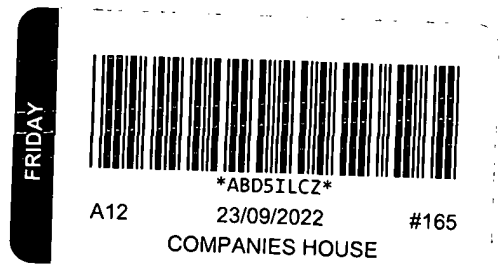


Ubisense Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021



Registered number: 04489603

Company Information

Registered number	04489603
Registered office	St. Andrew's House St. Andrew's Road Chesterton Cambridgeshire CB4 1DL
Directors	Clare Colhoun Darren Taylor
Independent auditor	MHA MacIntyre Hudson 2 London Wall Place London EC2Y 5AU

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Strategic Report

for the year ended 31 December 2021

Incorporation and principal activities

Ubisense Limited ('the Company') was incorporated on 18 July 2002, the primary activity of which is to transform physical spaces into smart spaces where software connects naturally to the real world, empowering people and revolutionising business processes.

We work with OEM and Tier 1 Aerospace, Automotive and CVAM customers as their trusted SmartSpace® provider when executing digital transformation strategies to grow their business, bringing visibility of the physical world to planning, management and control systems, making real-world processes visible, measurable and controllable.

Ubisense's pedigree and reputation in the Real Time Location Systems (RTLS) market has constantly increased and is shown in the leader quadrant for Gartner Indoor Location Services.

Business review

The results of the group for the year, as set out on page 7, show an EBITDA loss for the year of £3.0m (2020: £3.1m). The group experienced growth during the year ended 31 December, with revenue increasing by 12% to £11.6m (2020: £10.4m). The group continues to invest in research and development activity to maintain its position as a leading provider of RTLS solutions.

Key performance indicators

The board monitors the performance of the group by reference to a number of both quantitative and qualitative KPIs including:

	2021 (£m)	2020 (£m)
Revenue	11.6	10.4
Adjusted EBITDA	(3.0)	(3.1)

Management consider adjusted EBITDA to provide a more meaningful measure of profitability than net profit/loss for the year as it excludes the impact of amortization and depreciation, exceptional expenses, and foreign exchange gains/losses which are considered to distort the underlying operational performance of the group.

Future plans

The business is embarking on a partner-led strategy following on from the successful partnership in Japan. The business received an additional cash injection of £4.1m in July 2022 from Investcorp Private Equity in order to accelerate this strategy.

Principal risks and uncertainties

Ubisense Limited and its subsidiaries has exposure to four main areas of risk; foreign exchange currency exposure, liquidity risk, customer credit exposure and interest rate risk.

Foreign exchange transactional currency exposure

Ubisense Limited and its subsidiaries (the 'Group') is exposed to currency exchange rate risk due to significant proportion of its receivables and operating expenses being denominated in non-sterling currencies. The Group's risk management policy is to maintain natural hedges where possible, by matching foreign currency revenue and expenditure. The Group does not enter into forward exchange contracts to mitigate the exposure to foreign currency risk as the Group's currency exposure is not considered significant enough to warrant this.

Liquidity risk

Liquidity risk is the risk arising from the Group not being able to meet its obligations as they fall due. The Group seeks to manage this risk by monitoring scheduled debt serving payments for long-term financial liabilities, agreeing the funding strategy with investors, regularly reviewing forecast inflows and outflows due in day-to-day business and investing cash assets safely and profitably. Rolling cash flow forecasts are used by the Group to monitor liquidity requirements to ensure it has sufficient cash to meet operational needs.

Customer credit exposure

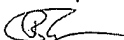
The Group may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. The Group is at risk to the extent that a customer may be unable to pay the debt on a specified due date. This risk is mitigated by the following factors:

- Strong on-going customer relationships;
- The regular review of credit limits that are set on the basis of payment history and third party credit references; and
- Many of the Group's customers are large blue-chip companies that are a low credit risk.

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's loan from its parent company of £7.2m which is partially offset by cash held at variable rates. Interest is payable at LIBOR plus 4% on the £7.2m outstanding at 31 December 2021 (2020: £4.97m). The Group also has a bank loan with Silicon Valley Bank, which was drawn down to £1.25m (2020: £1.25m) as at 31 December 2021. The loan accrues interest at 4% per annum.

This report was approved by the board on 20 September 2022 and signed on its behalf.



Darren Taylor
Director

Directors' Report

for the year ended 31 December 2021

The Directors present their report and the Financial Statements for the year ended 31 December 2021.

Results and dividends

The results for the year are set out on page 7. Ubisense Limited provided research and manufacturing services to both third-party customers and to entities in the Ubisense group. The group achieved revenue of £11.6m (2020: £10.4m).

No dividends were declared or paid in the year (2020: £NIL).

Directors

The Directors who served during the year were:

Clare Colhoun
Darren Taylor

Directors' Indemnity Arrangements

The Group has made qualifying third party indemnity provisions for the benefit of the Directors, which were made during the year and remain in force at the date of this report.

The Group has purchased and maintained throughout the year Directors' & Officers' liability insurance in respect of itself and its Directors.

Research and development activities

The Group is committed to research and development activities in order to secure the continued growth of the Group and to maintain its position in its marketplace. Development activities, consisting mainly of direct labour costs, are amortised on a straight-line basis over their useful economic lives. The estimated useful lives of current development projects are three years.

Intellectual property

The Group owns intellectual property both in its software tools and the products derived from them. The Directors consider such properties to be of significant value to the business.

Going concern

See note 2.3 for information relating to going concern.

Post balance sheet events

Since the balance sheet date, the Group headed by Abyssinian Topco Limited received investment of £8.4m from the principal shareholder, Investcorp Private Equity, in July 2022. The equity funding was passed down to the company via an intercompany loan agreement, with the company receiving £4.1m in July 2022 as a loan from its parent company, Abyssinian Bidco Limited.

Disclosure of information to auditor


Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware; and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Auditor

Grant Thornton UK LLP resigned as auditors during the year and MHA MacIntyre Hudson were appointed. MHA MacIntyre Hudson will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 20 September 2022 and signed on its behalf.



Darren Taylor
Director

Directors' Responsibilities Statement

for the year ended 31 December 2021

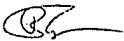
The Directors are responsible for preparing the strategic report, Directors' report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the group and company Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the 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 the Group and of the profit or loss of the Group for that period.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies for the Group and Company's Financial Statements and then apply them consistently;
- make judgements and accounting 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; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Darren Taylor

Director

Date: 20 September 2022

Independent Auditor's Report

to the members of Ubisense Limited and its Subsidiary Undertakings

Opinion

We have audited the financial statements of Ubisense Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021, which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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 group and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The directors are responsible for the other information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the 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 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Independent Auditor's Report (continued)

to the members of Ubisense Limited and its Subsidiary Undertakings

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the group and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report (continued)

to the members of Ubisense Limited and its Subsidiary Undertakings

Explanation as to what extent 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:

- Testing the financial statement disclosures to supporting documentation, performing substantive testing on account balances which were considered to be of greater susceptibility to fraud;
- Performing targeted journal entry testing based on identified characteristics that the audit team considered to be indicative of fraud, for example credit entries to revenue without a corresponding entry to receivables, accrued income or deferred income;
- Critically assessing areas of the financial statements which include judgement and estimates, as set out in Note 3 of the financial statements;
- We obtained an understanding of the legal and regulatory frameworks applicable to the group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework, the Companies Act 2006 and relevant tax compliance regulations; and
- We understood how the group is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes and other corroborating evidence.

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

Use of our report

This report is made solely to the 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.

Andrew Gandell

Andrew Gandell

(Senior Statutory Auditor)

for and on behalf of MHA MacIntyre Hudson, Statutory Auditor

London

20 September 2022

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2021

		2021 £'000	2020 £'000
	Notes		
Revenue	[4]	11,631	10,392
Cost of revenues		(4,871)	(3,825)
Gross profit		6,760	6,567
Operating expenses		(13,436)	(13,758)
Operating loss		(6,676)	(7,191)
Analysed as:			
Gross profit		6,760	6,567
Other operating expenses		(9,715)	(9,638)
Adjusted EBITDA		(2,955)	(3,071)
Depreciation	[13]	(108)	(125)
Amortisation and impairment of intangible assets	[12]	(3,361)	(3,601)
Currency translation differences		(58)	45
Exceptional items	[11]	(194)	(439)
Operating loss		(6,676)	(7,191)
Finance income	[9]	-	6
Finance costs	[9]	(307)	(249)
Loss before tax		(6,983)	(7,434)
Income tax	[10]	380	225
Loss for the year		(6,603)	(7,209)
Other comprehensive (loss)/income:			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Exchange difference on retranslation of net assets and results of overseas subsidiaries			
		(53)	137
Total comprehensive loss for the year		(6,656)	(7,072)
Attributable to:			
Equity shareholders of the Company		(6,656)	(7,072)
Total comprehensive loss for the year		(6,656)	(7,072)

All amounts relate to continued operations.

The notes on pages 13 to 30 are an integral part of these financial statements.

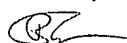
Consolidated Balance Sheet

for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Assets			
Non-current assets			
Intangible assets	[12]	5,907	8,329
Property, plant and equipment	[13]	231	277
Total non-current assets		6,138	8,606
Current assets			
Inventories	[15]	2,147	1,524
Trade and other receivables	[16]	5,399	6,244
Cash and cash equivalents	[17]	1,334	818
Total current assets		8,880	8,586
Total assets		15,018	17,192
Liabilities			
Current liabilities			
Trade and other payables	[18]	(18,345)	(12,611)
Total current liabilities		(18,345)	(12,611)
Non-current liabilities			
Creditors: amounts falling due after more than one year	[19]	(33)	(35)
Bank loan		-	(1,250)
Other provisions	[20]	(135)	(135)
Total non-current liabilities		(168)	(1,420)
Total liabilities		(18,513)	(14,031)
Net assets		(3,495)	3,161
Equity attributable to owners of the parent company			
Called up share capital	[25]	13	13
Share premium	[26]	6,368	6,368
Foreign exchange reserve	[26]	(13)	40
Other reserve	[26]	9,139	9,139
Retained earnings		(19,002)	(12,399)
Equity attributable to owners of the parent Company		(3,495)	3,161

The notes on pages 13 to 30 are an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 20 September 2022 and signed on its behalf by:



Darren Taylor

Ubisense Limited
Registered Number: 04489603

Company Balance Sheet

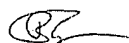
for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Assets			
Non-current assets			
Investments	[14]	16,926	16,926
Intangible assets	[12]	1,248	1,241
Property, plant and equipment	[13]	198	268
Total non-current assets		18,372	18,435
Current assets			
Inventories	[15]	1,928	1,227
Trade and other receivables	[16]	1,885	2,844
Cash and cash equivalents	[17]	484	354
Total current assets		4,297	4,425
Total assets		22,669	22,860
Liabilities			
Current liabilities			
Trade and other payables	[18]	(11,377)	(8,754)
Total current liabilities		(11,377)	(8,754)
Non-current liabilities			
Other provisions	[20]	(135)	(135)
Bank loans	[19]	-	(1,250)
Total non-current liabilities		(135)	(1,385)
Total liabilities		(11,512)	(10,139)
Net assets		11,157	12,721
Equity attributable to owners of the parent company			
Called up share capital	[25]	13	13
Share premium	[26]	6,368	6,368
Other reserve	[26]	9,139	9,139
Retained earnings		(4,363)	(2,799)
Equity attributable to owners of the parent Company		11,157	12,721

The notes on pages 13 to 30 are an integral part of these financial statements.

No profit and loss account is presented for Ubisense Limited as permitted by section 408 of the Companies Act 2006. The company incurred a loss for the year of £1,564,000 for the year ended 31 December 2021 (2020: £1,835,000).

The financial statements were approved and authorised for issue by the Board of Directors on 20 September 2022 and signed on its behalf by:



Darren Taylor

Ubisense Limited
Registered Number: 04489603

Consolidated statement of changes in equity

for the year ended 31 December 2021

Notes	Share capital £'000	Share premium £'000	Foreign exchange reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2020	13	6,368	(97)	9,139	(5,190)	10,233
Loss for the year	—	—	—	—	(7,209)	(7,209)
Pertaining to other comprehensive income:						
Currency translation differences	—	—	137	—	—	137
Total comprehensive loss for the year	—	—	137	—	(7,209)	(7,072)
Balance at 31 December 2020	13	6,368	40	9,139	(12,399)	3,161
Loss for the year	—	—	—	—	(6,603)	(6,603)
Pertaining to other comprehensive income:						
Currency translation differences	—	—	(53)	—	—	(53)
Total comprehensive loss for the year	—	—	(53)	—	(6,603)	(6,656)
Balance at 31 December 2021	13	6,368	(13)	9,139	(19,002)	(3,495)

The notes on pages 13 to 30 are an integral part of these financial statements.

Company statement of changes in equity

for the year ended 31 December 2021

	Attributable to equity shareholders of the parent company							
	Notes	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Foreign exchange reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2020		13	6,368	—	—	9,139	(964)	14,556
Loss for the year		—	—	—	—	—	(1,835)	(1,835)
Total comprehensive loss for the year		—	—	—	—	—	(1,835)	(1,835)
Balance at 31 December 2020		13	6,368	—	—	9,139	(2,799)	12,721
Loss for the year		—	—	—	—	—	(1,564)	(1,564)
Total comprehensive loss for the year		—	—	—	—	—	(1,564)	(1,564)
Balance at 31 December 2021		13	6,368	—	—	9,139	(4,363)	11,157

The notes on pages 13 to 30 are an integral part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Cash flows from operating activities			
Loss before tax		(6,983)	(7,434)
Adjustments for:			
Depreciation	[13]	108	125
Amortisation and impairment	[12]	3,361	3,599
Loss on the disposal of property, plant and equipment	[5]	—	(1)
Finance costs	[9]	307	249
Finance income		—	(6)
Change in provision		—	2
Change in inventories		(623)	102
Change in receivables		544	(1,905)
Change in payables		2,669	3,406
Net income taxes received		276	91
Net cash used in operating activities		(341)	(1,772)
Cash flows from investing activities			
Purchases of property, plant and equipment		(65)	(20)
Capitalisation of development costs		(936)	(931)
Purchase of other intangible assets		—	(94)
Interest received		—	6
Net cash flows used in investing activities		(1,001)	(1,039)
Cash flows from financing activities			
Proceeds from borrowings		—	1,250
Interest paid		(307)	(249)
Proceeds from the intercompany loan		2,196	—
Net cash flows from financing activities		1,889	1,001
Net increase/(decrease) in cash and cash equivalents		547	(1,810)
Cash and cash equivalents at start of period		818	2,488
Impact of foreign exchange on cash balances		(31)	140
Cash and cash equivalents at end of period	[17]	1,334	818

The notes on pages 13 to 30 are an integral part of these financial statements.

Notes to the Financial Statements

for the year ended 31 December 2021

1. General information

The Company is a limited company that is incorporated and domiciled in the United Kingdom. The registered office and principal place of business is: St Andrew's House, St Andrew's Road, Chesterton, Cambridge, CB4 1DL.

Ubisense Limited delivers Enterprise Location Intelligence solutions that enable customers with complex operations to track the precise location of assets across their business in real-time and is proven to deliver efficiencies, increase flexibility, quality and reduce costs. We offer in-depth knowledge of the sectors in which we operate and have long-standing relationships with many of our customers across target markets including automotive, aerospace, logistics, communications and utilities.

The Financial Statements are prepared in sterling, which is the presentational currency of the Group. Monetary amounts in these Financial Statements are rounded to the nearest £'000.

2. Accounting policies

2.1 Basis of preparation of Financial Statements

The Financial Statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of Financial Statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these Financial Statements.

The Company has also taken advantage of the following exemptions under FRS102 section 7 and has not prepared its own statement of cash flows.

The Company has also taken advantage of the exemption from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

The Company is exempt from the financial instrument disclosures, required under FRS 102 paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c) and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The Consolidated Financial Statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The Consolidated Financial Statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 January 2014.

2.3 Going concern

The financial statements have been prepared on a going concern basis which assumes that the Group and Company will continue in operational existence for the foreseeable future. The Group has reported a EBITDA loss of £3.0m for the year ended 31 December 2021 (year ended 31 December 2020: £3.1m) and a loss after tax of £6.6m for the year ended 31 December 2021 (year ended 31 December 2020: £7.2m), and at 31 December 2021 had a cash balance of £1.3m (2020: £0.8m), and had drawn down £1.25m (2020: £1.25m) of its £3m revolving credit facility.

Notes to the Financial Statements

for the year ended 31 December 2021

2. Accounting policies (Continued)

2.3 Going concern (continued)

As set out in the post balance sheet events note, the group headed by Abyssinian Topco Limited received equity funding of £8.4m from the principal shareholder, Investcorp Private Equity, in July 2022. The equity funding was passed down to the company's immediate parent, Abyssinian Bidco Limited, of which £4.1m was subsequently provided to the company via an intercompany loan agreement. The directors have obtained a letter confirming that the interest and principal of the loan amount will not be called for repayment within one year of the date of signing of the company's financial statements. The July funding is the first tranche that is planned to be made into the company. The next tranche of investment will be made as required to support the growth of the company.

In determining the basis for preparing the financial statements, the Directors are required to consider whether the Group and Company can continue in operational existence for the foreseeable future, being a period of not less than twelve months from the date of the approval of the financial statements.

The directors have prepared a cash flow forecast for a fifteen month period following the approval of the financial statements. The cash flow forecasts contain certain assumptions regarding the level of future sales and gross margins. The Directors recognise that there are inherent uncertainties attached to the timing and quantum of future sales and receipts thereon.

As set out in note 18, the group and company have a bank loan facility. This facility falls due for repayment within the going concern period during 2022.

The directors have performed a reverse stress test to determine the level of stress the group and company could sustain before liquidity breaks. The stress test includes a 50% stress on non-committed sales bookings, the assumption that the bank loan is not renewed in 2022 and no further investment is received from the principal shareholder. In this scenario, the directors would delay planned investment in people, marketing and capital expenditure and together with reasonable delays and a low level of cuts to other expenditure. The group and company could sustain this level of stress over the going concern period.

The directors believe the above scenario is highly unlikely given the 9.3% increase in revenue in 2021 and the fact that H1 2022 revenue (unaudited) has already exceeded H1 2021's revenue.

In light of the above, the directors have, at the time of approving the financial statements, a reasonable expectation that the business has adequate cash resources available to continue in business for the foreseeable future and thus continue to adopt the going concern basis of accounting in preparing the financial statements.

These financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Notes to the Financial Statements

for the year ended 31 December 2021

2. Accounting policies (Continued)

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income

2.5 Revenue

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Group and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Revenues on product sales are recognised at the time that units are shipped, except for shipments under arrangements involving significant acceptance requirements. Under such arrangements, revenue is recognised when the Group has substantially met all of its performance obligations.

Revenue earned from sales under licence arrangements is recognised when the software is made available. When the sale includes a period of support and maintenance, a proportion of the revenue is deferred and recognised rateably over the period of support. For licence rental fees, amounts are recognised over the period of the contract, commencing from when the software is available for use.

Services and training revenue from time and materials contracts is recognised in the period that the services and training are provided on the basis of time worked at agreed contractual rates and as direct expenses are incurred.

Revenue from fixed price, long-term customer specific contracts, including customisation and modification, is recognised on the stage of completion of each assignment at the period end date compared to the total estimated service to be provided over the entire contract where the outcome can be estimated reliably. If a contract outcome cannot be estimated reliably, revenues are recognised equal to costs incurred, to the extent that costs are expected to be recovered. An expected loss on a contract is recognised immediately in the income statement.

Where bundled sales including a combination of some or all of the above are made, the revenue attributable to the deal is apportioned across the constituents of the bundle and then recognised according to the policies stated above.

2.6 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.7 Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes.

Development expenditure is only capitalised if all of the following conditions are met:

- Completion of the intangible asset is technically feasible so that it will be available for use or sale;
- The Group intends to complete the intangible asset and use or sell it;
- The Group has the ability to use or sell the intangible asset;
- The intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits;
- There are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The expenditure attributable to the intangible asset during its development can be measured reliably.

Internally generated intangible assets, consisting mainly of direct labour costs, are amortised on a straight-line basis over their useful economic lives. Amortisation is shown within operating expenses in the statement of comprehensive income. The estimated useful lives of current development projects are three years. Upon completion the assets are subject to impairment testing.

Notes to the Financial Statements

for the year ended 31 December 2021

2. Accounting policies (Continued)

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

2.8 Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

2.9 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.10 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

2.11 Taxation

Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.12 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

2.13 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Statement of Comprehensive Income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Notes to the Financial Statements

for the year ended 31 December 2021

2. Accounting policies (Continued)

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Goodwill	- 5 years
Software	- 3 years
Capitalised development costs	- 3 years

2.14 Plant, property and equipment

Plant, property and equipment under the cost model is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Fixtures and fittings	- 3 - 10 years, or over the period of the lease if shorter
Computer equipment	- 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

2.15 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.16 Inventory

Inventory is stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each Balance Sheet date, inventory is assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.17 Receivables

Short term receivables are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.18 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

In the Consolidated Statement of Cash Flows, cash is shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.19 Payables

Short term payables are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Notes to the Financial Statements

for the year ended 31 December 2021

2. Accounting policies (Continued)

2.20 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Balance Sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Balance Sheet date.

2.21 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at the present value using pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

2.22 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method.

Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the Financial Statements

for the year ended 31 December 2021

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Revenue recognition

Significant management judgement is applied in determining the allocation and timing of the recognition of the revenue on fixed price, long-term customer specific contracts. In this process management takes into account milestones, hardware supplied, actual work performed and further obligations and costs expected to complete the work.

Inventory

The provision for obsolete, slow-moving or defective inventory is based on management's estimation of the commercial life of inventory lines and is applied on prudent basis. In assessing this, management takes into consideration the sales history of products and the length of time that they have been available for resale.

Valuation of goodwill

Due to the ongoing losses of the group, it was determined by management that an indicator of impairment was present. To determine whether the value of goodwill is impaired, management have estimated the recoverable amount of the CGUs to which the asset is allocated. The recoverable amount calculation requires the group to estimate the future cash flows expected to arise from the group of CGUs and a suitable discount rate in order to calculate the present value. The recoverable amount is calculated as the higher of value-in-use or fair value less costs to sell. Historically the group has applied the value-in-use approach as the fair value of the CGUs is not readily available.

Valuation of investments

Management use judgement to determine whether provisions are required against fixed asset investments based on the ability of the subsidiary to generate profits and cash.

Capitalisation of development costs

In determining the amount of development cost to be capitalised, significant judgement is applied in estimating the amount of time engineering employees have spent on development activity. To help estimate the proportion of time spent on development, management receive input from the Chief Technology Officer and refer to working patterns of relevant engineering staff to approximate the percentage of time capitalised.

Notes to the Financial Statements

for the year ended 31 December 2021

4. Revenue

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

	2021 £'000	2020 £'000
Goods	5,470	4,293
Services	5,714	6,035
Licence fees	419	35
Rental income	28	29
Total revenue	11,631	10,392

Analysis of revenue by country of destination:

	2021 £'000	2020 £'000
United Kingdom	923	829
Rest of Europe	6,314	6,033
Rest of the World	4,394	3,530
Total revenue	11,631	10,392

5. Operating loss

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

	2021 £'000	2020 £'000
Research & development costs	242	140
Net foreign exchange losses/(gains)	58	(45)
Other operating lease rentals	487	478
Depreciation	108	125
Amortisation and impairment of intangible fixed assets	3,361	3,599
Inventory recognised as an expense	2,494	1,966
(Profit)/loss on disposal of tangible fixed assets	(3)	(1)

Notes to the Financial Statements

for the year ended 31 December 2021

6. Auditor's remuneration

During the year the Group (including its overseas subsidiaries) obtained the following services from the Group's auditor and its associates:

	2021 £'000	2020 £'000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual Financial Statements	56	58
Total audit fees	56	58
Fees payable to the Group's auditor for other services:		
Tax services	-	10
Total non-audit fees	-	10
Total auditors' remuneration	56	68

The auditor of the Group for 2021 is MHA Macintyre Hudson (2020: Grant Thornton UK LLP).

7. Employees

The average monthly number of people, including Directors, employed by the Group during the year was:

By activity	Actual number of people as at 31 December		Average monthly number of people	
	2021 Number	2020 Number	2021 Number	2020 Number
Technical consultants	20	20	20	21
Sales & marketing	23	22	21	23
Research & development	13	14	13	14
Administration	12	13	12	15
Total	68	69	66	73

The average monthly number of people, including Directors, employed by the Company during the year was:

By activity	Actual number of people as at 31 December		Average monthly number of people	
	2021 Number	2020 Number	2021 Number	2020 Number
Technical consultants	4	5	4	5
Sales & marketing	6	4	6	4
Research & development	13	14	13	14
Administration	11	12	11	12
Total	34	35	34	35

The aggregate employee benefit expense, including Directors, comprised:

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Wages and salaries	6,145	6,126	2,475	2,570
Social security costs	688	655	326	254
Contributions to defined contribution pension arrangements	423	495	335	348
Total aggregate employee benefits	7,256	7,276	3,136	3,172

Notes to the Financial Statements

for the year ended 31 December 2021

8. Directors' remuneration

	2021 £'000	2020 £'000
Directors' emoluments	400	366
Pension contributions to money purchase schemes	21	20
Total Directors' remuneration	421	386

In 2021, the highest paid Director received remuneration of £231k (2020: £208k). The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £12k (2020: £11k). During the year 2 directors participated in the money purchase pension scheme.

A proportion of Directors remuneration is recharged to other group companies. The total remuneration is shown above.

Key management compensation

During 2021, the key management has been assessed to be the directors of the Company. The compensation paid or payable to key management for employee services during the year was:

	2021 £'000	2020 £'000
Wages and salaries	399	365
Social security costs	50	48
Other benefits	1	1
	450	414
Contributions to defined contribution pension arrangements	21	20
	21	20
Total Key management compensation	471	434

9. Finance income and cost

	2021 £'000	2020 £'000
Interest income from cash and cash equivalents	—	6
Finance income	—	6
Interest payable – bank loans	(86)	(55)
Interest payable - Investors	(221)	(194)
Finance costs	(307)	(249)
Net finance costs	(307)	(243)

10. Taxation

	2021 £'000	2020 £'000
Current tax		
UK corporation tax	—	—
Foreign tax	3	144
Research & development tax credits – prior years	(383)	(369)
Total income tax credit	(380)	(225)

Notes to the Financial Statements

for the year ended 31 December 2021

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2020: lower than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £'000	2020 £'000
Loss before tax	(6,983)	(7,434)
Loss before tax multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	(1,327)	(1,412)
Tax effects of:		
Expenses not deductible for tax purposes	660	708
Tax under(over) provided in prior year	—	141
Unrecognised deferred tax movements	670	707
Research & development tax credits – prior years	(383)	(369)
Total income tax credit	(380)	(225)

Factors that may affect future tax charges

The Group takes advantage of the enhanced tax deductions for research & development expenditure and expects to continue to be able to do so. Further to the claim for research & development tax credits in previous years, losses available as at 31 December 2021 were approximately £10.8m (2020: £9.9 million). This asset can be used against suitable future profits in the Group and will reduce the overall tax charge when utilised. Deferred tax assets have not been recognised in respect of these losses as the timing of future taxable profits is uncertain.

11. Exceptional items

	2021 £'000	2020 £'000
Exceptional income		
Recognition of historical VAT overpayment	—	139
Total	—	139
Exceptional expenses		
Interim exec team recruitment and fees	—	90
Professional advisors	166	448
ERP re-design and planning costs	22	—
Other	6	40
Total	194	578

Notes to the Financial Statements

for the year ended 31 December 2021

12. Intangible assets

Group	Goodwill £'000	Acquired software products £'000	Capitalised product development costs £'000	Total £'000
Cost				
At 1 January 2021	12,004	627	4,628	17,259
Exchange difference	—	1	—	1
Additions	—	—	936	936
Disposals	—	(13)	—	(13)
At 31 December 2021	12,004	615	5,564	18,183
Accumulated amortisation				
At 1 January 2021	(5,002)	(475)	(3,453)	(8,930)
Effects of movement in exchange rates	—	1	—	1
Disposals	—	13	—	13
Charge for the year	(2,400)	(64)	(896)	(3,361)
At 31 December 2021	(7,402)	(525)	(4,349)	(12,276)
Net book value at 31 December 2021	4,602	90	1,215	5,907
At 31 December 2020	7,002	152	1,175	8,329

Company	Acquired software products £'000	Capitalised product development costs £'000	Total £'000
Cost			
At 1 January 2021	417	4,628	5,045
Exchange difference	—	—	—
Additions	—	936	936
At 31 December 2021	417	5,564	5,981
Accumulated amortisation			
At 1 January 2021	(351)	(3,453)	(3,804)
Charge for the year	(33)	(896)	(929)
At 31 December 2021	(384)	(4,349)	(4,733)
Net book value at 31 December 2021	33	1,215	1,248
At 31 December 2020	66	1,175	1,241

Notes to the Financial Statements

for the year ended 31 December 2021

13. Property, plant and equipment

Group	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost			
At 1 January 2021	919	326	1,245
Effect of movements in exchange rates	(11)	(35)	(46)
Additions	4	61	65
Disposals	(10)	(47)	(57)
At 31 December 2021	902	305	1,207
Accumulated depreciation			
At 1 January 2021	(680)	(288)	(968)
Effect of movements in exchange rates	10	33	43
Charge for the year	(75)	(33)	(108)
Elimination on disposals	10	47	57
At 31 December 2021	(735)	(241)	(976)
Net book value as at 31 December 2021	167	64	231
At 31 December 2020	239	38	277

Company	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost			
At 1 January 2021	913	262	1,175
Additions	3	27	30
At 31 December 2021	916	289	1,205
Accumulated depreciation			
At 1 January 2021	(677)	(230)	(907)
Charge for the year	(75)	(25)	(100)
At 31 December 2021	(752)	(255)	(1,007)
Net book value as at 31 December 2021	164	34	198
At 31 December 2020	236	32	268

Notes to the Financial Statements

for the year ended 31 December 2021

14. Investments

Investment in subsidiary companies	Total £'000
At 31 December 2021 and 31 December 2020	16,926

The group consists of the parent company, Ubisense Limited, incorporated in the UK, and a number of subsidiary companies, which operate and are incorporated around the world. Information about the composition at the end of the reporting period is as follows:

Subsidiary	Country of incorporation	Principal activity	Holding (%)	Registered office
Ubisense GmbH	Germany	Location solutions	100	Franz-Rennefeld-Weg 6, 40472 Düsseldorf, Germany
Ubisense SAS	France	Location solutions	100	52 Boulevard de Sébastopol, 75003 Paris, France
Ubisense America LLC.	USA	Location solutions	100	1630 Welton Street, Suite 1000E, Denver, CO 80202, United States
Ubisense Canada Inc.	Canada	Location solutions	100	PO Box 2690, 349 W Georgia St., Vancouver, British Columbia
Ubisense Inc.	Japan	Intermediate holding company	100	Inspired.Lab, Otemachi Building 6F Otemachi 1- 6-1 Chiyoda-ku Tokyo 100-0004 Japan
Binary Star Developments K.K	Japan	Location solutions	100	Inspired.Lab, Otemachi Building 6F Otemachi 1- 6-1 Chiyoda-ku Tokyo 100-0004 Japan
Binary Star Developments K.K Ubisense Japan K.K	Japan	Location solutions	100	Inspired.Lab, Otemachi Building 6F Otemachi 1- 6-1 Chiyoda-ku Tokyo 100-0004 Japan

15. Inventories

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Raw materials	1,419	500	1,416	496
Finished goods	728	1,024	512	731
Total	2,147	1,524	1,928	1,227

The Group's inventories are comprised of products which are not generally subject to rapid obsolescence on account of deterioration in condition, market trends or technological reasons. The balance as at 31 December 2021 includes a £0.3 million impairment provision (2020: £0.3 million).

Notes to the Financial Statements

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16. Trade and other receivables

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Trade debtors	1,389	3,513	244	1,624
Prepayments	533	620	409	546
Other receivables	75	96	2	3
Amounts owed from related parties/group undertakings	68	—	1,212	—
Amounts recoverable on long term contracts	3,334	1,646	18	302
Tax recoverable	—	369	-	369
Total	5,399	6,244	1,885	2,844

The trade receivables balance as at 31 December 2021 includes amounts due within one year and provision for impairment £0.8 million (2020: £0.8 million).

17. Cash and cash equivalents

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Cash and cash equivalents	1,334	818	484	354

18. Creditors: Amounts falling due within one year

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Trade creditors	2,892	2,032	2,479	1,636
Amounts owed to related parties/group undertakings	7,190	4,972	5,872	4,615
Accruals and deferred income	6,717	5,156	1,582	2,323
Bank loan	1,250	-	1,250	-
Other taxation and social security	219	391	172	153
Other creditors	77	60	22	27
Total	18,345	12,611	11,377	8,754

The Company's balance owed to related parties/group undertakings comprises loans from other group companies. These loans are unsecured, have no fixed maturity date and are not interest bearing.

Details of the group's balance owed to related parties can be found in note 27.

The bank loan is a revolving credit facility provided by Silicon Valley Bank with a total available revolving line commitment of up to £3m. The loan agreement is due to mature in July 2022 (the initial maturity date), with an option to extend the agreement by a further 12 months if requested by Ubisense Limited and at the discretion of Silicon Valley Bank. The loan was initially extended for a further 3 months and is currently due to mature in October 2022. The amount borrowed is secured on the assets of each company in the Group that guarantees the loan. The loan accrues interest at a rate of 4% per annum.

Notes to the Financial Statements

for the year ended 31 December 2021

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

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Bank loan facility	-	1,250	—	1,250
Other creditors	33	35	—	—
Total	33	1,285	—	1,250

20. Provisions

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Dilapidation				
At 1 January 2021 and 31 December 2021	135	135	135	135

The balance as at 31 December 2021 includes the dilapidation provision to restore leased offices to their original state. The provision is expected to be utilised in 2027.

21. Financial instruments

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Financial assets				
Financial assets measured at amortised cost	6,200	6,073	1,959	2,283
	6,200	6,073	1,959	2,283
Financial liabilities				
Financial liabilities measured at amortised cost	(13,029)	(9,734)	(10,029)	(8,213)

Financial assets measured at fair value through profit or loss comprise cash and cash equivalents.

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, amounts owed by related parties, other debtors and amounts recoverable on long term contracts.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to related parties, bank loans, other creditors and accruals.

Notes to the Financial Statements

for the year ended 31 December 2021

22. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £423k (2020: £495k).

23. Capital commitments

The Group does not have any capital commitments as at the reporting date (2020: £NIL).

24. Operating lease commitments

At 31 December 2021, the Group had lease agreements in respect of property and equipment for which payments extend over a number of years. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2021 £'000	2020 £'000
No later than one year	361	538
Later than one year and no later than five years	917	299
Later than five years	204	—
Total	1,482	837

25. Share Capital

	2021 £'000	2020 £'000
Authorised		
100,000,000 Ordinary shares of £0.01 each	1,000	1,000
Allotted, called up and fully paid		
1,305,652 Ordinary shares of £0.01 each	13	13

Notes to the Financial Statements

for the year ended 31 December 2021

26. Reserves

Share premium account

Includes any premiums received on the issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Foreign exchange reserve

Includes all exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency.

Other reserves

Comprise the fair value of shares issued in exchange for shares in subsidiary undertakings.

Retained earnings

Includes all current and prior period retained profits and losses.

27. Related party transactions

Compensation of key management personnel and full details of Directors' remuneration are disclosed in Note 9.

The company is a wholly owned subsidiary of Abyssinian Bidco Limited. At the year end date, the amount owed to Abyssinian Bidco Limited under the intercompany loan agreement was £7.19m (2020: £4.97m). The balance includes interest that has accrued on the loan at a rate of LIBOR plus 4%. Abyssinian Bidco Limited have confirmed that the loan will not be called for repayment within one year of the date of signing of these financial statements.

There were no other related party transactions with the Company during 2021 and 2020.

28. Controlling party

At 31 December 2021, the Company's immediate parent company was Abyssinian Bidco Limited, a private limited company incorporated in England.

The Company's ultimate parent company is Investcorp Bank B.S.C, a public limited company incorporated in the Kingdom of Bahrain and listed on the Bahrain Stock Exchange.

Investcorp Bank B.S.C is 50% owned and controlled by SIPCO Limited which is 100% owned by SIPCO Holdings Limited. SIPCO Holdings Limited is owned by a number of private shareholders, none of whom own more than 25% of the issued share capital. Accordingly there is no ultimate controlling party.

29. Post balance sheet events

Since the balance sheet date, the Group received investment of £8.4m from the principal shareholder, Investcorp Private Equity, in July 2022. The equity funding was passed down to the company via an intercompany loan agreement, with the company receiving £4.1m in July 2022 as a loan from its parent company, Abyssinian Bidco Limited.