

Infineon Technologies UK Limited

**Directors' report and financial
statements**

Registered number 03782938

30 September 2019



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Strategic report

Business review and principal activities

Infineon Technologies UK Limited ("the Company") designs, develops and markets a range of semi-conductor products and complete system solutions on behalf of the Ultimate Parent Company Infineon Technologies AG ("the Group"). The Company offers semiconductor and system solutions addressing three focus areas: energy efficiency, mobility and security.

The Company's operations comprise a contract R&D Centre which specialises in the development of micro-processors and multi-core compute systems for use in automotive safety critical systems. It also operates a sales support and marketing operation focused on Infineon's automotive, industrial and power management markets.

The R&D activity during this trading year has expanded to deliver the full compute system of Infineon's TriCore based micro-controllers. As well as continuing the development of Infineon's proprietary Tri-Core processor, the Bristol site now designs and delivers Multi-Core systems specifically tailored to the needs of the automotive market. Critical developments in the fields of safety and performance are geared to maintaining TriCore's market position as the leading micro-controller.

Principal R&D Business Activities include:

- Development of Microprocessors
- Development of intrinsically safe Multi Processor systems
- Development of Radar processing systems to allow autonomous driving
- Delivery of Field Programmable Gate Array development platforms to customers for early software development
- Delivery of high fault coverage test patterns to customers to execute and support safety case definition
- General consultancy to the Group on Verification, Safety and Performance computing platforms.

Future development

In 2017 the Company delivered the first components for the Radar and Microprocessor system; these systems operated first time right and were successfully integrated into customer applications. We are now completing work on the second generation of products (known as 'Aurix 2G') and have started actively working on the third generation of products ('Aurix 3G'). The Company intend to continue development of similar products to meet the growing demand for automation and electrification of the automotive industry.

Sales support and marketing activities support the Group's broad range of products, particularly those in the automotive and power management segments. Services provided include marketing the Group's automotive, industrial and power management products within the UK and Northern Europe at prices defined by the Group. In addition to operating within its existing customer base, the Company is expected to develop additional markets in accordance with the criteria laid down by the Group.

Following the closure of the Defined Benefit Pension Scheme to future accruals on 30th September 2018, the Company no longer incurs a service cost as part of its operating costs. However the Company continues to make deficit reduction contributions to the Scheme, for which it has agreement from the Ultimate Parent Company to now include as part of its standard costs, for the purposes of calculating its fees for services.

Strategic report (continued)

Results for the year

Turnover grew to £15.3 million. (FY 2018: £15 million).

Profit before tax was £1.3 million (FY 2018: £751,000). Profit before tax has increased due to a change in treatment of the Defined Benefit Pension Scheme costs, following the closure of the scheme to future accruals on 30th September 2018. The Company no longer accounts for a service cost as part of its costs used to calculate its service fee. However, by arrangement with the Ultimate Parent Company, the Company instead now includes its deficit reduction contributions within the calculation. As the contributions themselves are not reflected in the profit and loss account, in accordance with IAS 19, this results in a higher profit before tax for the period.

The total comprehensive income for FY 2019 was £759,000 (FY 2018: income of £1.9 million). The reduction is due to movements in the valuation of the Defined Benefit Pension Scheme during the period.

As at 30 September 2019 the Company had net assets of £4 million (2018: net assets of £3.3 million) as shown in the Balance Sheet on page 9 of these accounts.

Going concern and COVID-19 risk

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons noted below.

The Company's operating cash inflows are dependent on intercompany sales to Ultimate parent company Infineon Technologies AG ("the Group"). The Company continues to provide the services to the Group in accordance with the intercompany agreement with employees of the Company being able to work remotely. As a result, the Company does not believe there is any likelihood of a material impact to the demand on the services provided.

In making this assessment the Directors have considered the potential impact of the emergence and spread of COVID-19 on the Group's operations as Company's forecasts are dependent on the underlying Group's orders and Group's ability to continue as going concern. Please see detailed assessment under Note 1 Going concern basis of preparation.

Key performance indicators

Details of the relevant KPI's are shown in the results for the year in the above section.

Financial risk management

The Company's operations expose it to a variety of financial risks.

Financial instruments

The Company's financial instruments comprise cash, short term trade intercompany borrowing and share capital and other items such as trade debtors and creditors that arise directly from its operations. The Company does not hold any derivative instruments and manages its liquidity and cash flow risk through the use of intercompany borrowing facilities.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from other Group entities.

The majority of the Company's financial assets are intra-group deposits and monthly reimbursements. Each deposit has a maturity period up to a maximum of three months, and each monthly reimbursement is received within thirty days of invoicing. R&D tax credit funding makes up the majority of the Company's third party receivables.

Strategic report (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company operates as a service cost centre to Infiniteon Technologies AG. All operating costs are re-charged back to the group on a cost-plus basis and payments are remitted within thirty days according to a service level agreement with Infiniteon Technologies AG. This repayment mechanism enables the Company to settle its trade and other payables when they fall due. Infiniteon Technologies AG has also entered into a guarantee agreement with the Trustees of the final salary pension fund.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments.

Exposure to these risks has been mitigated by Infiniteon Technologies Group transfer pricing and treasury policies.

Brexit

Following the referendum in 2016, the Directors have undertaken a detailed study of the Company's business model in light of the UK's decision to leave the EU. No significant issues have been identified and it is not considered that Brexit will have a significant impact on the business. However, the position still remains uncertain and the Directors continue to monitor the situation carefully to identify any issues or opportunities.

Post Balance Sheet Events disclosure

The COVID-19 pandemic continues to cause significant impact to the UK's economy; however, the Company has continued to be paid in full since the year end in accordance with the assessment under Note 1 Going concern does not expect this position to change. The Company remains fully operational.

By order of the board



M Thomas
Director

Infiniteon House
Great Western Court
Hunts Ground Road
Stoke Gifford
Bristol
BS34 8HP
15TH JUNE 2020

Directors' report

The directors present their report and financial statements for the year ended 30 September 2019.

Certain information concerning the review of the activities of the business, key performance indicators, future developments, employees and risks to the business are contained within the Strategic report.

Proposed dividend

The directors do not recommend the payment of a dividend for the year ended 30 September 2019 (2018: £Nil).

Directors

The directors who held office during the year and subsequently were as follows:

U Geiger
A Thomas
C Apel
P Northey (resigned 1st May 2019)
M Thomas
J Vaihinger
S Neill (appointed 10th May 2019)

Employees

The total number of employees during the year remained at 93 employees. Total payroll costs amounted to £9.3 million (2018: £9.9 million)

Political and charitable contributions

The Company made no political or charitable donations nor incurred any political expenditure during the year (2018: £Nil).

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Authority of issue of financial statements

The directors gave authority for the financial statements to be issued on 15th June 2020.

On Behalf of the Board


M Thomas
Director

Infiniteon House
Great Western Court
Hunts Ground Road
Stoke Gifford
Bristol
BS34 8HP
15th JUNE 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the 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 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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 company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INFINEON TECHNOLOGIES UK LIMITED

Opinion

We have audited the financial statements of Infineon Technologies UK Limited ("the company") for the year ended 30 September 2019 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- 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 have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that 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 its 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 are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INFINEON TECHNOLOGIES UK LIMITED

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for 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 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 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.

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.



Joseph Long (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square
Bristol

BS1 4BE

16 June 2020

Profit & Loss Account and Other Comprehensive Income
for the year ended 30 September 2019

	<i>Note</i>	2019 £000	2018 £000
Turnover		15,327	15,002
Cost of sales		(13,135)	(12,905)
Gross profit		2,192	2,097
Administrative expenses		(2,041)	(2,352)
Other operating income	2	1,169	1,025
Operating profit	3,4,5	1,320	770
Other interest receivable and similar income	6	18	5
Interest payable and similar expenses	6	(3)	(24)
Profit before taxation		1,335	751
Tax on profit	7	(316)	(206)
Profit for the year		1,019	545
Other comprehensive income – items that will not be reclassified to profit and loss			
Actuarial (loss)/gains on defined benefit pension plan	14	(313)	1,665
Deferred tax movement on actuarial (loss)/gains	7	53	(283)
Other comprehensive income for the year, net of income tax		(260)	1,382
Total comprehensive income for the year		759	1,927

All results arose from continuing operations.

The notes on pages 11 to 29 form part of these financial statements

Balance Sheet
at 30 September 2019

	<i>Note</i>	2019 £000	2018 £000
Fixed assets			
Property, plant and equipment	8	561	688
Pension asset	14	541	289
		<u>1,102</u>	<u>977</u>
Current assets			
Debtors – due within one year	10	5,320	4,698
– due after one year		314	357
Cash and cash equivalents	11	287	320
		<u>5,921</u>	<u>5,375</u>
Creditors: Amounts falling due within one year	12	<u>(2,640)</u>	<u>(2,622)</u>
Net Current Assets		<u>3,281</u>	<u>2,753</u>
Total assets less current liabilities		<u>4,383</u>	<u>3,730</u>
Provisions for liabilities	13	<u>(320)</u>	<u>(426)</u>
Net assets		<u>4,063</u>	<u>3,304</u>
Capital and reserves			
Called up share capital	15	500	500
Profit and loss account		3,563	2,804
Shareholders' funds		<u>4,063</u>	<u>3,304</u>

The notes on pages 11 to 29 form part of these financial statements.

These financial statements were approved by the board of directors on 15th June 2020 and were signed on its behalf by:



15th June 2020

M Thomas
Director

Company registered number: 03782938

Statement of Changes in Equity
for the year ended 30 September 2019

	Called up Share capital £000	Profit and loss account £000	Total equity £000
Balance at 30 September and 1 October 2017	500	877	1,377
Total comprehensive income for the year			
Profit for the year	-	545	545
Actuarial gains on defined benefit pension plan	-	1,665	1,665
Deferred tax movement on actuarial gains	-	(283)	(283)
Total comprehensive income for the year	-	1,927	1,927
Balance at 30 September and 1 October 2018	500	2,804	3,304
Total comprehensive income for the year			
Profit for the year	-	1,019	1,019
Actuarial loss on defined benefit pension plan	-	(313)	(313)
Deferred tax movement on actuarial loss	-	53	53
Total comprehensive income for the year	-	759	759
Balance at 30 September 2019	500	3,563	4,063

The notes on pages 11 to 29 form part of these financial statements

Notes

(forming part of the financial statements)

1 Accounting policies

Infineon Technologies UK Limited (the "Company") is a private company limited by shares incorporated and domiciled in England. The registered number is 3782938 and the registered address is Infineon House, Great Western Court, Hunts Ground Road, Stoke Gifford, Bristol BS34 8HP.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Infineon Technologies AG includes the Company in its consolidated financial statements. The consolidated financial statements of Infineon Technologies AG are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Infineon Technologies AG, Am Campeon 1-12, Neubiberg, Munich, Germany.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of capital management; and
- Disclosures in respect of the compensation of Key Management Personnel;

As the consolidated financial statements of Infineon Technologies AG include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons noted below.

The Company's operating cash inflows are dependent on intercompany sales to Ultimate parent company Infineon Technologies AG ("the Group"). The Company continues to provide the services to the Group in accordance with the intercompany agreement with employees of the Company being able to work remotely. As a result, the Company does not believe there is any likelihood of a material impact to the demand on the services provided.

In making this assessment the Directors have considered the potential impact of the emergence and spread of COVID-19 on the Group's operations as Company's forecasts are dependent on the underlying Group's orders and Group's ability to continue as going concern.

1 Accounting policies (continued)

Going concern (continued)

The Directors have assessed the viability of the Group and are satisfied in Group's ability to continue operations even in downside scenarios. The Group has prepared cash flow forecasts covering a period from the date of approval of these financial statements, through to 30/09/2021 which indicate that, taking account of severe but plausible downsides, the Group will have sufficient funds to meet its liabilities as they fall due for that period.

All major worldwide manufacturing sites of Infineon are currently operational, although some at reduced loading levels. Outside production-critical areas and labs, all employees are required to work from home, wherever possible.

The number of cars produced and sold is predicted by market researchers to decline considerably in all major markets compared to 2019, caused by a combined supply and demand shock: several leading automotive OEMs and Tier-1 suppliers have announced temporary shutdowns of their production facilities in Europe and in the U.S. The situation in China appears to normalize slowly. Furthermore, automotive customer demand is negatively affected by stay-at-home regulations in a multitude of countries. Also market expectations for several industrial applications are being meaningfully reduced. In contrast to this, certain areas of Infineon's business are holding up comparatively well amid current turbulences. This applies to products for datacentres and communications, driven by the surge in online collaboration and data traffic. Over the long run, however, structural growth drivers such as electro-mobility, IoT or renewable energy remain intact, or might even be accelerated as a consequence of an overcome coronavirus crisis.

Following the Group's acquisition of Cypress Semiconductor Corporation on 16 April 2020, the Group has acquisition financing in place with maturities ranging between March 2022 and June 2024. The Group keeps liquidity corresponding to its target level of €1 billion plus at least 10% of Group sales.

Due to this strong liquidity position, the Directors are confident that the Group and the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

Notes (continued)

1 Accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

- plant and equipment 3 years
- fixtures and fittings 3-7 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Impact of adoption of new accounting standards

The following Adopted IFRSs have been applied by the Company in these financial statements:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

The transition to Adopted IFRSs has not resulted in material differences or transition adjustments to the reported financial position, and financial performance of the Company.

Research and development

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

None of the development expenditure incurred by the Company meets the criteria for capitalisation.

Notes (continued)

1 Accounting policies (continued)

Impairment (excluding deferred tax assets)

Financial assets (including receivables)

(a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

(b) Subsequent measurement and gains and losses

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI - these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI - these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Notes (continued)

1 Accounting policies (continued)

Intra-group financial instruments

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Impairment

The company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

The company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions such as realising security (if any is held); or
- the financial asset is more than 180 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Notes (continued)

1 Accounting policies (continued)

Credit-impaired financial assets

At each reporting date, the company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Pension liability

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) and any unrecognised past service costs are deducted.

The liability discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to, the terms of the Company's obligations.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the total of any unrecognised past service costs and the present value of benefits available in the form of any future refunds from the plan, reductions in future contributions to the plan or on settlement of the plan and takes into account the adverse effect of any minimum funding requirements.

Notes (continued)

1 Accounting policies (continued)

Pension liability (continued)

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Government grants

Income from government grants is recognised when there is a reasonable assurance that the Company has complied with the conditions attaching to it, and that the grant will be received.

Income from grants is presented as a credit in the Profit and Loss Account and Other Comprehensive Income under 'Other operating income'.

Turnover

The Company operates as a service cost centre to Infineon Technologies AG. Turnover represents the amounts (excluding value added tax) derived from the provision of research and development and sales and marketing services to Infineon Technologies AG.

All operating costs are recharged back to Infineon Technologies AG on a cost-plus basis monthly and payment is remitted within thirty days according to a service level agreement. Turnover is therefore recognised as costs are incurred.

Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Other interest receivable and similar income, and interest payable and similar expenses

Interest payable and similar expenses comprise net interest cost on the net defined benefit asset/liability, amounts owed to Group entities and net foreign exchange losses that are recognised in the income statement.

Other interest receivable and similar income comprise net expected return on net defined benefit asset/liability amounts owed by Group entities and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Notes (continued)

1 Accounting policies (continued)

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2 Other operating income

	2019 £000	2018 £000
Above the line R&D tax credit	(1,169)	(1,025)
	<u>(1,169)</u>	<u>(1,025)</u>

3 Expenses and auditor's remuneration

Included in the operating profit are the following:

	2019 £000	2018 £000
Depreciation	368	366
Research and development expenditure included in cost of sales	13,135	12,842
Operating lease rentals	287	299
	<u>13,790</u>	<u>13,517</u>

Auditor's remuneration:

	2019 £000	2018 £000
Audit of these financial statements	25	24
	<u>25</u>	<u>24</u>

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2019	2018
Scientific staff	66	67
Administrative staff	27	26
	<u>93</u>	<u>93</u>

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£000	£000
Wages and salaries	7,452	7,514
Social security costs	939	910
Contributions to defined contribution plans	888	448
Expenses related to defined benefit plans	0	1,045
	<u>9,279</u>	<u>9,917</u>

5 Directors' remuneration

	2019	2018
	£000	£000
Directors' emoluments	378	361
Company contributions to defined benefit pension	-	86
Company contributions to defined contribution pension	76	19
	<u>454</u>	<u>466</u>

The aggregate of emoluments of the highest paid director was £141,000 (2018: £134,000), and company pension contributions to the defined benefit scheme of £Nil (2018: £42,000), and contributions to the defined contribution scheme of £40,000 (2018: £Nil) were made on his behalf.

The number of directors to whom retirement benefits accrued in the year under the defined benefit scheme is Nil (2018: two).

Jochen Vaihinger, Ulrich Geiger and Christian Apel are remunerated by Infineon Technologies AG, and their remuneration is disclosed in the accounts of those companies. The remuneration of Jochen Vaihinger, Ulrich Geiger, and Christian Apel in respect of the Company is considered to be negligible in both years.

Notes (continued)

6 Other interest receivable and similar income, and other interest payable and similar expenses

	2019 £000	2018 £000
<i>Other interest receivable and similar income</i>		
Interest income on funds deposited with Group undertakings	2	2
Net interest on defined benefit pension plan obligation	16	-
Net foreign exchange gain	-	3
	<hr/>	<hr/>
Total Other interest receivable and similar income	18	5
	<hr/>	<hr/>

	2019 £000	2018 £000
<i>Interest payable and similar expenses</i>		
Net foreign exchange loss	-	-
Interest expense on funds owed to Group undertakings	3	-
Net interest on defined benefit pension plan obligation	-	24
	<hr/>	<hr/>
Total Interest payable and similar expenses	3	24
	<hr/>	<hr/>

Notes (continued)

7 Taxation

Recognised in the income statement

	2019 £000	2018 £000
<i>Current tax</i>		
Current year	220	196
Prior year	-	-
	<hr/>	<hr/>
Current tax expense	220	196
	<hr/>	<hr/>
<i>Deferred tax</i>		
Origination and reversal of temporary difference	96	10
	<hr/>	<hr/>
Deferred tax (income)/expense	96	10
	<hr/>	<hr/>
Taxation expense recognised in the profit & loss account	316	206
	<hr/> <hr/>	<hr/> <hr/>

Income tax recognised in other comprehensive income

	2019 £000	2018 £000
Deferred tax (income)/expense on pension scheme actuarial gains and losses	(53)	283
	<hr/>	<hr/>

Reconciliation of effective tax rate

	2019 £000	2018 £000
Profit before tax	1,335	751
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 19% (2018: 19%)	254	143
Movement on unprovided deferred tax	(53)	(133)
Tax effect of non-deductible items	(105)	-
Withholding Tax on R&D Credit	220	196
	<hr/>	<hr/>
Taxation expense	316	206
	<hr/> <hr/>	<hr/> <hr/>

The current UK tax rate is 19% (effective 1 April 2017). Reductions to the main rate of corporation tax to 17% (effective from 1 April 2020) were substantively enacted on 15 September 2016. This will reduce the Company's future tax charge accordingly.

The company claims R&D expenditure credits ('above the line' R&D tax credits) which are reflected in other operating income (see Note 2).

Notes (continued)

8 Property, plant and equipment

	Plant and equipment £000	Fixtures and Fittings £000	Total £000
Cost			
Balance at 30 September and 1 October 2018	2,247	1,054	3,301
Additions	243	-	243
Disposals	(354)	-	(354)
	<hr/>	<hr/>	<hr/>
Balance at 30 September 2019	<u>2,136</u>	<u>1,054</u>	<u>3,190</u>
Depreciation and impairment			
Balance at 30 September and 1 October 2018	1,621	992	2,613
Depreciation charge for the year	331	37	368
Disposals	(352)	-	(352)
	<hr/>	<hr/>	<hr/>
Balance at 30 September 2019	<u>1,600</u>	<u>1,029</u>	<u>2,629</u>
Net book value			
At 30 September and 1 October 2018	<u>626</u>	<u>62</u>	<u>688</u>
At 30 September 2019	<u>536</u>	<u>25</u>	<u>561</u>

Notes (continued)

9 Deferred tax asset

Recognised deferred tax asset

The deferred tax asset is attributable to the following:

	2019 £000	2018 £000
Deferred tax (liability)/asset on pension gains/ (losses)	(92)	(48)
Deferred tax asset recognised on carry forward losses	406	405
	<u>314</u>	<u>357</u>

The total net figure for which no deferred tax asset has been recognised is £1,438,000 (2018: £1,352,000). This is made up of the following potential deferred tax assets: £206,000 (2018: £393,000) on unutilised tax losses carried forward, £198,000 (2018: £137,000) on capital allowances in excess of depreciation, £Nil (2018: £67,000) on short term timing differences and £963,000 (2018: £755,000) on deferred tax asset on R&D tax credit.

Movement in deferred tax during the year

	2019 £000	2018 £000
At beginning of the year	357	650
Recognised in income re pension liability (note 7)	(96)	(10)
Recognised in other comprehensive income (note 7)	53	(283)
	<u>314</u>	<u>357</u>

10 Debtors

	2019 £000	2018 £000
Due within one year:		
Trade receivables due from Group undertakings	1,762	1,669
Loan receivable due from Group undertakings	1,100	550
Other non-trade receivables	2,458	2,479
	<u>5,320</u>	<u>4,698</u>

The loan receivable due from Group undertakings is short term (maximum 3 months period) and interest bearing at a rate of 0.3%. Included within other non-trade receivables are government grants receivable totalling £383,000 (2018: £542,000) and R&D tax credit receivable of £1,782,000 (2018: £1,664,000).

	2019 £000	2018 £000
Due after more than one year:		
Deferred tax assets (see Note 9)	314	357
	<u>314</u>	<u>357</u>

Notes (continued)

11 Cash and cash equivalents

	2019 £000	2018 £000
Cash at bank	287	320

12 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade payables due to Group undertakings	184	161
Other trade payables	516	320
Non-trade payables and accrued expenses	1,940	2,141
	<u>2,640</u>	<u>2,622</u>

Included within Non-trade payables and accrued expenses is a bonus accrual for employees of £1,044,000 (2018: £1,438,000).

13 Provisions

	Asset Retirement Obligation £000	Rent free Bristol office £000	Total £000
At 1 October 2018	320	106	426
Provisions made during the year	-	50	50
Provisions (utilised) during the year		(20)	(20)
Transfer to Accruals		(136)	(136)
	<u>320</u>	<u>-</u>	<u>320</u>
At 30 September 2019	320	-	320

The Asset Retirement Obligation relates to the lease on the Bristol office, currently occupied by the company. The expenditure is expected to be incurred in 2029, when the lease on the property expires. The provision is based on an independent dilapidation report.

The provision for the Bristol office rent free period is being amortized over 10 years to the end of the lease.

Notes (continued)

14 Pension liability

Pension plans

The Company operates a defined benefit pension scheme in the UK. The Scheme is closed to new entrants, therefore, the average age of the membership is expected to increase over time. The projected unit method is used to calculate the current service cost. This calculates the value of the following year's pension accrual and expresses it as a percentage of pension payroll. This value will increase as members approach retirement. The profit and loss charge/(credit) for the year ended 30 September 2019 is (£16,000) (2018: charge £1,069,000).

On 30 September 2018, the defined benefit scheme closed to future accruals.

The contributions paid to the final salary pension scheme are determined in accordance with advice from a qualified actuary on the basis of triennial valuations using the attained age method. The most recent full valuation was at 30 September 2018 carried out by an independent actuary.

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out below. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions by 0.5%:

	Amount of Change		New Value	
	2019 £000	2018 £000	2019 £000	2018 £000
Discount rate decrease	4,706	3,767	46,614	37,210
Future salary increase	N/A	N/A	N/A	33,443
Future pension increase	2,695	2,068	44,603	35,511
Inflation (RPI, CPI)	4,069	3,057	45,977	36,500

In valuing the liabilities of the pension fund at 30 September 2018 mortality assumptions have been made as indicated below. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 30 September 2019 would have increased by £1,431,000 before deferred tax (2018: £1,101,000).

The above sensitivities are based on the average duration of the defined benefit obligation determined at the date of the last full actuarial valuation at 30 September 2018 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

Funding

The Company expects to pay £550,000 in contributions to its defined benefit plan in 2020. The weighted average duration of the defined benefit obligation at the end of the reporting period is 22 years (2018: 22 years).

The below asset is considered to be recoverable through lower future contributions by the Company, or ultimately as a surplus on a future winding-up of the Scheme in accordance with the Scheme rules:

	2019 £000	2018 £000
Present value of funded defined benefit obligations	43,208	33,443
Fair value of plan assets	(43,749)	(33,732)
Net defined benefit pension (asset)/liability	<u>(541)</u>	<u>(289)</u>

Notes (continued)

14 Pension liability (continued)

Pension plans (continued)

Movement in net defined benefit liability/(asset)

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability (asset)	
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Balance at 1 October	33,443	33,315	(33,732)	(31,877)	(289)	1,438
Included in profit and loss account						
Net current service cost	-	1,045	-	-	-	1,045
Interest cost/(income)	976	896	(992)	(872)	(16)	24
	<u>34,419</u>	<u>35,256</u>	<u>(34,724)</u>	<u>(32,749)</u>	<u>(305)</u>	<u>2,507</u>
Included in OCI						
Remeasurements loss/(gain):						
Actuarial loss (gain) arising from						
- Changes in demographic Assumptions	79	(172)	-	-	79	(172)
- Change in financial assumptions	7,379	(1,513)	-	-	7,379	(1,513)
- Experience adjustment	(400)	145	-	-	(400)	145
Return on plan assets excluding interest income	1,300	-	(8,045)	(125)	(6,745)	(125)
	<u>8,358</u>	<u>(1,540)</u>	<u>(8,045)</u>	<u>(125)</u>	<u>313</u>	<u>(1,665)</u>
Other						
Contributions paid by the employer	-	-	(549)	(1,131)	(549)	(1,131)
Participants contributions	-	239	-	(239)	-	-
Benefits paid	431	(512)	(431)	512	-	-
Plan amendments	-	-	-	-	-	-
	<u>431</u>	<u>(273)</u>	<u>(980)</u>	<u>(858)</u>	<u>(549)</u>	<u>(1,131)</u>
Balance at 30 September	<u>43,208</u>	<u>33,443</u>	<u>(43,749)</u>	<u>(33,732)</u>	<u>(541)</u>	<u>(289)</u>

Expense recognised in the Profit and Loss Account and Other Comprehensive Income

	2019 £000	2018 £000
Service cost	-	1,045
Net interest on the net defined benefit liability/(asset)	(16)	24
Total expense recognised in the Profit and Loss Account and Other Comprehensive Income	<u>(16)</u>	<u>1,069</u>

Notes (continued)

14 Pension liability (continued)

The expense is recognised in the following line items in the Profit and Loss Account and Other Comprehensive Income:

	2019 £000	2018 £000
Cost of sales	-	824
Administrative expenses	-	221
Interest payable and similar expenses	(16)	24
	<u>(16)</u>	<u>1,069</u>

Actuarial gains and losses recognised directly in Other Comprehensive Income:

	2019 £000	2018 £000
Cumulative amount at beginning of the year	(4,309)	(5,974)
Recognised in the year	(313)	1,665
	<u>(4,622)</u>	<u>(4,309)</u>

Plan assets were as follows:

	2019 £000	2018 £000
Cash & cash equivalents	1,182	834
Equity instruments – Class 1	15,836	10,926
Debt instruments e.g. Government bonds	4,173	3,625
Real Estate	1,133	924
Derivatives – Class 2	10,646	9,958
Investment funds	9,479	7,465
Insurance policy	1,300	-
	<u>43,749</u>	<u>33,732</u>

Notes (continued)

14 Pension liability (continued)

Pension plans (continued)

Principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows:

	2019	2018
Discount rate	1.9%	2.9%
Future salary increases	N/A	N/A
RPI Price inflation	3.0%	3.2%
CPI Price inflation	2.1%	2.2%
Pension increases		
- Pension accrued before 6 April 2005	2.1%	2.2%
- Pension accrued after 6 April 2005	1.8%	1.8%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 87.9 years (male), 89.6 years (female).
- Future retiree upon reaching 65: 89.3 years (male), 91.1 years (female).

CPI was used as the basis for price inflation in both years as this is management's interpretation of the scheme's rules. This interpretation has been communicated to the scheme's members. The Company expects to contribute £550,000 to its defined benefit pension plan in the next financial year.

A landmark judgment was reached in the High Court on 26 October 2018 in the Lloyds Banking Group Pensions Trustees Limited v Lloyds Bank Plc Guaranteed Minimum equalisation case. A key implication of this case is the need for pension schemes to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits for the effect of unequal GMPs accrued between May 1990 and April 1997. The judgment applies to all UK pension schemes who were contracted out of the State Earnings Related Pension Scheme (SERPS) during this period and who provide GMPs, not just the schemes that were the subject of the case. Directors consider that GMP equalisation impact is not material as the Scheme commenced after the affected period and there were no GMPs transferred in or otherwise and therefore no adjustments are necessary to be made.

The ultimate parent of the Company, Infineon Technologies AG, has provided a guarantee to the Trustees of the Defined Benefit Scheme in respect of funding contributions to be made by the Company.

Defined contribution plans

The Company operates a defined contribution pension plan. The total expense relating to this plan in the current year was £888,255 (2018: £447,771). There were no outstanding contributions at the end of the year (2018: £NIL).

15 Share capital

	2019	2018
	£000	£000
<i>Allotted, called up and fully paid</i>		
500,001 ordinary shares of £1 each	500	500

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Notes (continued)

16 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2019 £000	2018 £000
Less than one year	249	262
Between one and five years	895	824
More than five years	949	85
	<hr/> 2,093 <hr/>	<hr/> 1,171 <hr/>

The Company holds a lease on one property, being the lease on the Bristol office, where the company carries out its R&D and administrative activities. During the year £287,000 was recognised as an expense in the income statement in respect of operating leases (2018: £299,000).

17 Related parties

The Company has applied exemptions available under FRS101 relating to transactions with wholly owned group companies and transactions with key management personnel.

18 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Infineon Technologies AG which is the ultimate parent company incorporated in Germany and is also the ultimate controlling party. The immediate parent company is Infineon Technologies Holdings BV, incorporated in the Netherlands.

The largest group in which the results of the Company are consolidated is that headed by Infineon Technologies AG, incorporated in Germany. The smallest group in which they are consolidated is that headed by Infineon Technologies Holdings BV incorporated in the Netherlands.

The consolidated financial statements of these groups are available to the public and may be obtained from Infineon Technologies AG, Am Campeon 1-12, Neubiberg, Munich, Germany and Infineon Technologies Holdings BV, Westblaak 32, 3012 KM Rotterdam, The Netherlands, respectively.

19 Accounting estimates and judgements

The directors do not consider these financial statements to be materially affected by accounting estimates and judgements, other than in relation to the following items:

Pension assumptions

The pension surplus calculation is based on the advice provided by an independent actuary. The assumptions are based on information supplied to the actuary, supplemented by discussions between the actuary and management. The principal assumptions used to measure schemes' liabilities, sensitivities to changes in assumptions and future funding obligations are set out in Note 14 of the financial statements. As assumptions are based on historical experiences and additional factors, including expectations in terms of future events there is a level of estimation involved.

Deferred tax asset recognition

A deferred tax asset is recognised when it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets from accumulated tax losses and temporary timing differences in relation to depreciation and capital allowances have been partially recognised based on the assumption that these amounts will be recoverable against future taxable profits as disclosed in Note 9. Recognition, therefore involves estimation regarding the forecasting of future taxable profits of the business. At the balance sheet date, a net deferred tax asset of £313,000 (2018: £357,000) had been recognised as there was sufficient evidence that enough taxable profits would be achieved that the losses could be offset against.

20 Post Balance Sheet Events disclosure

The COVID-19 pandemic continues to cause significant impact to the UK's economy; however, the Company has continued to be paid in full since the year end in accordance with the assessment under Note 1 Going concern does not expect this position to change. The Company remains fully operational.