

28 Government assistance

In 2020, the Group received Canadian Emergency Wage Subsidy (CEWS) from the Government of Canada totalling US\$1,063,014. CEWS was offered to qualifying companies in response to the COVID-19 virus to support wages paid to employees. Government assistance was applied to reduce salaries expensed during the year under IAS 20.

During 2021, the Group received US\$55,000 CEWS from the Government of Canada. This was prior to the Initial Public Offering when Alphawave IP Inc. was a private Canadian company faced with uncertainty as to the longer-term impact on the business. Post the Initial Public Offering, whilst Alphawave IP Inc. is entitled to COVID-related grants, the Board and management team has elected not to receive them. No government assistance has been requested nor taken in the UK since the Company's incorporation and Initial Public Offering.

29 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Transactions with Directors and key management personnel of the Group are disclosed in note 8.

During the year Group companies entered into the following transactions with related parties who are not members of the Group.

	31 December 2021 US\$'000	31 December 2020 US\$'000
Transactions:		
Revenue from companies on which a Director is the chairman of the board ¹	9,855	1,392
Revenue from VeriSilicon	8,861	1,720
Revenue from WiseWave, a joint venture, where there is common directorship	29,846	—
	48,562	3,112
Balances:		
Accounts receivable from a company on which a Director is the chairman of the board	500	—
Accounts receivable from VeriSilicon	2,469	—
Accrued revenue from companies on which a Director is the chairman of the board	5,631	—
Accrued revenue from VeriSilicon	423	396
Accrued revenue from WiseWave, a joint venture, where there is common directorship	5,803	—
	14,826	396
Deferred revenue from a company on which a Director is the chairman of the board ¹	727	710
Deferred revenue from VeriSilicon	593	—
	1,320	710

1. US\$949k of this revenue and US\$677k of this deferred revenue is from Achronix Semiconductor Corporation, where John Lofton Holt ceased to be chairman of the board on 8 July 2021.

2. Companies on which a Director is the chairman of the board are Achronix Semiconductor Corporation, FLC Technology Group and DreamBig Semiconductor Inc.

Sales to related parties are made at market prices and in the ordinary course of business. Outstanding balances are unsecured and settlement occurs in cash. Any estimated credit losses on amounts owed by related parties would not be material and are therefore not disclosed. This assessment is undertaken at each key reporting period through examining the financial position of the related party and the market in which the related party operates.

In the interests of transparency, we have opted to disclose VeriSilicon as a related party within this note. However, we have received advice that VeriSilicon is not a related party as defined by IAS 24 or Listing Rule 11.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

30 Capital commitments

The Group has contractually committed to investing up to US\$170.0m in WiseWave and to date has invested US\$22.4m.

31 Events after the reporting date

On 1 January 2022, the Group acquired 100% of the voting equity instruments of Precise-ITC Inc., a company whose principal activity is the development of Ethernet Controller IP. The principal reason for this acquisition was to increase the product offering of the Group. The initial accounting for this acquisition has not been completed, and as such has not been included in the disclosures below.

The book value of the net assets acquired is as follows:

	US\$'000
Property and equipment	52
Cash	792
Payables	(223)
Net assets	621

At the date of authorisation of these financial statements a detailed assessment of the fair value of the identifiable net assets has not been completed.

Fair value of consideration paid

	US\$'000
Cash	20,283

A fair value assessment is planned for this acquisition which we expect will result in some recognition of intangible assets and that therefore recognised goodwill will be less than US\$19.7m. These intangible assets will provide a competitive advantage to the Group that will be realised through vertical integration of semiconductor IP development. The consideration consisted of US\$14.5m in cash, US\$0.3m relating to employee retention and a further US\$5.5m being payable if certain targets are met by the Precise organisation.

AWIPINSURE Limited, a company governed by the Laws of Barbados, was incorporated on 31 January 2022. All 125,000 common shares with zero par value are owned by Alphawave IP Group plc and has been set up as part of our captive insurance programme.

On 14 March 2022, the Group announced that definitive agreements had been signed for the acquisition of the OpenFive business unit of SiFive Inc. for a total cash consideration of US\$210m, subject to customary closing conditions including adjustments for working capital. The consideration will be met from the existing cash resources of the Group. The transaction is expected to close in the second half of 2022, pending regulatory approvals.

32 Notes supporting the consolidated statement of cash flows

	Group 31 December 2021 US\$'000	Group 31 December 2020 US\$'000	Company 31 December 2021 US\$'000
Cash at bank and in hand	500,964	14,039	463,360

There are no significant amounts of cash and cash equivalents that are held by the Group that are not available to the Group.

Movements in the Group's loans and borrowings have been analysed below.

	Non-current loans and borrowings US\$'000	Current loans and borrowings US\$'000	Total US\$'000
At 1 January 2021	27	27	54
Cash flows	(27)	(27)	(54)
Non-cash flows	—	—	—
At 31 December 2021	—	—	—

	Non-current loans and borrowings US\$'000	Current loans and borrowings US\$'000	Total US\$'000
At 1 January 2020	—	—	—
Cash flows	27	27	54
Non-cash flows	—	—	—
At 31 December 2020	27	27	54

	Total US\$'000
Opening trade and other payables	2,207
Amount not relating to operating expenses	739
Movements to be adjusted in the cash flow	2,859
Closing trade payables	5,805

Shareholder information

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Financial calendar 2022-2023

2021 Full-year results	29 April 2022
Annual General Meeting	6 June 2022
Q2 2022 Trading Statement	w/c 17 July 2022
2022 Half-year results	w/c 19 September 2022
Q3 2022 Trading Statement	w/c 17 October 2022
Q4 2022 Trading Statement	w/c 16 January 2023

Shareholder enquiries

Our registrars will be pleased to deal with any questions regarding your shareholdings (see contact details above). Alternatively, you can contact the Company Secretary at cm-alphawave@linkgroup.co.uk.

Investor relations website

The investor relations section of our website, www.awaveip.com/investors, provides further information for anyone interested in Alphawave IP Group plc. In addition to the annual report and accounts and share price, Company announcements including the full-year results announcements and associated presentations are also published there.

Glossary

112G	112 gigabit per second connectivity transmission speed for transmission of data	IoT	internet of things, network of physical objects that are embedded with sensors, software and other technologies for the purpose of connecting and exchanging data with other devices and systems over the internet
ASIC	application-specific integrated circuit (or system on chip (SOC)) that integrates all or most components of a computer or other electronic system	IP/silicon IP	intellectual property core, IP core, or IP block is a reusable unit of logic, cell or integrated circuit layout design
CAD	Canadian dollars	node	technology nodes, or process technologies, referring to the specific semiconductor manufacturing process and its design rules, generally designated by the process' minimum feature size (in nanometres)
CEO	President & Chief Executive Officer	NRE	non-recurring engineering, in reference to revenue earned in respect of one-time early-stage customer services including for research, design, development and testing
CFO	Chief Financial Officer	OEM	original equipment manufacturer that produces systems, parts or equipment utilised in the production of another device or product
chiplet	smaller modular pieces of silicon, utilised in a design technique to break integrated circuits into smaller pieces that can be individually designed and integrated together using die-to-die interfaces	RSU	Restricted stock unit
Company	Alphawave IP Group plc	PCIe	PCI-Express, a high-speed serial computer expansion bus standard
DSP	digital signal processing capabilities, enabled to perform a wide variety of signal processing operations	SerDes	serialiser/deserialiser, a wired connectivity component to interface between integrated circuits, which converts parallel streams of data (used as connectivity within integrated circuits) to serial streams (used in longer-distance transmission outside chips) and vice versa
Form factor	design aspect that defines and prescribes the size, shape and other physical specifications of hardware components	SoC	system on chip (or ASIC) that integrates all or most components of a computer or other electronic system
Gb	gigabyte, which is equivalent to 1,000,000,000 bytes	wafer	in the fabrication of integrated circuits, the thin slice of semiconductor material (such as a crystalline silicon) in and upon which microelectronic devices are built
GBP	Pounds sterling		
Group	Alphawave IP Group plc and each of its consolidated subsidiaries		
IEEE	Institute of Electrical and Electronics Engineers, an electronics industry body, including educational and technical advancement of electrical and electronic engineering, telecommunications, computer engineering and allied disciplines, and standardisation		

Cautionary note regarding forward-looking statements

Certain statements made in this report are forward-looking statements. Such statements are based on current expectations and assumptions and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from any expected future events or results expressed or implied in these forward-looking statements. They appear in a number of places throughout this report and include statements regarding the intentions, beliefs or current expectations of the Directors concerning, amongst other things, the Group's results of operations, financial condition, liquidity, prospects, growth, strategies and the business. Persons receiving this report should not place undue reliance on forward-looking statements. Unless otherwise required by applicable law, regulation or accounting standard, Alphawave IP Group plc does not undertake to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.



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