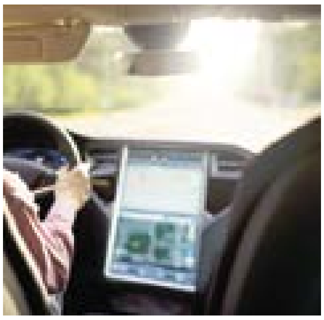
dialog SEMICONDUCTOR

Innovation for a connected world

Dialog Semiconductor Limited
(formerly Dialog Semiconductor Plc)
Augmented separate financial statements
for the year ended 31 December 2020

Contents

Augmented separate financial statements for the year ended 31 December 2020

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Introduction

Change in the Company's status

Dialog Semiconductor Limited (formerly Dialog Semiconductor Plc) ("the Company") was acquired by Renesas Electronics Corporation on 30 August 2021. Prior to the acquisition, the Company was a public limited company and its ordinary shares were listed on the Frankfurt Stock Exchange. Following the acquisition, the Company's ordinary shares were de-listed from the Frankfurt Stock Exchange, it was re-registered as a private limited company and changed its name to Dialog Semiconductor Limited.

Each of the then Directors of the Company resigned on the acquisition date. At the time that the augmented separate financial statements were approved, the Company's sole Director was Ms Julie Pope.

Background to the augmented separate financial statements

On 31 January 2020, the United Kingdom ceased to be a member of the European Union and entered a transition period that ended on 31 December 2020.

Following the end of the transition period, the UK is treated as a "third country" within the meaning of EU law and it was necessary for the Company to choose a new EU home member state. Since the Company's shares were listed on the Frankfurt Stock Exchange, it was natural that the Company should choose Germany as its new home member state. Consequently, although the Company remained registered in the UK, it became regulated by the German Federal Financial Supervisory Authority ("BaFin").

On 3 March 2021, the then Directors approved the Company's separate financial statements for the year ended 31 December 2020. As permitted by section 408 of the Companies Act 2006, those financial statements did not include an income statement. Subsequently, the Company was informed by BaFin that its separate financial statements for the year ended 31 December 2020 must include an income statement in order to comply with the requirements of the German Securities Trading Act ("WpHG").

In order to comply with WpHG, the Company has additionally prepared separate financial statements for the year ended 31 December 2020 including a statement of income, statement of comprehensive income and related notes ("the Company's augmented separate financial statements").

No adjustments have been made to the Company's previously published net income or other comprehensive income/(loss) for the years ended 31 December 2020 and 2019.

The Company's augmented separate financial statements are set out on pages 6 to 15.

The Company's augmented separate financial statements are not statutory accounts within the meaning of the Companies Act 2006 and have been prepared solely for the purpose of filing with the German Companies Register.

The Company's sole Director approved the Company's augmented separate financial statements on 28 September 2021, which include in Note 14 appropriate disclosure of events that have taken place between 31 December 2020 and 28 September 2021.

The Company's auditor, Deloitte LLP, has audited the augmented separate financial statements and their auditor's report is set out on pages 2 to 5.

Statement of Director's responsibilities

The Company's sole Director is responsible for preparing the parent company financial statements in accordance with the applicable law and regulations.

The Director has chosen to prepare the parent company financial statements in accordance with UK Generally Accepted Accounting Principles (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101 *Reduced Disclosure Framework*. The Director must not approve the financial statements unless she is satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Director is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether Financial Reporting Standard 101 *Reduced Disclosure Framework* has been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Director is responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the applicable accounting framework.

The Director has a general responsibility for taking such steps as are reasonably open to her to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

Independent Auditor's report

to the Director of Dialog Semiconductor Limited

Report on the audit of the non-statutory financial statements

1. Opinion

In our opinion the non-statutory financial statements of Dialog Semiconductor Limited (formerly Dialog Semiconductor Plc) (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "*Reduced Disclosure Framework*".

We have audited the non-statutory financial statements which comprise:

- the statement of income;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "*Reduced Disclosure Framework*".

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the non-statutory financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the non-statutory financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

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

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: • Valuation of investments in subsidiaries
Materiality	The materiality that we used in the current year was US$8.9 million which represents approximately 0.9% of the Company's net assets.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

4. Conclusions relating to going concern

In auditing the non-statutory financial statements, we have concluded that the Director's use of the going concern basis of accounting in the preparation of the non-statutory financial statements is appropriate.

Our evaluation of the Director's assessment of the Company's ability to continue to adopt the going concern basis of accounting included our risk assessment, taking into account the nature of the Company and the wider group to which it belongs, its business model and related risks, the requirements of the applicable financial reporting framework and the system of internal control. In view of the uncertainty surrounding the impact of the Covid-19 pandemic, management modelled a number of scenarios. We have evaluated this assessment, including challenging the underlying data and key assumptions by comparing to external sources used to make the assessment. We also evaluated the Director's plans for future actions in relation to the going concern assessment.

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

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

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the non-statutory financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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.

These matters were addressed in the context of our audit of the non-statutory financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of investments in subsidiaries

Key audit matter description	The Company has unlisted investments of US$1,177 million as at 31 December 2020, valued at cost less provision for impairment. These investments comprise investments in subsidiaries and are highly material to the Company and they account for 60% of total assets. The increase in investments during the period relate to the increase in Dialog Argo Holdings Inc following the acquisition of Adesto. Judgement is required by the Directors as to whether any of the investments should be impaired based on the financial position and future prospects of the investments. This takes into consideration a range of factors such as the trading performance, the expected revenue growth and discount rates. No impairment indicators were identified by management. Further details are included within Note 8 of the non-statutory financial statements.
How the scope of our audit responded to the key audit matter	We challenged their assessment by obtaining the most recent financial information of the related investments to determine whether they supported the carrying value. We also assessed key assumptions used when determining the future prospects of the investments by comparing them to third party analyst and industry reports.
Key observations	Based on the work performed, we concluded that the valuation of investments in subsidiaries is appropriate.

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the non-statutory financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the non-statutory financial statements as a whole as follows:

Materiality	US$8.9 million (2019: US$11.1 million)
Basis for determining materiality	The materiality represents approximately 0.9% of net assets of US$923.7 million. In 2019, our materiality represented 1.2% of net assets of US$923.2 million.
Rationale for the benchmark applied	Our base for determining materiality is in line with the prior year. We consider net assets to be a key benchmark for users of the non-statutory financial statements, including members, suppliers and other parties such as tax authorities.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the non-statutory financial statements as a whole. Performance materiality was set at 70% of materiality for the 2020 audit (2019: 70%).

In determining performance materiality, we considered a number of factors including the quality of the control environment, including the control deficiencies identified, as well as the low level of corrected and uncorrected misstatements.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of US$445,000 (2019: US$555,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identify when assessing the overall presentation of the financial statements.

Independent Auditor's report

to the Director of Dialog Semiconductor Limited continued

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

8. Other information

The other information comprises the information included in the annual report, other than the non-statutory financial statements and our auditor's report thereon. The Directors are responsible for the other information contained in the annual report.

Our opinion on the non-statutory financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-statutory financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the non-statutory financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of the Director

As explained more fully in the Director's responsibilities statement, the Director is responsible for the preparation of the non-statutory financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-statutory financial statements, the Director is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Director either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the non-statutory financial statements

Our objectives are to obtain reasonable assurance about whether the non-statutory financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-statutory financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

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

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance;
- results of our enquiries of management, internal audit, internal legal counsel and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Company's documentation of their policies and procedures relating to:
- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
- the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team and relevant internal specialists, including tax and information technology specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud within management override of controls.

We also obtained an understanding of the legal and regulatory frameworks that the Company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included among others, German listing rules and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty.

11.2 Audit response to risks identified
As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house as well as external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing regulatory correspondence; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Other matters which we are required to address

12.1. Auditor tenure
Following the recommendation of the Audit Committee, we were appointed by the Directors on 25 January 2016 to audit the financial statements of the Company for the year ending 31 December 2015 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is six years, covering the years ended 31 December 2015 to 31 December 2020.

12.2. Consistency of the audit report with the additional report to the audit committee
Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

13. Use of our report

This report is made solely to the Company's Director in accordance with our engagement letter dated 25 August 2021 and solely for the purpose of providing the Director with an audit opinion on the Company's financial statements, which also include the presentation of a separate company income statement in this non-statutory version, to comply with the requirements of the German Securities Trading Act (WpHG) as they apply to the Company following the end of the transition period in which the UK ceased to be a member of the European Union. Our audit work has been undertaken so that we might state to the Company's Director those matters we are required to state to her 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, for our audit work, for this report, or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Mark Tolley.

Deloitte LLP

Deloitte LLP
Reading, United Kingdom
28 September 2021

Company statement of income

Year ended 31 December

	Note	**2020 US$000**	2019 US$000
Administrative expenses		**(22,742)**	(26,972)
Other operating income	3	**–**	4,237
Other operating expense	3	**–**	(1,931)
Operating loss		**(22,742)**	(24,666)
Income from shares in group undertakings		**68,603**	140,569
Interest income	6	**14,405**	25,769
Interest expense	6	**(4,790)**	(23,512)
Other finance income/(expense)	6	**10,453**	(21,571)
Profit before income tax		**65,929**	96,589
Income tax expense	7	**(94)**	(123)
Net income		**65,835**	96,466

All results are derived from continuing operations.

Company statement of comprehensive income

Year ended 31 December

	Note	**2020 US$000**	2019 US$000
Net income		**65,835**	96,466
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Equity investments:			
Fair value gain/(loss) in the year	9	**53**	(6,994)
Other comprehensive income/(loss) for the year		**53**	(6,994)
Total comprehensive income for the year		**65,888**	89,472

The notes on pages 9 to 15 form part of these financial statements

Company balance sheet

As at 31 December

	Note	2020 US$000	2019 US$000
Assets			
Cash and cash equivalents		**426,488**	939,037
Other financial assets		**7,587**	1,056
Income tax receivable	7	**–**	537
Amounts owed by group undertakings		**93,083**	44,075
Other current assets		**736**	2,938
Total current assets		**527,894**	987,643
Investments in subsidiaries	8	**1,177,542**	1,013,745
Other investments	9	**3,132**	3,110
Intangible assets		**138**	152
Amounts owed by group undertakings	10	**250,000**	–
Other non-current assets		**136**	366
Total non-current assets		**1,430,948**	1,017,373
Total assets		**1,958,842**	2,005,016
Liabilities and equity			
Amounts owed to group undertakings		**1,026,606**	1,070,257
Trade and other payables		**2,946**	3,424
Other financial liabilities		**715**	1,324
Income tax payable	7	**64**	–
Other payables		**114**	1,279
Total current liabilities		**1,030,445**	1,076,284
Non-current liabilities		**4,695**	5,504
Ordinary shares	11	**14,253**	14,204
Share premium account		**403,660**	403,660
Retained earnings		**731,545**	800,634
Other reserves	11	**(223,865)**	(273,137)
Dialog shares held by employee benefit trusts	11	**(1,891)**	(22,133)
Total equity		**923,702**	923,228
Total liabilities and equity		**1,958,842**	2,005,016

The notes on pages 9 to 15 form part of these financial statements.

The financial statements on pages 6 to 15 were approved on 28 September 2021 by:

Julie Pope
Director

Company statement of changes in equity

Year ended 31 December

	Ordinary shares US$000	Share premium account US$000	Retained earnings US$000	Other reserves (note 11) US$000	Dialog shares held by employee benefit trusts US$000	Total US$000
As at 31 December 2018	14,204	403,660	536,108	(14,356)	(22,514)	917,102
Net income	–	–	96,466	–	–	96,466
Other comprehensive loss	–	–	–	(6,994)	–	(6,994)
Total comprehensive income/(expense)	–	–	96,466	(6,994)	–	89,472
Other changes in equity:						
– Purchase of own shares into treasury	–	–	(4,431)	(251,787)	–	(256,218)
– Share buyback obligation	–	–	169,505	–	–	169,505
– Sale of shares by employee benefit trusts	–	–	2,981	–	381	3,362
– Share-based compensation	–	–	5	–	–	5
As at 31 December 2019	14,204	403,660	800,634	(273,137)	(22,133)	923,228
Net income	**–**	**–**	**65,835**	**–**	**–**	**65,835**
Other comprehensive income	**–**	**–**	**–**	**53**	**–**	**53**
Total comprehensive income/(expense)	**–**	**–**	**65,835**	**53**	**–**	**65,888**
Other changes in equity:						
– Purchase of own shares into treasury	**–**	**–**	**1,374**	**(80,500)**	**–**	**(79,126)**
– Share buyback obligation	**–**	**–**	**908**	**–**	**–**	**908**
– Cancellation of treasury shares	**(449)**	**–**	**(129,270)**	**129,719**	**–**	**–**
– Shares issued to employee benefit trust	**498**	**–**	**–**	**–**	**(498)**	**–**
– Sale of shares by employee benefit trusts	**–**	**–**	**(20,449)**	**–**	**20,740**	**291**
– Share-based consideration	**–**	**–**	**12,513**	**–**	**–**	**12,513**
As at 31 December 2020	**14,253**	**403,660**	**731,545**	**(223,865)**	**(1,891)**	**923,702**

The notes on pages 9 to 15 form part of these financial statements.

Notes to the Company financial statements

For the year ended 31 December 2020

1. Background

Description of business

Dialog Semiconductor Limited (formerly Dialog Semiconductor Plc) ("the Company") is a private limited company that is incorporated in England and Wales and domiciled in the United Kingdom. The Company is the parent of a group of companies that creates and markets mixed-signal integrated circuits, optimised for personal, portable, hand-held devices, low energy short-range wireless, backlighting and LED solid state lighting, industrial and automotive applications.

Change in the Company's status

As described in note 14, the Company was acquired by Renesas Electronics Corporation on 30 August 2021. Prior to the acquisition, the Company was a public limited company and its ordinary shares were listed on the Frankfurt Stock Exchange. Following the acquisition, the Company's ordinary shares were de-listed from the Frankfurt Stock Exchange, it was re-registered as a private limited company and changed its name to Dialog Semiconductor Limited.

Statement of compliance

The Company's augmented separate financial statements on pages 6 to 15 have been prepared in accordance with FRS 101 *Reduced Disclosure Framework*. Accordingly, the financial statements comply with the recognition and measurement requirements of IFRS as adopted for use in the European Union as at 31 December 2020, but they exclude certain disclosures that would otherwise be required under that body of accounting standards.

Basis of preparation

The Company's augmented separate financial statements have been prepared on a going concern basis and they have been prepared in accordance with the historical cost convention, except that certain investments and derivative financial instruments are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company's significant accounting policies are set out in note 2.

Consolidated financial statements

The consolidated financial statements of the Company and its subsidiaries (together, "Dialog" or "the Group") referred to in these financial statements are set out on pages 122 to 182 of the Company's Annual Report and Accounts 2020.

Going concern

At the time of approving the financial statements, the Company's sole Director was required to form a judgement as to whether the Company has adequate resources to continue in operational existence for the foreseeable future. In forming this judgement, the Director considered the Company's current financial position, the Group's medium-term plan and its most recent forecast for the current financial year, and the principal risks and uncertainties that it faces. The Director also considered the effect of the acquisition of the Company by Renesas Electronics Corporation that became effective on 30 August 2021.

At the end of 2020, the Company held cash and cash equivalents of US$426 million. Based on the Group's plan and most recent forecast, the Director expects that the Group will continue to be cash generative over the next 12 months. For these reasons, the Director has adopted the going concern basis in preparing these financial statements.

Presentation currency

The Company's augmented separate financial statements are presented in US dollars ("US$"), which is the Company's functional currency. All US dollar amounts are in thousands ("US$000"), except where otherwise stated.

Disclosure exemptions utilised under FRS 101

In preparing the Company's augmented separate financial statements, the Director has utilised the following exemptions from the disclosure requirements of IFRS adopted for use in the European Union that are available to them under FRS 101:

- Paragraphs 45(b) (number and weighted average exercise prices of share options) and 46 to 52 (determination of fair value of options and awards granted and financial effect of share-based compensation) of IFRS 2 *Share-based Payment*;
- IFRS 7 *Financial Instruments – Disclosures*;
- Paragraphs 91 to 99 (disclosure requirements) of IFRS 13 *Fair Value Measurement*;
- Paragraph 38 of IAS 1 *Presentation of Financial Statements* with regard to comparative information requirements in respect of paragraph 79(a)(iv) of IAS 1 (reconciliation of the number of the Company's shares outstanding at the beginning and end of the period);
- Paragraphs 10(d) (statement of cash flows), 16 (statement of compliance with IFRS), 38(A to D) (comparative information), 111 (statement of cash flows) and 134 to 136 (disclosures about capital) of IAS 1 *Presentation of Financial Statements*;
- IAS 7 *Statement of Cash Flows*;
- Paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (discussion of IFRSs issued by the IASB but not yet adopted by the Company); and
- Paragraph 17 of IAS 24 *Related Party Disclosures* (compensation of key management personnel) and the further requirement in IAS 24 to disclose related party transactions entered into with subsidiaries that are wholly-owned by the Company.

Notes to the Company financial statements continued

1. Background continued

Relevant accounting standards adopted during the year

With effect from 1 January 2020, the Company adopted the following accounting standards, none of which had any immediate impact on its results or financial position:

- *Definition of a Business* (Amendments to IFRS 3); and
- *Definition of Material* (Amendments to IAS 1 and IAS 8)
- *Interest Rate Benchmark Reform – Phase 1* (Amendments to IFRS 9 and IFRS 7).

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates and assumptions and affect the Company's results in future periods.

Approval of the financial statements

The Company's augmented separate financial statements for the year ended 31 December 2020 set out on pages 6 to 15 were authorised for issue by the Company's sole Director on 28 September 2021.

Statutory accounts

The Company's augmented separate financial statements are not statutory accounts within the meaning of the Companies Act 2006 and have been prepared solely for the purpose of filing with the German Companies Register. The Company's statutory accounts were filed with the Registrar of Companies on 24 May 2021.

Consequences of Brexit for the Company's separate financial statements

On 31 January 2020, the UK ceased to be a member of the European Union and entered a transition period that ended on 31 December 2020.

Since 2016, the Company has prepared its separate financial statements in accordance with FRS 101 *Reduced Disclosure Framework*, which contained the recognition and measurement requirements of IFRS adopted for use in the EU ("EU-adopted IFRS").

Following the end of the transition period, the UK Government introduced its own process for endorsing IFRS for use in the UK ("UK-adopted IFRS"). For annual periods beginning on or after 1 January 2021, the Company will continue to prepare its separate financial statements in accordance with FRS 101 but FRS 101 will contain the recognition and measurement requirements of UK-adopted IFRS.

At the end of the transition period, the UK adopted IFRS that had been adopted for use in the EU. IFRS that had not been endorsed by the EU at the end of the transition period will be subject to the UK endorsement process.

2. Significant accounting policies

Investments in subsidiaries

A subsidiary is an entity that is controlled, either directly or indirectly, by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity that significantly affect its returns.

Investments in subsidiaries represent interests in the Company's subsidiaries that are directly owned by the Company. Unless classified as held for sale, investments in subsidiaries are stated at cost less provision for impairment.

Foreign currency translation

Transactions denominated in foreign currencies are recorded in US dollars at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date. Currency translation differences are recognised in profit or loss.

Financial instruments

Amounts owed by/to Group undertakings

Amounts owed by/to Group undertakings are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, investments in money market funds and short-term deposits with an original maturity of three months or less.

Equity investments

Equity investments are initially measured at fair value plus transaction costs, if any. Equity investments are subsequently measured at fair value with resulting gains and losses recognised in profit or loss unless the Company irrevocably elects on initial recognition for such gains and losses to be recognised in other comprehensive income. The Company has made this election in respect of its investment in the common shares of Energous Corporation.

2. Significant accounting policies continued

Derivative financial instruments

The Company holds derivative financial instruments that are used to reduce its exposure or that of its subsidiaries to currency exchange rate movements. The Company may also hold equity options and warrants in relation to certain of its strategic investments. The Company does not hold or issue derivatives for speculative purposes.

All derivative financial instruments held by the Company are measured at fair value. All fair value gains and losses are recognised in profit or loss. Where the fair value of a derivative on initial recognition differs from the transaction price, if any, the difference is recognised immediately in profit or loss only if the fair value is evidenced by a quoted price in an active market or is based on a valuation technique that uses only data from observable markets

Income taxes

Current tax is the amount of tax payable or recoverable in respect of the taxable profit or loss for the period.

Deferred tax is tax expected to be payable or recoverable on temporary differences between the carrying amount of an asset or liability in the financial statements and its tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available in the future against which they can be utilised.

Where there is uncertainty concerning the tax treatment of an item or a group of items, the amount of current and deferred tax recognised is based on management's expectation of the likely outcome of the examination of the uncertain tax treatment by the relevant tax authorities.

Current tax and deferred tax is recognised in profit or loss unless it relates to an item that is recognised in the same or a different period outside profit or loss, in which case the related tax is also recognised outside profit or loss, either in other comprehensive income or directly in equity.

Share-based compensation

The Company operates share-based compensation plans under which it grants options and other awards over its ordinary shares to employees of its subsidiaries. Awards granted under the existing plans are classified as equity-settled awards.

The Company recognises a compensation expense that is based on the fair value of the awards measured at the grant date using the Black-Scholes option pricing formula or a Monte Carlo valuation model.

Shares held by employee benefit trusts

The Company provides finance to two trusts to purchase the Company's ordinary shares in order to meet its obligations under its share-based compensation plans. When the trusts purchase such shares, the cost of the shares is debited to equity and subsequent sales or transfers of the shares by the trusts are accounted for within equity.

Treasury shares

Treasury shares comprise the Company's ordinary shares that have been purchased under the Company's share buyback programme. Purchases made under the programme are off market and are effected by way of contingent forward share purchase contracts with third-party brokers. Subsequent sales, transfers or cancellations of treasury shares held by the Company are accounted for within equity.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements and estimates that affect the reported amount of assets and liabilities at the balance sheet date and the reported amount of income and expenses during the reporting period.

Critical judgements are the judgements, apart from those involving estimations, that management has made that have had the most significant effect on amounts included in the financial statements. Key sources of estimation uncertainty are those that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The Director considers that there are no critical accounting judgements or key sources of estimation uncertainty underlying the amounts reported in these financial statements.

3. Other operating income/(expense)

Gain on sale of investment in subsidiary

On 11 October 2018, the Company entered into an asset transfer agreement into with Apple Inc. ("Apple"), pursuant to which it will sell to Apple its shareholding in its wholly-owned subsidiary, Dialog Semiconductor (Italy) S.R.L. At that time, the Company reclassified its investment as an asset held for sale at its carrying amount of US$13. On completion of the sale in April 2019, the Company received proceeds of US$4,250 and recognised a gain of US$4,237 in profit or loss.

Impairment of investment in associate

On 7 December 2018, the Company entered into an agreement to dispose of its 38.7% ownership interest in Dyna Image Corporation ("Dyna Image") for which it expected to receive consideration of between US$1.9 million and US$4.2 million. On entering into the sale agreement, the Company reclassified its investment in Dyna Image as an asset held for sale at its carrying amount of US$1,931.

We obtained the necessary regulatory approvals but the purchaser was unable to complete the transaction and the sale agreement was terminated on 2 September 2019. The Company immediately entered into a new agreement to sell its shareholding to another purchaser for a nominal amount. As a result, the carrying amount of the investment was written off and an impairment loss of US$1,931 was recognised in profit or loss. The sale of the Company's shareholding in Dyna Image was completed in November 2019.

Notes to the Company financial statements continued

4. Directors and employees

During 2020, the Company had no employees (2019: none).

Advances are made by foreign subsidiaries to the Executive Director against foreign taxes arising as a result of business travel that are repaid as and when the relevant tax credits are received. Directors' remuneration and details of the advances made to the Executive Director are set out in the Directors' remuneration report on pages 98 to 113 of the Company's Annual Report and Accounts 2020.

5. Auditor's remuneration

Fees payable to the Company's auditors, Deloitte LLP, are set out in note 7 to the consolidated financial statements. Fees payable for the audit of the Company were US$908 (2019: US$755).

6. Finance income/(expense)

a) Interest income

	2020 US$000	2019 US$000
Interest on bank deposits	**2,418**	9,911
Interest on money market funds	**3,605**	11,910
Interest on amounts owed by group undertakings	**8,382**	3,948
Total interest income	**14,405**	25,769

b) Interest expense

	2020 US$000	2019 US$000
Facility commitment fees	**(1,192)**	(1,506)
Amortisation of deferred facility arrangement costs	**(260)**	(295)
Interest on amounts owed to group undertakings	**(3,338)**	(21,711)
Total interest expense	**(4,790)**	(23,512)

c) Other finance income/(expense)

	2020 US$000	2019 US$000
Currency translation gain/(loss), net	**1,524**	(6,247)
Fair value gain/(loss) on currency derivatives	**8,151**	(15,537)
Fair value loss on Energous warrants	**(31)**	(1,434)
Amortisation of gain on initial measurement of Energous warrants	**809**	1,584
Proceeds from sale of Arctic Sand shares	**–**	63
Total other finance income/(expense)	**10,453**	(21,571)

7. Income tax

Income tax recognised in profit or loss

The components of the Company's income tax expense for the year were as follows:

	2020 US$000	2019 US$000
Current tax		
Current income tax charge	**(94)**	(48)
Adjustments in respect of prior years	**–**	(75)
Deferred tax		
Origination and reversal of temporary differences	**–**	82
Adjustments in respect of prior years	**–**	(82)
Income tax expense	**(94)**	(123)

The current tax expense for 2020 and 2019 arose in the UK.

7. Income tax continued

Factors affecting the income tax expense for the year

The Group's income tax expense differed from the amount that would have resulted from applying the statutory rate of corporation tax in the UK to the Group's profit before income taxes for the reasons shown in the following table:

	2020 US$000	2019 US$000
Profit before income tax	**65,929**	96,589
Income tax expense at UK corporation tax rate of 19.0% (2019: 19.0%)	**(12,527)**	(18,352)
Non-taxable income:		
– Intra-group dividends	**13,035**	26,708
– Gain on disposal of investment in subsidiary	**–**	808
Non-deductible expenses:		
– Impairment of investment in associate	**–**	(367)
– Transaction costs	**(1,298)**	(2,351)
– Other non-deductible expenses	**(581)**	(38)
Other items:		
– Group relief surrendered	**–**	(6,456)
– Benefit from previously unrecognised deferred tax assets	**1,277**	82
– Adjustments in respect of prior years	**–**	(157)
Income tax expense	**(94)**	(123)

During 2020, previously unrecognised deferred tax assets were utilised to reduce taxable profit. UK tax laws restrict the utilisation of tax loss carryforwards and accordingly taxable profit was not fully offset. Consequently, as at 31 December 2020, there was current tax payable of US$64 (2019: receivable of US$537).

Factors affecting the income tax expense in future years

In January 2016, the Company received a termination fee of US$137,300 from Atmel Corporation, Inc. following their termination of the merger agreement that existed between us. We obtained tax advice that the termination fee should not be taxable in the UK and therefore did not recognise a tax expense in relation to the termination fee. Examination of the tax treatment of the termination fee by the UK tax authority is ongoing. We maintain our position that no tax liability should arise in respect of the termination fee.

Subsequent to the balance sheet date, legislation was enacted to increase the standard rate of UK corporation tax from 19% to 25% with effect from 1 April 2023.

Deferred tax

As at 31 December 2020, no deferred tax assets were recognised for tax loss carryforwards of US$2,810 (2019: US$9,533) because it is not considered probable that taxable profits will be available in the future against which they can be utilised.

8. Investments in subsidiaries

Movements in the carrying amount of subsidiaries owned directly by the Company were as follows:

	US$000
As at 31 December 2019	1,013,745
Additions	163,797
As at 31 December 2020	**1,177,542**

Details of the Company's subsidiaries as at 31 December 2020 are set out on page 204 of the Company's Annual Report and Accounts 2020.

Notes to the Company financial statements continued

9. Other investments

Other investments were as follows:

	2020 US$000	2019 US$000
Equity investments:		
– Energous shares	**3,132**	3,079
Derivative financial instruments:		
– Energous warrants	**–**	31
Total other investments	**3,132**	3,110

Details of the Company's investments in Energous Corporation ("Energous") are set out in note 18 to the consolidated financial statements. During 2020, the Company recognised a fair value gain on the shares of US$53 (2019: loss of US$6,994) in other comprehensive income.

The Company's remaining warrants over shares in Energous expired on 5 July 2020.

10. Amounts owed by/to Group undertakings

Amounts owed by/to Group undertakings are generally repayable on demand or have no fixed repayment terms and are therefore classified as current assets or current liabilities.

During 2020, the Company made loans totalling US$250,000 to one of its subsidiaries to facilitate the acquisition of Adesto Technologies Corporation. Each loan is repayable in June 2025 and attracts interest at a floating rate determined on an arm's length basis taking into account the credit profile of the borrower. Accordingly, the loans are classified as non-current assets and their principal amounts were considered equivalent to their fair value on initial recognition.

11. Share capital and reserves

a) Share capital and share premium account

Details of the Company's share capital are set out in note 26 to the consolidated financial statements.

The share premium account represents the difference between the nominal value of shares issued and the fair value of the consideration received. The share premium account is not distributable but may be used for certain purposes specified by United Kingdom law, including to write off expenses on any issue of shares and to pay up fully paid bonus shares.

b) Other reserves

Movements on other reserves were as follows:

	Capital redemption reserve US$000	Fair value reserve US$000	Treasury shares US$000	Total US$000
As at 31 December 2018	571	(14,927)	–	(14,356)
Other comprehensive income/(expense):				
– Fair value loss on equity investments	–	(6,994)	–	(6,994)
Other changes in equity:				
– Purchase of own shares into treasury	–	–	(251,787)	(251,787)
As at 31 December 2019	571	(21,921)	(251,787)	(273,137)
Other comprehensive income/(expense):				
– Fair value gain on equity investments	**–**	**53**	**–**	**53**
Other changes in equity:				
– Purchase of own shares into treasury	**–**	**–**	**(80,500)**	**(80,500)**
Cancellation of treasury shares	**449**	**–**	**129,270**	**129,719**
As at 31 December 2020	**1,020**	**(21,868)**	**(203,017)**	**(223,865)**

Treasury shares are shares purchased under the Company's share buyback programme that have not been cancelled. Details of purchases made under the Company's share buyback programme are set out in note 27 to the consolidated financial statements.

11. Share capital and reserves continued

b) Other reserves continued

On 18 May 2020, the Company cancelled 3,700,000 of the treasury shares that it had purchased under the share buyback programme. On cancellation, the total cost of the treasury shares was transferred from treasury shares and set against retained earnings and the nominal value of the shares cancelled of US$449 was transferred from share capital to the capital redemption reserve.

The capital redemption reserve represents the nominal value of treasury shares that have been cancelled and is non-distributable.

The fair value reserve comprises gains and losses recognised on equity investments that are measured at fair value through other comprehensive income.

c) Distributable profits

Profits available for distribution by the Company comprise its accumulated realised profits less its accumulated realised losses, subject to the restriction that a distribution may not reduce the Company's net assets below the aggregate of its called up share capital and its undistributable reserves.

The Director considers that the Company's distributable profits as at 31 December 2020 amounted to US$504,769 (2019: US$504,793).

d) Dialog shares held by employee benefit trusts

The Company provides finance to two trusts to purchase its ordinary shares in order to meet its obligations under its share-based compensation plans. As at 31 December 2020, the trusts held 3,630,109 ordinary shares (2019: 804,712 ordinary shares). An analysis of movements in the number and carrying amount of the shares held by the trusts is presented in note 28 to the consolidated financial statements.

12. Share-based compensation

A description of the share-based compensation plans operated by the Company, together with information about share options exercised and outstanding is presented in note 28 to the consolidated financial statements.

13. Guarantees

As described in note 4 to the consolidated financial statements, Apple made an interest-free prepayment of US$300 million to Dialog following the completion in April 2019 of the licensing and asset transfer agreement between us. The Company and certain of its subsidiaries jointly and severally guaranteed the reducing letter of credit that was put in place in favour of Apple in relation to the outstanding principal amount of the prepayment. As at 31 December 2020, the amount available to be drawn under the letter of credit was US$87.5 million.

General guarantees were issued by the Company under Article 403, Book 2 of the Dutch Civil Code in respect of its Dutch subsidiaries, in order that they did not have to file annual accounts in the Netherlands.

14. Subsequent events

Acquisition of Dialog by Renesas

On 8 February 2021, the Directors of the Company and Renesas Electronics Corporation ("Renesas"), a supplier of advanced semiconductor solutions, announced that they had reached agreement on the terms of the acquisition of the entire issued and to be issued share capital of the Company for €67.50 per share in cash, representing a total equity value of approximately €4.9 billion (US$5.9 billion).

Renesas is incorporated in Japan and its shares are listed on the Tokyo Stock Exchange.

Following approval by Dialog's shareholders on 9 April 2021 and the subsequent receipt of the necessary regulatory approvals, sanction by the court in England & Wales and satisfaction of the other closing conditions, the acquisition became effective on 30 August 2021 by means of a scheme of arrangement under the Companies Act 2006.

The Company has incurred advisory and other fees totalling approximately US$101 million in relation to the transaction.

Since the acquisition, the Company's immediate and ultimate parent company and ultimate controlling party has been Renesas Electronics Corporation, whose registered office is at Toyosu Foresia, 3-2-24 Toyosu, Koto-ku, Tokyo 135-0061, Japan.

Early settlement of prepayment from Apple

On 9 July 2021, Dialog settled the outstanding principal amount of the prepayment from Apple of US$37.5 million in cash and, shortly afterwards, the related letter of credit in favour of Apple that was jointly and severally guaranteed by the Company and certain of its subsidiaries was cancelled.

Cancellation of revolving credit facility

On 7 September 2021, the Company cancelled its US$150 million revolving credit facility that was scheduled to mature in July 2022. The Company had made no drawings on the facility since its inception in July 2017.

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