

Company Registration No. 06397669 (England and Wales)

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



ESEYE LIMITED

COMPANY INFORMATION

Directors	I Marsden Avid Limited J Whittle N Earle B Martin K W Lau R Lloyd
Secretary	I Marsden
Company number	06397669
Registered office	20 Nugent Road Surrey Research Park Guildford Surrey United Kingdom GU2 7AF
Auditor	Azets Audit Services Ashcombe Court Woolsack Way Godalming Surrey United Kingdom GU7 1LQ

ESEYE LIMITED

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ESEYE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the strategic report for the year ended 31 December 2021.

Fair review of the business

Business and market overview

Eseye provides intelligent global connectivity for Internet of Things ("IoT") devices, through a single global platform, delivering significant reductions in the complexity and management of global IoT deployments. Our unique AnyNet technology provides seamless connectivity wherever devices are in the world, switching intelligently between our many local network partners across the globe. Through a zero touch process, devices can be rapidly and securely connected with over-the-air security certification and updates. With extensive expertise in hardware and design, Eseye can accelerate the implementation of IoT deployments, delivering the desired business outcome and benefits of IoT for our customers.

The Group operates in over 190 countries, providing connectivity to around 1200 customers.

The IoT market has the potential to disrupt, creating real competitive advantages to businesses as they continue to adopt IoT. In the past 12 months we've seen the market mature significantly with a strong end to 2021, partly as a result of accelerated demand for digitisation projects post-COVID. Sentiment continues to be very positive with the number of worldwide connected IoT devices (excluding smartphones, tablets etc) forecasted to more than double to 27 billion by 2025.

Financial review and KPIs

During the year the Group's revenues increased by 12% to £16.7m (2020: £14.8m), and the gross profit margin decreased to 48.6% (2020: 49.3%). The Monthly Recurring Revenue ("MRR") grew by 37% to £1.4m in December 2021 (December 2020: £1.0m). The growth in revenue came from new customers as well as existing customers connecting new devices.

The loss before tax for the Group increased to £5.4m (2020: £3.6m). A loss was planned in order to drive revenue growth – see Going Concern section for further details.

Equity funding of £4.4m was successfully raised during the year at an increase in valuation from previous rounds, highlighting the high degree of investor confidence in Eseye and its position in this exciting market. A further £0.4m was raised from the issue of share capital arising from the exercise of share options.

Principal risks and uncertainties

- *Billing risk* - there is a risk that the complexity of the billing outstrips the resources available to deliver it, and that there are errors in the billing data causing an inability to bill in a timely manner. This is mitigated by ensuring any non-standard billing packages have a sign off process, and that there is rigorous software release process and testing.
- *Financial risk* - there is a risk that the business does not meet its financial plans and that it runs out of cash due to the people with the wrong skills being in place and no succession plans or development, and that bank covenants are breached. This is mitigated by the high cash balances as a result of the equity recently raised together with the banking facilities.
- *IT risk* – there is a risk that firewalls and anti-virus systems are compromised, and that physical servers are damaged, resulting in interruption of services or loss of data. In mitigation, Eseye has extensive firewalls and anti-virus systems in place, ensures the separation of client data, and has appropriate backups in place.

ESEYE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Principal risks and uncertainties (cont'd)

- *Network operator risk* – there is risk operators restrict roaming access or that they have insufficient capacity, resulting in disruption to services. In mitigation, there are direct interconnects with operator groups, and capacity planning and monitoring is in place.
- *Compliance with GDPR* – there is a risk data is misclassified, a breach is suffered and not acted upon, resulting in a fine and reputational damage. In mitigation there is appropriate staff training and communication with customers.
- *Loss of key individuals* – the risk that illness, poaching or resignation of key staff members would lead to a loss of knowledge and revenue. To mitigate this there are appropriate remuneration packages in place including long term incentive plans for key individuals.
- *Market risk* – there is a risk the wholesale pricing becomes too expensive, resulting in customers being unable to run their services and cancelling. In mitigation there is a diversified range of operators, and appropriate contractual terms are put in place.
- *Health and safety risk* – there is a risk that the pandemic could cause a shortage of staff to be able to run the business operations. Business continuity plans and adherence to government advice mitigate this risk.

Development and performance

The Group will continue to invest in research and development to stay at the forefront of technology in the sector. There will be further expansion in the number of network operator partners we can localise on, in order to concentrate on our core offering of global ubiquitous connectivity.

On behalf of the board



.....
N Earle
Director

Date: 13 July 2022

ESEYE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and financial statements for the year ended 31 December 2021.

Principal activities

The principal activity of the group continues to be that of the engineering and selling of M2M technology products and related communications services.

The principal trade is carried out in the United Kingdom, with subsidiary branches in Switzerland, India, the USA, South Africa, Australia, France, Brazil and Kenya.

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

No preference dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

I Marsden	
M Zuurmond	(Resigned 25 January 2022)
Avid Limited	
J Whittle	
N Earle	
R Osborn	(Resigned 23 March 2021)
B Martin	(Appointed 23 March 2021)
K W Lau	(Appointed 25 January 2022)
R Lloyd	(Appointed 25 January 2022)

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- 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's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ESEYE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021


Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

Provision of information under S414C(11)

Under S414C(11) of the Companies Act 2006, information not included in the Directors' Report is required to be shown in the Strategic Report. Information on the future developments, financial risk management, financial instruments and exposure to risk which is not shown in the Directors' Report is included within the Strategic Report.

On behalf of the board


.....
N. Earle
Director

Date: 13 July 2022

ESEYE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ESEYE LIMITED

Opinion

We have audited the financial statements of Eseye Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the group profit and loss account, the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 the parent company's affairs as at 31 December 2021 and of the group's loss for the year 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 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's 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 other information comprises the 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.

ESEYE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF ESEYE LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

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 its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where 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 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 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.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

ESEYE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ESEYE LIMITED

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 and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the entity through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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.

Azets Audit Services Limited

Robert Southey (Senior Statutory Auditor)
For and on behalf of Azets Audit Services

Date: 13 July 2022

Chartered Accountants
Statutory Auditor

Ashcombe Court
Woolsack Way
Godalming
Surrey
United Kingdom
GU7 1LQ

ESEYE LIMITED

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
Turnover	3	16,657,294	14,814,231
Cost of sales		(8,556,797)	(7,509,451)
Gross profit		<u>8,100,497</u>	<u>7,304,780</u>
Administrative expenses		(13,170,493)	(10,130,940)
Other operating income		14,216	48,816
Operating loss	5	<u>(5,055,780)</u>	<u>(2,777,344)</u>
Interest receivable and similar income	9	20,493	2,690
Interest payable and similar expenses	10	(391,031)	(870,812)
Loss before taxation		<u>(5,426,318)</u>	<u>(3,645,466)</u>
Tax on loss	11	252,028	368,610
Loss for the financial year		<u><u>(5,174,290)</u></u>	<u><u>(3,276,856)</u></u>

Loss for the financial year is all attributable to the owners of the parent company.

ESEYE LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £	2020 £
Loss for the year	(5,174,290)	(3,276,856)
Other comprehensive income		
Currency translation differences	(181,585)	(303,493)
Adjustments to the fair value of financial assets	495,294	365,882
Other comprehensive income for the year	313,709	62,389
Total comprehensive income for the year	(4,860,581)	(3,214,467)

Total comprehensive income for the year is all attributable to the owners of the parent company.

ESEYE LIMITED

GROUP BALANCE SHEET AS AT 31 DECEMBER 2021

	Notes	2021		2020	
		£	£	£	£
Fixed assets					
Intangible assets	12		3,416,817		2,302,936
Tangible assets	13		325,763		225,852
Investments	14		56,091		56,091
			<u>3,798,671</u>		<u>2,584,879</u>
Current assets					
Stocks	16	1,197,537		550,531	
Debtors	17	5,086,457		3,439,679	
Cash at bank and in hand		12,171,177		16,244,519	
		<u>18,455,171</u>		<u>20,234,729</u>	
Creditors: amounts falling due within one year	18	(6,328,596)		(5,706,322)	
Net current assets			<u>12,126,575</u>		<u>14,528,407</u>
Total assets less current liabilities			<u>15,925,246</u>		<u>17,113,286</u>
Creditors: amounts falling due after more than one year	19		(1,415,271)		(2,576,787)
Provisions for liabilities					
Provisions	21	64,929		56,720	
		<u>64,929</u>	<u>(64,929)</u>	<u>56,720</u>	<u>(56,720)</u>
Net assets			<u>14,445,046</u>		<u>14,479,779</u>
Capital and reserves					
Called up share capital	24		15,229		14,215
Share premium account			36,205,469		31,380,635
Fair value reserve			1,782,128		1,286,834
Profit and loss reserves			(23,557,780)		(18,201,905)
Total equity			<u>14,445,046</u>		<u>14,479,779</u>

The financial statements were approved by the board of directors and authorised for issue on 13 July 2022 and are signed on its behalf by:


.....
N Earle
Director

ESEYE LIMITED

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021		2020	
		£	£	£	£
Fixed assets					
Intangible assets	12		3,050,606		1,931,385
Tangible assets	13		226,637		165,423
Investments	14		310,298		217,898
			<u>3,587,541</u>		<u>2,314,706</u>
Current assets					
Stocks	16	900,508		148,794	
Debtors	17	14,075,481		10,416,677	
Cash at bank and in hand		11,089,432		15,728,570	
		<u>26,065,421</u>		<u>26,294,041</u>	
Creditors: amounts falling due within one year	18	(5,168,027)		(5,021,726)	
Net current assets			<u>20,897,394</u>		<u>21,272,315</u>
Total assets less current liabilities			<u>24,484,935</u>		<u>23,587,021</u>
Creditors: amounts falling due after more than one year	19		(1,415,271)		(2,576,787)
Provisions for liabilities					
Provisions	21	64,929		56,720	
		<u>(64,929)</u>		<u>(56,720)</u>	
Net assets			<u>23,004,735</u>		<u>20,953,514</u>
Capital and reserves					
Called up share capital	24		15,229		14,215
Share premium account			36,205,469		31,380,635
Fair value reserve			1,782,128		1,286,834
Profit and loss reserves			(14,998,091)		(11,728,170)
Total equity			<u>23,004,735</u>		<u>20,953,514</u>

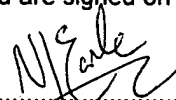
As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £3,141,396 (2020 - £1,694,423 loss).

ESEYE LIMITED

COMPANY BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2021

The financial statements were approved by the board of directors and authorised for issue on 13 July 2022
and are signed on its behalf by:


.....
N Earle
Director

Company Registration No. 06397669

ESEYE LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Share capital £	Share premium account £	Fair value reserve £	Profit and loss reserves £	Total £
Balance at 1 January 2020		9,080	7,595,567	920,952	(14,621,556)	(6,095,957)
Year ended 31 December 2020:						
Loss for the year		-	-	-	(3,276,856)	(3,276,856)
Other comprehensive income:						
Currency translation differences		-	-	-	(303,493)	(303,493)
Share based payments		-	-	365,882	-	365,882
Total comprehensive income for the year		-	-	365,882	(3,580,349)	(3,214,467)
Issue of ordinary share capital	24	316	1,509,684	-	-	1,510,000
Conversion of debt to equity of preference shares	24	2,140	6,377,730	-	-	6,379,870
Issue of Series A preference shares	24	245	1,198,893	-	-	1,199,138
Issue of Series B preference shares	24	2,434	14,698,761	-	-	14,701,195
Balance at 31 December 2020		14,215	31,380,635	1,286,834	(18,201,905)	14,479,779
Year ended 31 December 2021:						
Loss for the year		-	-	-	(5,174,290)	(5,174,290)
Other comprehensive income:						
Currency translation differences		-	-	-	(181,585)	(181,585)
Share based payments		-	-	495,294	-	495,294
Total comprehensive income for the year		-	-	495,294	(5,355,875)	(4,860,581)
Issue of ordinary share capital	24	394	425,442	-	-	426,456
Issue of Series B preference shares	24	620	4,399,392	-	-	4,399,392
Balance at 31 December 2021		15,229	36,205,469	1,782,128	(23,557,780)	14,445,046

ESEYE LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Share capital £	Share premium account £	Fair value reserve £	Profit and loss reserves £	Total £
Balance at 1 January 2020		9,080	7,595,567	920,952	(9,725,519)	(1,199,920)
Year ended 31 December 2020:						
Loss for the year		-	-	-	(1,694,423)	(1,694,423)
Other comprehensive income:						
Currency translation differences		-	-	-	(308,228)	(308,228)
Adjustments to fair value of financial assets		-	-	365,882	-	365,882
Total comprehensive income for the year		-	-	365,882	(2,002,651)	(1,636,769)
Issue of ordinary share capital	24	316	1,509,684	-	-	1,510,000
Conversion of debt to equity of preference shares	24	2,140	6,377,730	-	-	6,379,870
Issue of Series A preference shares	24	245	1,198,893	-	-	1,199,138
Issue of Series B preference shares	24	2,434	14,698,761	-	-	14,701,195
Balance at 31 December 2020		14,215	31,380,635	1,286,834	(11,728,170)	20,953,514
Year ended 31 December 2021:						
Loss for the year		-	-	-	(3,141,396)	(3,141,396)
Other comprehensive income:						
Currency translation differences		-	-	-	(128,525)	(128,525)
Adjustments to fair value of financial assets		-	-	495,294	-	495,294
Total comprehensive income for the year		-	-	495,294	(3,269,921)	(2,774,627)
Issue of ordinary share capital	24	394	425,442	-	-	426,456
Issue of Series B preference shares	24	620	4,399,392	-	-	4,399,392
Balance at 31 December 2021		15,229	36,205,469	1,782,128	(14,998,091)	23,004,735

ESEYE LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	£	2020 £	£
Cash flows from operating activities					
Cash absorbed by operations	27	(4,869,867)		(832,475)	
Interest paid		(351,913)		(392,846)	
Income taxes refunded		345,220		544,321	
Net cash outflow from operating activities		(4,876,560)		(681,000)	
Investing activities					
Purchase of intangible assets		(2,548,957)	(1,199,349)		
Purchase of tangible fixed assets		(233,473)	(91,981)		
Interest received		20,493	2,690		
Net cash used in investing activities		(2,761,937)		(1,288,640)	
Financing activities					
Proceeds from issue of shares		231,796	16,197,665		
Issue of preference shares		4,400,012	-		
Repayment of borrowings		(1,066,668)	(533,334)		
Drawdown of bank loans		-	1,500,000		
Net cash generated from financing activities		3,565,140		17,164,331	
Net (decrease)/increase in cash and cash equivalents		(4,073,357)		15,194,691	
Cash and cash equivalents at beginning of year		16,244,519		1,049,828	
Cash and cash equivalents at end of year		12,171,162		16,244,519	
Relating to:					
Cash at bank and in hand		12,171,177		16,244,519	
Bank overdrafts included in creditors payable within one year		(15)		-	

ESEYE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

Eseye Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is 20 Nugent Road, Surrey Research Park, Guildford, Surrey, United Kingdom, GU2 7AF.

The group consists of Eseye Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: The disclosure requirements of paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b), and 12.29A;
- Section 26 'Share based Payment': Share based payment arrangements required under FRS 102 paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

1.2 Business combinations

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

ESEYE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.3 Basis of consolidation

The consolidated financial statements incorporate those of Eseye Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2021, except for Dataflex India PVT Limited which as a year end of 31 March 2022. Interim accounts have been used to include the results for the period 30 December 2021. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Related party exemption

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

1.4 Going concern

At the balance sheet date the Group had a cash balance of £12.2m (2020 - £16.2m), and net current assets of £12.1m (2020 - £14.5m).

Total revenue in 2021 increased to £16.7m (2020 - £14.8m), and the Group continues to invest in the fast growing IoT market. As a result of this investment, operating costs continued to increase and the Group made operating losses during the year of £5.1m (2020 - £2.8m). The Group will continue to be loss making in the short-term, however, the Board believes the forecasts demonstrate that available cash and additional funding are more than sufficient for the Group to meet its liabilities as they fall due.

Equity funding of £4.4m was successfully raised during the year at an increase in valuation from previous rounds, highlighting the high degree of investor confidence in Eseye and its position in this exciting market. A further £0.4m was raised from the issue of share capital arising from the exercise of share options.

The £2m revolving credit facility remained unutilised during the year.

In June 2022 a new 4 year £7m loan facility was agreed, replacing the previous long term loan and undrawn revolving credit facility of £2m.

1.5 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from SIM card service charges is recognised on a straight line basis over the term of the subscription period and from the point of activation with any additional data usage outside the contract agreement recognised as and when it is incurred. Product sales are recognised on despatch and consultancy services are recognised at the stage of completion of individual projects.

1.6 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

ESEYE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.7 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Expenditure incurred on the development of internally generated products is capitalised if it can be demonstrated that:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic assets;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

All other development expenditure is written off as incurred.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Development costs	3-5 years straight line
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If there are indicators of a significant movement in the useful life or residual value of the assets, amortisation is revised prospectively to reflect this. Amortisation will not commence until the asset is in use.

1.8 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	Over the lease term or to break clause
Plant and machinery	Straight line over 1 year
Fixtures and fittings	33% on cost
Computer and office equipment	33% on cost

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

ESEYE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.9 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.10 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.11 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell, after making due allowance for obsolete and slow moving items. Cost comprises direct materials.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

ESEYE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.12 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.13 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

ESEYE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.14 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.15 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

ESEYE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.16 Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.17 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

1.18 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.19 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using an appropriate pricing model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest.

In valuing these transactions, no account is taken of vesting conditions, other than conditions linked to the price of shares of the company (market conditions) and non-vesting conditions. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance conditions are satisfied

At each balance sheet date before vesting, the cumulative expenses is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the statement of comprehensive income, with a corresponding entry in equity.

1.20 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.21 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants relating to turnover are recognised as income over the periods when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

ESEYE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.22 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

On consolidation the results of the foreign subsidiaries are translated into sterling at the average rates of exchange ruling throughout that year. Exchange differences arising on consolidation are dealt with through the other comprehensive income statement.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Warranty provision

Warranties are offered on all products supplied. The repair costs, which include material and labour costs associated with warranty work, are recognised as the repair work is undertaken. Provision is made at the year end for estimated warranty work required to be undertaken.

Stock provision

Slow moving and obsolete stock is reviewed on a line by line basis to identify items which should no longer be held at cost, based on the knowledge of the client. These are provided for in full and charged to the profit and loss for the year.

Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments granted at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by management using an appropriate pricing model.

In calculating the cumulative expenses representing the extent to which the vesting period has expired, management is required to estimate the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest.

ESEYE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

3 Turnover and other revenue

	2021	2020
	£	£
Turnover analysed by class of business		
Services and support	15,229,858	12,663,952
Product sales	1,108,587	1,617,692
Consultancy/grants	318,849	532,587
	<u>16,657,294</u>	<u>14,814,231</u>

	2021	2020
	£	£
Other significant revenue		
Interest income	20,493	2,690
Grants received	-	24,446
	<u>20,493</u>	<u>27,136</u>

	2021	2020
	£	£
Turnover analysed by geographical market		
United Kingdom	6,764,328	6,855,085
Europe	2,662,908	2,369,265
United States of America	3,094,141	1,923,464
Africa	1,006,635	908,768
Oceania	70,663	172,121
Rest of the world	3,058,619	2,585,528
	<u>16,657,294</u>	<u>14,814,231</u>

4 Exceptional item

	2021	2020
	£	£
Expenditure		
Exceptional item	-	532,549
	<u>-</u>	<u>532,549</u>

During 2020, exceptional costs of £532,549 were incurred in relation to termination costs regarding a reseller contract. None were incurred during 2021.

ESEYE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

5 Operating loss

	2021	2020
	£	£
Operating loss for the year is stated after charging/(crediting):		
Foreign exchange on trading activities	26,333	73,378
Research and development costs	165,817	145,309
Government grants	-	(24,446)
Depreciation of owned tangible fixed assets	135,686	100,607
(Profit)/loss on disposal of tangible fixed assets	-	512
Amortisation of intangible assets	1,311,142	954,193
Bad and doubtful debts	(12,453)	73,303
Share-based payments	495,294	365,882
Operating lease charges	219,736	203,753
	<u>2,128,145</u>	<u>2,080,375</u>

6 Auditor's remuneration

	2021	2020
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	22,850	19,350
Audit of the financial statements of the company's subsidiaries	9,800	8,200
	<u>32,650</u>	<u>27,550</u>

7 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2021 Number	2020 Number	Company 2021 Number	2020 Number
Engineering	70	61	34	28
Sales and Marketing	26	16	17	11
Finance and admin	20	17	14	11
Directors	5	5	5	5
Total	<u>121</u>	<u>99</u>	<u>70</u>	<u>55</u>

ESEYE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

7 Employees

(Continued)

Their aggregate remuneration comprised:

	Group 2021 £	2020 £	Company 2021 £	2020 £
Wages and salaries	6,824,566	4,678,251	4,924,409	3,351,001
Social security costs	1,019,374	516,836	800,730	370,284
Pension costs	215,716	147,769	167,426	108,632
	<u>8,059,656</u>	<u>5,342,856</u>	<u>5,892,565</u>	<u>3,829,917</u>

8 Directors' remuneration

	2021 £	2020 £
Remuneration for qualifying services	288,512	259,993
Company pension contributions to defined contribution schemes	9,108	9,600
	<u>297,620</u>	<u>269,593</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2020 - 1).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2021 £	2020 £
Remuneration for qualifying services	<u>160,000</u>	<u>140,000</u>

9 Interest receivable and similar income

	2021 £	2020 £
Interest income		
Interest on bank deposits	<u>20,493</u>	<u>2,690</u>

10 Interest payable and similar expenses

	2021 £	2020 £
Interest on bank overdrafts and loans	248,807	312,545
Other interest on financial liabilities	8,654	432,089
Other interest	133,570	126,178
Total finance costs	<u>391,031</u>	<u>870,812</u>

ESEYE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

11 Taxation

	2021	2020
	£	£
Current tax		
UK corporation tax on profits for the current period	(252,028)	(368,610)

The actual credit for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2021	2020
	£	£
Loss before taxation	(5,426,318)	(3,645,466)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	(1,031,000)	(692,639)
Tax effect of expenses that are not deductible in determining taxable profit	308,780	84,244
Tax effect of income not taxable in determining taxable profit	(112,943)	147,960
Unutilised tax losses carried forward	453,668	132,969
Permanent capital allowances in excess of depreciation	(24,157)	4,501
Research and development tax credit	(525,746)	(427,375)
Intangible assets tax adjustments	131,269	77,922
R&D surrender	299,526	243,482
Provisions tax adjustment	(25,143)	1,561
Foreign tax	273,718	58,765
Taxation credit	(252,028)	(368,610)

Factors that may affect future tax charges

At the year end the group has trading losses carried forward of £9,259,000 (2020 - £7,181,000) resulting in a potential deferred tax asset of £2,314,700 (2020 - £1,364,400).

It is the directors opinion that research and development expenditure will continue for the foreseeable future and will be sufficient to cover all future taxable profits. The directors have therefore not recognised a deferred tax asset in respect of losses carried forward on the basis that it is uncertain whether available taxable profits will arise in the foreseeable future.

ESEYE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

12 Intangible fixed assets

Group	Development costs £
Cost	
At 1 January 2021	6,311,702
Additions - internally developed	2,431,602
Exchange adjustments	(14,047)
At 31 December 2021	<u>8,729,257</u>
Amortisation and impairment	
At 1 January 2021	4,008,766
Amortisation charged for the year	1,311,142
Exchange adjustments	(7,468)
At 31 December 2021	<u>5,312,440</u>
Carrying amount	
At 31 December 2021	<u><u>3,416,817</u></u>
At 31 December 2020	<u><u>2,302,936</u></u>
Company	Development costs £
Cost	
At 1 January 2021	4,946,921
Additions - internally developed	2,268,366
At 31 December 2021	<u>7,215,287</u>
Amortisation and impairment	
At 1 January 2021	3,015,536
Amortisation charged for the year	1,149,145
At 31 December 2021	<u>4,164,681</u>
Carrying amount	
At 31 December 2021	<u><u>3,050,606</u></u>
At 31 December 2020	<u><u>1,931,385</u></u>

ESEYE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

13 Tangible fixed assets

Group	Leasehold land and buildings £	Plant and machinery £	Fixtures and fittings £	Computer and office equipment £	Total £
Cost					
At 1 January 2021	108,271	132,490	73,971	428,804	743,536
Additions	6,817	9,442	3,258	220,114	239,631
Exchange adjustments	(442)	-	(1,580)	1,128	(894)
At 31 December 2021	<u>114,646</u>	<u>141,932</u>	<u>75,649</u>	<u>650,046</u>	<u>982,273</u>
Depreciation and impairment					
At 1 January 2021	46,207	124,195	36,444	310,838	517,684
Depreciation charged in the year	20,057	14,443	18,797	82,389	135,686
Exchange adjustments	1,004	-	62	2,074	3,140
At 31 December 2021	<u>67,268</u>	<u>138,638</u>	<u>55,303</u>	<u>395,301</u>	<u>656,510</u>
Carrying amount					
At 31 December 2021	<u>47,378</u>	<u>3,294</u>	<u>20,346</u>	<u>254,745</u>	<u>325,763</u>
At 31 December 2020	<u>62,064</u>	<u>8,295</u>	<u>37,527</u>	<u>117,966</u>	<u>225,852</u>
Company					
	Leasehold land and buildings £	Fixtures and fittings £	Computer and office equipment £	Total £	
Cost					
At 1 January 2021	101,996	50,442	359,770	512,208	
Additions	6,817	2,225	138,464	147,506	
At 31 December 2021	<u>108,813</u>	<u>52,667</u>	<u>498,234</u>	<u>659,714</u>	
Depreciation and impairment					
At 1 January 2021	44,307	33,468	269,010	346,785	
Depreciation charged in the year	18,060	11,999	56,233	86,292	
At 31 December 2021	<u>62,367</u>	<u>45,467</u>	<u>325,243</u>	<u>433,077</u>	
Carrying amount					
At 31 December 2021	<u>46,446</u>	<u>7,200</u>	<u>172,991</u>	<u>226,637</u>	
At 31 December 2020	<u>57,689</u>	<u>16,974</u>	<u>90,760</u>	<u>165,423</u>	

ESEYE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

14 Fixed asset investments

	Notes	Group 2021 £	2020 £	Company 2021 £	2020 £
Investments in subsidiaries	15	-	-	310,298	217,898
Unlisted investments		56,091	56,091	-	-
		<u>56,091</u>	<u>56,091</u>	<u>310,298</u>	<u>217,898</u>

Movements in fixed asset investments

Group	Investments £
Cost or valuation	
At 1 January 2021 and 31 December 2021	56,091
Carrying amount	
At 31 December 2021	<u>56,091</u>
At 31 December 2020	<u>56,091</u>

Movements in fixed asset investments

Company	Shares in subsidiaries £
Cost or valuation	
At 1 January 2021	217,898
Additions	92,400
At 31 December 2021	<u>310,298</u>
Carrying amount	
At 31 December 2021	<u>310,298</u>
At 31 December 2020	<u>217,898</u>

15 Subsidiaries

Details of the company's subsidiaries at 31 December 2021 are as follows:

ESEYE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

15 Subsidiaries

(Continued)

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Eseye Design Limited	20 Nugent Road, Surrey Research Park, Guildford, GU2 7AF	Communications system development and wholesale	Ordinary	100.00	-
Dataflex India PVT Ltd	711D Mall, Netaji Subhash Place, Pitampura Dehli 110034, India	Design and development of communication systems	Ordinary	100.00	-
Anynet Limited	20 Nugent Road, Surrey Research Park, Guildford, GU2 7AF	Dormant	Ordinary	100.00	-
Dataflex APAC Limited	PO Box 183, Earlwood, NSW 2206, Australia	Wholesale of communication systems	Ordinary	100.00	-
Eseye Switzerland Limited	Chemin du Fenillet 1, 1866 La Forclaz, Switzerland	Wholesale of communication systems	Ordinary	100.00	-
Eseye (PTY) Limited (SA)	35 Kudu Crescent, Rivonia 2128, South Africa	Wholesale of communication systems	Ordinary	100.00	-
Eseye France	27 Rue Marius Jacotot, 92800 Puteaux, France	Wholesale of communication systems	Ordinary	100.00	-
Eseye Brasil	Rua Bela Cintra 756, Conjunto 62, Sao Paulo, SP, CEP 01415-002, Brazil	Wholesale of communication systems	Ordinary	99.90	-
Eseye East Africa	Empress Office Suites, Ring Road, Westlands	Wholesale of communication systems	Ordinary	100.00	-
Eseye LLC	1044 Black Rock Tpk, Easton, CT 06612, United States	Wholesale of communication systems	Ordinary	100.00	-
Eseye Brazil Telecom	Rua Bela Cintra 756, Conjunto 62, Sao Paulo, SP, CEP 01415-002, Brazil	Wholesale of communication systems	Ordinary	-	99.90
Eseye Turkey	ESENTEPE MAH. KORE SEHTLERI CAD. ISTANBLOOM NO:16-1 IÇKAPINO:80, ISTANBUL	Wholesale of communication systems	Ordinary	100.00	-

16 Stocks

	Group	2020	Company	2020
	2021	2020	2021	2020
	£	£	£	£
Finished goods and goods for resale	1,197,537	550,531	900,508	148,794

ESEYE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

17 Debtors

	Group 2021	2020	Company 2021	2020
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	2,718,433	1,548,363	1,820,957	1,273,966
Corporation tax recoverable	525,748	427,377	417,557	340,121
Amounts owed by group undertakings	-	-	11,105,299	8,180,946
Other debtors	129,828	153,115	49,501	51,794
Prepayments and accrued income	1,572,929	1,310,824	542,648	569,850
	<u>4,946,938</u>	<u>3,439,679</u>	<u>13,935,962</u>	<u>10,416,677</u>
Amounts falling due after more than one year:				
Prepayments and accrued income	139,519	-	139,519	-
	<u>139,519</u>	<u>-</u>	<u>139,519</u>	<u>-</u>
Total debtors	<u>5,086,457</u>	<u>3,439,679</u>	<u>14,075,481</u>	<u>10,416,677</u>

18 Creditors: amounts falling due within one year

		Group 2021	2020	Company 2021	2020
	Notes	£	£	£	£
Bank loans and overdrafts	20	1,066,683	1,066,668	1,066,668	1,066,668
Other borrowings	20	172,862	243,804	172,862	243,804
Trade creditors		2,151,660	1,865,528	1,879,964	1,584,751
Corporation tax payable		249,451	57,888	-	-
Other taxation and social security		232,589	499,886	173,957	434,645
Other creditors		93,909	266,563	71,108	193,851
Accruals and deferred income		2,361,442	1,705,985	1,803,468	1,498,007
		<u>6,328,596</u>	<u>5,706,322</u>	<u>5,168,027</u>	<u>5,021,726</u>

Included within other creditors is an amount of £28,594 (2020 - £119,606) owed to the directors, as detailed in note 26.

ESEYE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

19 Creditors: amounts falling due after more than one year

	Notes	Group 2021 £	2020 £	Company 2021 £	2020 £
Bank loans and overdrafts	20	1,333,330	2,399,998	1,333,330	2,399,998
Accruals and deferred income		81,941	176,789	81,941	176,789
		<u>1,415,271</u>	<u>2,576,787</u>	<u>1,415,271</u>	<u>2,576,787</u>

20 Loans and overdrafts

	Group 2021 £	2020 £	Company 2021 £	2020 £
Bank loans	2,399,998	3,466,666	2,399,998	3,466,666
Bank overdrafts	15	-	-	-
Loans from related parties	172,862	243,804	172,862	243,804
	<u>2,572,875</u>	<u>3,710,470</u>	<u>2,572,860</u>	<u>3,710,470</u>
Payable within one year	1,239,545	1,310,472	1,239,530	1,310,472
Payable after one year	1,333,330	2,399,998	1,333,330	2,399,998

The long-term loans are secured by fixed charges as follows:

On 23 May 2019 Clydesdale Bank PLC created a fixed and floating charge over all property of Eseye Limited.

In the year, the company drew down £nil (2020 - £1.5m) of the term loan facility available from the bank and £2.4m was outstanding at the end of the year (2020 - £3.5m). This is repayable by eleven quarterly installments of £266,667 and a final installment of £1,066,663 on 30 April 2023. Interest is paid quarterly in arrears at a rate of 8% plus LIBOR per annum. Interest is also paid quarterly in arrears on any undrawn amounts at a rate of 2.9% per annum.

21 Provisions for liabilities

	Group 2021 £	2020 £	Company 2021 £	2020 £
Warranty provision	34,929	26,720	34,929	26,720
Dilapidations provision	30,000	30,000	30,000	30,000
	<u>64,929</u>	<u>56,720</u>	<u>64,929</u>	<u>56,720</u>

ESEYE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

21 Provisions for liabilities

(Continued)

Movements on provisions:

Group	Warranty provision £	Dilapidations provision £	Total £
At 1 January 2021	26,720	30,000	56,720
Additional provisions in the year	8,209	-	8,209
At 31 December 2021	<u>34,929</u>	<u>30,000</u>	<u>64,929</u>

Company	Warranty provision £	Dilapidations provision £	Total £
At 1 January 2021	26,720	30,000	56,720
Additional provisions in the year	8,209	-	8,209
At 31 December 2021	<u>34,929</u>	<u>30,000</u>	<u>64,929</u>

22 Retirement benefit schemes

Defined contribution schemes	2021 £	2020 £
Charge to profit or loss in respect of defined contribution schemes	<u>215,716</u>	<u>147,769</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund. There were £44,455 (2020 - £38,837) of outstanding contributions at the year end.

23 Share-based payment transactions

Eseye Limited operates an Enterprise Management Incentive Scheme ('EMI Scheme') for its employees and an Unapproved Scheme for its employees, contractors and members of the advisory board. The options are equity settled. Under the Option Rules, options may be granted in favour of certain employees, contractors and members of the advisory board of the Company pursuant to the Option Plan. The vesting period is up to 4 years. The Board has a discretion to allow all options to vest in the event of a sale or flotation of the company. The options lapse in the event the option holder ceases to be an employee/contractor for any reason.

ESEYE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

23 Share-based payment transactions (Continued)

Group and company	Number of share options		Weighted average exercise price	
	2021 Number	2020 Number	2021 £	2020 £
Outstanding at 1 January 2021	141,750	129,350	22.99	21.07
Granted	42,819	12,400	56.13	43.03
Exercised	(39,420)	-	10.78	-
Expired	(2,472)	-	46.89	-
Outstanding at 31 December 2021	<u>142,677</u>	<u>141,750</u>	<u>35.90</u>	<u>22.99</u>
Exercisable at 31 December 2021	<u>87,216</u>	<u>107,290</u>	<u>25.89</u>	<u>18.55</u>

The options outstanding at 31 December 2021 had a weighted average exercise price of £35.90 and an exercise period of 10 years from the date of grant.

Group and company

The fair value of options granted in the year was determined using the Black-Scholes option pricing model. The Black-Scholes model is considered to apply the most appropriate valuation method due to the relatively short contractual lives of the options and the requirement to exercise within a short period after the employee becomes entitled to the shares (the "vesting date").

The company has taken advantage of the exemption under paragraph 35.10 of FRS 102 not to include the fair value of the share options granted prior to the date of transition.

Inputs were as follows:

	2021	2020
Weighted average share price	57.32	50.00
Weighted average exercise price	56.13	43.03
Expected volatility	0.24	0.24
Expected life	10.00	10.00
Risk free rate	<u>0.78</u>	<u>0.28</u>

The equity settled share based expense for the year was £495,294 (2020 - 365,882).

The expected volatility is based upon the volatility of a basket of listed companies in a similar industry with a growth adjustment. It reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

There are service related conditions associated with the share options but no market related conditions.

ESEYE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

23 Share-based payment transactions (Continued)

	Group 2021 £	2020 £	Company 2021 £	2020 £
Expenses recognised in the year				
Arising from equity settled share based payment transactions	495,294	365,882	495,294	365,882

24 Share capital

	2021 Number	2020 Number	2021 £	2020 £
Ordinary share capital				
Issued and fully paid				
Ordinary shares of 1p each	979,025	939,605	9,790	9,396

	2021 Number	2020 Number	2021 £	2020 £
Preference share capital				
Issued and fully paid				
Series A Preference shares of 1p each	238,441	238,441	2,385	2,385
Series B Preference shares of 1p each	305,369	243,397	3,054	2,434
	543,810	481,838	5,439	4,819

Preference shares classified as equity 5,439 4,819

Total equity share capital 15,229 14,215

On 20 September 2021 18,000 ordinary shares of 1p were allotted as fully paid at a premium of £10.77 per share.

On 20 September 2021 61,972 series B preference shares of 1p were allotted as fully paid at a premium of £70.99 per share.

On 9 November 2021 830 ordinary shares of 1p were allotted as fully paid at a premium of £11.84 per share.

On 9 November 2021 7,000 ordinary shares of 1p were allotted as fully paid at a premium of £10.77 per share.

On 19 November 2021 2,685 ordinary shares of 1p were allotted as fully paid at a premium of £10.77 per share.

On 20 December 2021 10,905 ordinary shares of 1p were allotted as fully paid at a premium of £10.77 per share.

On any distribution of assets, the series B preference shares would be paid in priority to any other class of shares, up to the amount paid per share. The series A preference shares would rank second up to the amount paid per share, followed by the ordinary shares who will receive the remainder. The above shares rank pari passu in all other respects.

ESEYE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

25 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2021 £	2020 £	Company 2021 £	2020 £
Within one year	167,856	162,290	145,137	139,389
Between two and five years	190,856	358,912	188,966	334,102
	<u>358,712</u>	<u>521,202</u>	<u>334,103</u>	<u>473,491</u>

26 Related party transactions

Transactions with related parties

Included other creditors due within one year are the following transactions and amounts outstanding in respect of loans to the company:

	Interest accruing in year	Balance outstanding at year end
I Marsden	£24,693 (2020- £6,016)	£28,594 (2020 - £119,606)
GP Projects Limited	£25,281 (2020 - £6,016)	£142,918 (2020 - £117,637)
P Marshall	£24,812 (2020 - £6,016)	£29,944 (2020 - £120,898)

During the year the company settled interest and principal loans balances amounting to £115,705 with I Marsden, and £115,766 with P Marshall. I Marsden and P Marshall each exercised options and purchased 9,000 ordinary shares at £10.78 per share.

GP Projects Limited is a company over which I Marsden, director, has significant influence. P Marshall is an employee who is considered to have significant influence over the business operations and company's strategy.

ESEYE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

27 Cash absorbed by group operations

	2021 £	2020 £
Loss for the year after tax	(5,174,290)	(3,276,856)
Adjustments for:		
Taxation credited	(252,028)	(368,610)
Finance costs	391,031	870,812
Investment income	(20,493)	(2,690)
(Gain)/loss on disposal of tangible fixed assets	-	512
Amortisation and impairment of intangible assets	1,311,142	954,193
Depreciation and impairment of tangible fixed assets	135,686	100,607
Foreign exchange	(170,972)	(303,493)
Equity settled share based payment expense	495,294	365,882
Increase/(decrease) in provisions	8,209	(1,221)
Movements in working capital:		
Increase in stocks	(647,006)	(175,836)
(Increase)/decrease in debtors	(1,548,407)	81,052
Increase in creditors	601,967	923,175
Cash absorbed by operations	(4,869,867)	(832,473)

28 Analysis of changes in net funds - group

	1 January 2021 £	Cash flows £	Exchange rate movements £	31 December 2021 £
Cash at bank and in hand	16,244,519	(4,244,314)	170,972	12,171,177
Bank overdrafts	-	(15)	-	(15)
	<u>16,244,519</u>	<u>(4,244,329)</u>	<u>170,972</u>	<u>12,171,162</u>
Borrowings excluding overdrafts	(3,710,470)	1,137,610	-	(2,572,860)
	<u>12,534,049</u>	<u>(3,106,719)</u>	<u>170,972</u>	<u>9,598,302</u>