

## MediaKind Systems UK Ltd

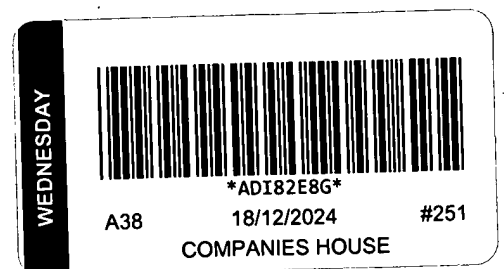
# Annual Report and Audited Financial Statements

MediaKind Systems UK Ltd

Registration number: 03695535

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For the Year Ended 31 December 2023



## **MediaKind Systems UK Ltd**

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## MediaKind Systems UK Ltd

### Company Information

#### Directors

Ronan Terrence Fortune (Appointed 20 June 2023)  
Thomas Walshe (Resigned 20 June 2023)

#### Registered Office

2 Charlotte Place  
7th & 8th Floors  
Southampton  
Hampshire  
SO140TB  
United Kingdom

#### Registered Number

03695535

#### Company Secretary

Intertrust (UK) Limited

#### Bankers

Citibank NA London  
Citigroup Centre  
33 Canada Square  
London  
E145LB  
United Kingdom

#### Statutory Auditors

Grant Thornton  
Chartered Accountants & Statutory Auditors  
13-18 City Quay  
Dublin 2  
D02 ED70  
Ireland

## Mediakind Systems UK Ltd

# Strategic Report

for the Year Ended 31 December 2023

### Fair review of the business

MediaKind Systems UK Ltd is the market leader in professional video processing solutions, with over 20 years of experience in compression algorithms development. We provide our customers with superior value through business insight, solution performance and technology leadership. We offer an unrivalled customer experience as a trusted and proven partner capable of supporting their business.

The Company's profit for the financial year amounted to £ 1.2 million (2022: £ 4.7 million).

The gross margin percentage decreased from 20% to 17%.

The Company had total assets of £ 63.4 million (2022: £ 66.2 million) at year end.

### Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are:

**We may not be able to properly respond to market trends in the industries in which we operate, including the ongoing convergence of the telecom, data and media industries, which may harm our market position relative to our competitors.**

We are affected by market conditions and trends within the industries in which we operate, including the convergence of the telecom, data and media industries. Convergence is largely driven by technological developments for example in software and cloud. This is changing the competitive landscape as well as business models and affects our objective-setting, risk assessment and strategies. Competitors new to our business have entered and may continue to enter this new business context and negatively impact our market share in selected areas. If we fail to understand the market development or fail to acquire the necessary competencies to develop and sell products, services and solutions that are competitive in this changing business environment, our business, operating results and financial condition will suffer.

**We depend upon the development of new products at the group level and enhancements to our existing products, and the success of our substantial research and development investments is uncertain.**

Rapid technological and market changes in our industry require us to make significant investments in technological innovation. We invest significantly in new technology, products and solutions. In order for us to be successful, those technologies, products and solutions must be accepted by relevant standardisation bodies and by the industry as a whole. The failure of our research and development efforts to be technically or commercially successful could have adverse effects on our business, operating results and financial condition. If we invest in the development of technologies, products and solutions that do not function as expected, are not adopted by the industry, are not ready in time, or are not successful in the marketplace, our sales may materially suffer. Additionally, it is common for research and development projects to encounter delays due to unforeseen problems. Delays in production and research and development may increase the cost of research and development efforts and put us at a disadvantage against our competition. This could have a material adverse effect upon our business, operating results and financial condition.

## Mediakind Systems UK Ltd

# Strategic Report

for the year ended 31 December 2023 (continued)

### **Cyber security incidents may have a material adverse effect on our business, financial condition, reputation and brand.**

The Company's business operations involve areas that are particularly vulnerable to cyber security incidents that may impact confidentiality, availability or integrity of products, services or solutions. These incidents may include data breaches, intrusions, espionage, know-how and data privacy infringements, leakage, unauthorised or accidental modification of data and general malfeasance. Examples of these areas include, among others, research and development, managed services, usage of cloud solutions, software development, lawful interception, product engineering, IT, finance and HR operations. Any cyber security incident including unintended use, involving our operations, product development, services, our third-party providers or installed product base, could cause severe harm to the Company and could have a material adverse effect on our business, financial condition, reputation and brand. The Company relies heavily on third parties to whom we have outsourced significant aspects of our IT infrastructure, product development, engineering services, finance and HR operations. While we have taken precautions relating to the selection, integration and ongoing management of these third-parties, any event or incident that is caused as a result of vulnerabilities in their operations or products supplied to us could have a material adverse effect upon the Company, our business, financial condition, reputation and brand, potentially slowing operations, leaking valuable intellectual property or sensitive information or damaging our products which have been installed in our customers' networks.

### **We must continue to attract and retain highly qualified employees to remain competitive.**

We believe that our future success largely depends on our continued ability to hire, develop, motivate and retain engineers and other qualified personnel needed to develop successful new products, support our existing product range and provide services to our customers. Competition for skilled personnel and highly qualified managers in the industries in which we operate remains intense. We are continuously developing our corporate culture, remuneration, promotion and benefits policies as well as other measures aimed at empowering our employees and reducing employee turnover. However, there are no guarantees that we will be successful in attracting and retaining employees with appropriate skills in the future, and failure in retention and recruiting could have a material adverse effect on our business and brand.

### **Threat factors may target specific employees, or other members of MediaKind's workforce, through technological and non-technological means.**

Recent trends have shown that there is a willingness to target end users of technology, rather than enterprises. This has manifested itself in the rise of threats such as ransomware, phishing and other extortion methods. The Company is susceptible to risks of disruption or information loss resulting from large scale attacks towards our employees. This could have a material adverse effect on our business, financial condition, reputation and brand.

### **Product or service quality issues could lead to reduced revenue and gross margins and declining sales to existing and new customers.**

Sales contracts normally include warranty undertakings for faulty products and often include provisions regarding penalties and/or termination rights in the event of a failure to deliver ordered products or services on time or with required quality. Although we undertake a number of quality assurance measures to reduce such risks, product quality or service performance issues may negatively affect our reputation, business, operating results and financial condition. If significant warranty obligations arise due to reliability or quality issues, our operating results and financial position could be negatively impacted by costs associated with fixing software or hardware defects, high service and warranty expenses, high inventory obsolescence. expense, delays in collecting accounts receivable or declining sales to existing and new customers.

## Mediakind Systems UK Ltd

## Strategic Report

for the year ended 31 December 2023 (continued)

**If our customers' financial conditions decline, we will be exposed to increased credit and commercial risks.**

After completing sales to customers, we may encounter difficulty collecting accounts receivables and could be exposed to risks associated with uncollectable accounts receivable. We regularly assess the credit worthiness of our customers and based on that assessment we determine a credit limit for each one of them. Challenging economic conditions have impacted some of our customers' ability to pay their invoices. We may be unable to avoid future losses on our trade receivables. We have also experienced demands for customer financing, and in adverse financial markets or more competitive environments, those demand may increase. Upon the financial failure of a customer, we may experience losses on credit extended and loans made to such customer, losses relating to our commercial risk exposure, and the loss of the customer's ongoing business. If customers fail to meet their obligations to us, we may experience reduced cash flows and losses in excess of reserves, which could materially adversely impact our operating results and financial condition.

**Financial Key performance indicators**

The Company's key financial and other performance indicators during the year were as follows:

	<b>2023</b>	2022	
	<b>£000</b>	£000	<b>% change</b>
Revenue	<b>23,095</b>	28,030	(17.61)
Gross profit	<b>3,884</b>	5,488	(29.23)
Gross margin %	<b>17%</b>	20%	(14.10)
Operating profit	<b>2,262</b>	1,597	41.64
Operating profit %	<b>10%</b>	6%	71.91
Profit before income tax	<b>1,858</b>	4,557	(59.23)
<b>Revenue by region</b>			
	<b>2023</b>	2022	
	<b>£000</b>	£000	<b>% change</b>
UK	<b>3,263</b>	4,055	(19.53)
Sweden	<b>110</b>	365	(69.86)
Rest of Europe	<b>9,334</b>	13,238	(29.49)
Asia Pacific	<b>7,391</b>	7,158	3.26
India and Middle East	<b>2,668</b>	3,067	(13.01)
Other	<b>329</b>	147	123.81
	<b>23,095</b>	28,030	(17.61)

## Mediakind Systems UK Ltd

### Strategic Report

for the year ended 31 December 2023 (continued)

#### Financial position

The financial position of the Company is presented in the Statement of financial Position and is summarised as follows:

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Total Equity		
- Total assets	63,383	66,204
- Total Liabilities	<u>(34,649)</u>	<u>(38,631)</u>
	<u><b>28,734</b></u>	<u><b>27,573</b></u>

#### Statement by the Directors in relation to Performance of their Statutory Duties in accordance with Section 172(1) Companies Act 2006

When making decisions, the Directors of the Company must act in the way they consider, in good faith, is most likely to promote the success of the Company for the benefit of its members as a whole, while also considering the broad range of stakeholders who interact with and are impacted by our business. Throughout the year, while discharging their duties, section 172(1) of the Companies Act 2006 requires a Director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long term
- interests of the Company's employees - need to foster the Company's business
- relationships with suppliers, customers and others
- impact of the Company's operations on the community and environment
- desirability of the Company maintaining a reputation for high standards of business conduct and
- need to act fairly as between members of the Company.

In discharging their s.172(1) duties the Directors have had regard to the relevant factors set out above, as well as other factors relevant to the decisions being made. The Directors also acknowledge that the Company is a member of the MediaKind Group and by considering MediaKind's purpose and values, together with the Company's strategic priorities, the Directors aim to ensure that the decisions made are consistent and intended to promote the long-term success of the Company and the MediaKind Group.

Mediakind Systems UK Ltd

## Strategic Report

for the year ended 31 December 2023 (continued)

### **Statement by the Directors in relation to Performance of their Statutory Duties in relation to Stakeholder engagement and employee engagement**

Noting the size and spread of the Company's stakeholders and close alignment with the stakeholders of MediaKind Group, the Company conducted its stakeholder engagement at Group level. Engaging at Group level was deemed the most efficient and effective method of engagement, to help achieve a greater positive impact on environmental, social and other related matters. The MediaKind Group engaged with key stakeholders throughout the year to understand the issues and factors that are significant for these stakeholders, and a number of actions were taken as a result of this engagement at Group level. The Directors' held active meetings throughout the reporting year and reviewed and considered their skills and expertise applicable to their position as Directors of the Company.

#### **On behalf of Board**

DocuSigned by:

*Ronan Fortune*

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Ronan Terence Fortune

Director

## Mediakind Systems UK Ltd

### Directors' report

for the Year Ended 31 December 2023

The Directors present their annual report on the affairs of MediaKind Systems UK Ltd (the "Company"), together with the audited financial statements for the financial year ended 31 December 2023.

#### Principal activity

The Company is a limited liability company, incorporated and domiciled in the United Kingdom. Its registered office and principal place of business is 2 Charlotte Place, 7th & 8th Floors, Southampton, Hampshire, SO14 0TB, United Kingdom.

The principal activity of the Company comprises the provision of solutions that enable the acquisition, exchange and delivery of video, audio and data across various networks including broadband, cable, satellite, terrestrial and telecommunications. The Company also provides R&D services relating to the compression technology to its group undertaking.

#### Future developments

The Company will look to leverage its global sales, R&D and distribution forces to continue to develop, distribute and sell the most advanced video compression solutions in the market.

#### Dividends

The Directors have not declared final dividend in respect of 2023 (2022: £nil). No interim dividend payment was made in 2023 or 2022.

#### Subsequent events

In December 2023, the Company initiated Project Diamond, a global restructuring plan implemented in January 2024, with a formal announcement in the UK. As per IAS 37 and IAS 19, a restructuring provision of £1.4 million will be recorded in the financial statements for the year ending 31 December 2024, as the relevant communication with affected parties occurred after the year-end.

#### Research and development

The Company retains its ongoing commitment to technology and innovation and continues to carry out significant R&D which ensures that the Company has access to some of the most advanced, open technology that will enable it to offer a complete best of breed solution to all players in the digital media market. R&D expenditures amounted to £ 4.1 million (2022: £ 3.4 million). Levels of expenditure are detailed in Note 3 to the financial statements.

#### Directors and their interests

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

Ronan Terence Fortune (appointed 20 June 2023)

Thomas Walshe (resigned 20 June 2023)

None of the Directors held any interest in the share capital of the Company or that of its parent company, MK Systems Netherlands B.V., at any time during the year. During the year and at the date of approval of the financial statements, the Company held third party indemnity cover in respect of the Directors.

The Directors are the only key management personnel of the Company and their remuneration is included in the disclosure in Note 19 of the financial statements.

## Mediakind Systems UK Ltd

### Directors' report

for the Year Ended 31 December 2023 (continued)

#### Company Secretary

The Company Secretary who was in office during the year and up to the date of signing the financial statements was as follows:

Intertrust (UK) Limited

#### Financial risk management

The Company's financial risk management policy is managed by MediaKind Group Treasury. The principal aim is to ensure that appropriate financing is in place to manage the Company's liquidity as well as financial assets and liabilities, and to control financial risk exposures in a manner consistent with underlying business risks and financial policies. The Company does not undertake any local hedging activities.

See Note 16 for further details on foreign exchange, interest rate and liquidity risks.

#### Employment policies

Applications for employment by disabled persons are fully considered, bearing in mind the aptitudes of the applicants concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

#### Employee consultation

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

#### Going concern

The financial statements have been prepared on a going concern basis. The Directors, after carrying out necessary enquiries, believe that the Company has adequate resources to fund future operations and payment of its expenses and is well placed to manage its business risk successfully.

As a consequence of the above, the Directors have reasonable expectation that the Company has adequate resources and procedures in place to manage its business risks for the foreseeable future. Accordingly, the Company has adopted the going concern basis in the preparation of the financial statements.

#### Political donations and charitable donations

The Company made no political and charitable donations during the year under review.

#### Treasury policies

The Company finances its activities with a combination of intercompany loan arrangements, management services and shareholders' equity. Other financial assets and liabilities such as trade debtors and trade creditors, arise directly from the Company's operating activities. The Company does not trade in financial instruments and has no other form of derivatives.

Mediakind Systems UK Ltd

## Directors' report for the Year Ended 31 December 2023 (continued)

### Disclosure of information to the auditor

In the case of each Director in office at the date the Directors' Report is approved:

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

### Statement by the Directors in relation to Performance of their Statutory Duties in accordance with Section 172(1) Companies Act 2006

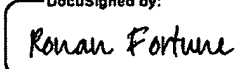
The Section 172 statement, stakeholder engagement and employee engagement have been discussed in the Strategic Report.

### Independent auditors

The auditors, Grant Thornton, continue in office in accordance with section 485 of the Companies Act 2006.

Approved by the Board on 18 December 2024 and signed on its behalf by:

#### On behalf of Board

DocuSigned by:  
  
Roman Fortune

12/18/2024

Director

Mediakind Systems UK Ltd

## Statement of Directors' responsibilities

The Directors acknowledge their responsibilities 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 UK-Adopted International Accounting Standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies for the Company financial statements and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Approved by the Board on 18 December 2024 and signed on its behalf by:

DocuSigned by:  
*Ronan Fortune*  
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12/18/2024

Ronan Terrence Fortune

Director

**MediaKind Systems UK Ltd**

**Statement of Comprehensive Income**

for the financial year ended 31 December 2023

	Note(s)	2023 £000	2022 £000
Revenue from contracts with customers	2	23,095	28,030
Cost of sales		(19,211)	(21,589)
<b>Gross profit</b>		<b>3,884</b>	<b>6,441</b>
Administration and selling expenses		(1,622)	(4,843)
<b>Operating income</b>	<b>3</b>	<b>2,262</b>	<b>1,598</b>
Finance (expense) / income - net	19	(404)	2,960
<b>Profit before Income tax</b>		<b>1,858</b>	<b>4,558</b>
Income tax (expense) / credit	6	(697)	95
<b>Profit for the financial year</b>		<b>1,161</b>	<b>4,652</b>
Other comprehensive income		-	-
<b>Total profit for the financial year</b>		<b>1,161</b>	<b>4,652</b>

All of the above results relate to continuing activities.

The Notes on Pages 19 to 42 from an integral part of these financial statements

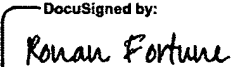
**MediaKind Systems UK Ltd****Statement of Financial Position**

for the financial year ended 31 December 2023

	Note	2023 £000	2022 £000
<b>Non-current assets</b>			
Property, plant and equipment	7	694	964
Deferred tax assets	6	1,268	2,278
Right-of-Use assets	15	569	760
<b>Total non-current assets</b>		<b>2,531</b>	<b>4,002</b>
<b>Current assets</b>			
Inventories	8	2,183	3,454
Contract assets	2	2,193	3,021
Trade and other receivables	9	55,510	53,465
Cash and cash equivalents	10	966	2,262
<b>Total current assets</b>		<b>60,852</b>	<b>62,202</b>
<b>Total assets</b>		<b>63,383</b>	<b>66,204</b>
<b>Equity</b>			
Share capital	13	10,000	10,000
Other reserves	13	2,528	2,528
Retained earnings	14	16,206	15,045
<b>Total equity</b>		<b>28,734</b>	<b>27,573</b>
<b>Non-current liabilities</b>			
Lease liability	15	434	668
<b>Current liabilities</b>			
Provisions for other liabilities and charges	12	3,260	3,129
Current income tax payable	6	128	-
Contract liabilities	2	3,546	4,462
Trade and other payables	11	27,281	30,372
<b>Total current liabilities</b>		<b>34,215</b>	<b>37,963</b>
<b>Total equity and liabilities</b>		<b>63,383</b>	<b>66,204</b>

The Notes on Pages 19 to 42 from an integral part of these financial statements

Approved by the Board of Directors on 18 December 2024 and signed on its behalf by:

DocuSigned by:  
  
 12/18/2024  
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 Ronan Terrence Fortune  
 Director  
 Registered No: 03695535

## MediaKind Systems UK Ltd

### Statement of Changes in Equity

for the Year ended 31 December 2023

	Share capital	Other reserves	Retained earnings	Total
	£000	£000	£000	£000
<b>Balance at 31 December 2021</b>	10,000	2,528	10,393	22,921
At 1 January 2022	10,000	2,528	10,393	22,921
Profit for the year	-	-	4,652	4,652
<b>Balance at 31 December 2022</b>	10,000	2,528	15,045	27,573
	-	-	-	-
At 1 January 2022	10,000	2,528	15,045	27,573
Profit for the year	-	-	1,161	1,161
<b>Balance at 31 December 2023</b>	<b>10,000</b>	<b>2,528</b>	<b>16,206</b>	<b>28,734</b>

The Notes on Pages 19 to 42 from an integral part of these financial statements

**MediaKind Systems UK Ltd****Statement of Cash Flow**

for the Year ended 31 December 2023

	Note	2023 £000	2022 £000
<b>Cash flows from operating activities</b>			
Profit before income tax		1,858	4,557
<b>Adjustments for</b>			
Depreciation	7, 15	609	1,615
Net finance expense	5	37	26
Loss / (Gain) on foreign exchange	5	367	(2,986)
Loss on disposal of property and equipment	7	-	909
Bad debts recognised on trade receivable	9	(74)	(50)
<b>Working capital adjustments:</b>			
Inventories	8	1,272	(1,411)
Contract assets	2	828	(2,257)
Trade and other receivables	9	(1,970)	(7,139)
Contract liabilities	2	(916)	1,146
Trade and other payables	11	(3,555)	6,456
Provisions and pension liability	12	131	456
<b>Cash (absorbed by) / generated by operations</b>		<u>(1,414)</u>	<u>1,322</u>
Income taxes received	6	441	80
<b>Net cash flows (used) / from operating activities</b>		<u>(973)</u>	<u>1,402</u>
<b>Cash flows from investing activities</b>			
Acquisitions of property, plant and equipment	7	(148)	(711)
<b>Net cash flows used in investing activities</b>		<u>(148)</u>	<u>(711)</u>
<b>Cash flows from financing activities</b>			
Repayment of finance lease liabilities	15	(180)	(427)
Interest paid on finance lease liabilities	15	(37)	(26)
<b>Net cash flows used in financing activities</b>		<u>(217)</u>	<u>(453)</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<u>(1,338)</u>	<u>238</u>
Cash and cash equivalents at 1 January		2,262	1,941
Effect of exchange rate fluctuation on cash held		42	83
<b>Cash and cash equivalents at 31 December</b>		<u>966</u>	<u>2,262</u>

The Notes on Pages 19 to 42 from an integral part of these financial statements

## Mediakind Systems UK Ltd

# Notes to the Financial statements

for the Year Ended 31 December 2023

## 1 Accounting Policies

### Basis of preparation

The Company is a limited liability company, incorporated and domiciled in the United Kingdom. Its registered office and principal place of business is 2 Charlotte Place, 7th & 8th Floors, Southampton, Hampshire, SO14 0TB, United Kingdom. The Directors have assessed that the Company is a going concern and the financial statements have been prepared on that basis.

The principal activity of the Company comprises the provision of solutions that enable the acquisition, exchange and delivery of video, audio and data across various networks including broadband, cable, satellite, terrestrial and telecommunications. The Company also provides research and development services relating to the compression technology to its fellow group undertakings.

The financial statements have been prepared in accordance with UK-adopted international accounting standards (UK-adopted IAS) and in accordance with the provisions of the UK Companies Act 2006 applicable to companies reporting under International Financial Reporting Standards (IFRSs) as adopted by the European Union. Therefore, the Company's financial statements comply with the International Accounting Standards Regulations. The financial statements are prepared in Pound Sterling ("£"), the primary currency in which the Company operates ('Functional currency').

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

The financial statements have been prepared under the historical cost convention except as described in the accounting policy on financial instruments and plan assets related to defined benefit pension plans.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies.

For disclosure about new standards and amendments applied as from 1 January 2023, see below.

### Adoption of new and revised standards

*Amendments to IFRSs that are mandatory effective for the current year*

Some accounting pronouncements which have become effective from 1 January 2023 and have therefore been adopted do not have a significant impact on the Company's financial results or position.

Standard	Narrative	Effective Date: Annual periods beginning on or after
IFRS 17	Insurance contracts	01 January 2023
Amendments to IFRS 17 and IFRS 4	Amendments to IFRS 17 'Insurance contracts'	01 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current	01 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	01 January 2023

## Mediakind Systems UK Ltd

## Notes to the Financial statements

for the Year Ended 31 December 2023

**1 Accounting Policies (continued)**

<b>Standard</b>	<b>Narrative</b>	<b>Effective Date: Annual periods beginning on or after</b>
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities arising from single transaction	01 January 2023
	International Tax Reform—Pillar Two Model Rules	01 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	01 January 2023

*New and revised IFRS in issue but not yet effective*

As at the date of authorisation of these financial statements, the following key standards and amendments were in issue but not yet effective. The Company has not applied these standards and interpretations in the preparation of these financial statements.

<b>Standard</b>	<b>Narrative</b>	<b>Effective Date: Annual periods beginning on or after</b>
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current	01 January 2024
	Non-current Liabilities with Covenants	
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	01 January 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	01 January 2024
Amendments to IAS 21	Lack of Exchangeability	01 January 2025

The Directors anticipate that the adoption of the new standards, interpretations and amendments that were in issue at the date of authorisation of these financial statements, but not yet effective, will have no material impact on the financial statements of the Company in the year of the initial application.

The Directors intend to adopt each of these standards when they become effective.

None of the standards, interpretations and amendments listed above are expected to have a material effect on the financial statements.

## Mediakind Systems UK Ltd

# Notes to the Financial statements

for the Year Ended 31 December 2023

### 1 Accounting Policies (continued)

#### Statement of cash flows

The statement of cash flows is prepared in accordance with the indirect method. Cash and cash equivalents consist of cash, bank, and short-term investments that are highly liquid monetary financial instruments with a remaining maturity of three months or less at the date of acquisition.

#### Foreign currency transactions and translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive income.

#### Expenses

All items of expenses are recognised on accrual basis.

#### Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

#### Revenue recognition

IFRS 15, "Revenue from Contracts with Customers" is a principle-based model of recognising revenue from customer contracts. It has a five-step model that requires revenue to be recognised when control over goods and services are transferred to the customer.

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue from rendering of services is recognised upon percentage of completion. The Company uses the input method of revenue recognition, using the ratio of incurred actual costs to the planned cost and applying that percentage to the contract price.

## Mediakind Systems UK Ltd

# Notes to the Financial statements

for the Year Ended 31 December 2023

### 1 Accounting Policies (continued)

Revenue from contracts with customers is recognised using the following five steps:

- (1) Identify the contract(s) with a customer;
- (2) Identify the performance obligations in the contract;
- (3) Determine the transaction price;
- (4) Allocate the transaction price to the performance obligations in the contract; and
- (5) Recognise revenue when (or as) the Company satisfies a performance obligation.

The Company's principal sources of revenue are from software license and software support contracts.

#### Hardware

Under IFRS 15, an entity can only recognise revenue when it has satisfied its performance obligation by transferring control of the promised goods to the customer. Control also includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset.

In assessing transfer of control, the Company has concluded that none of the following over time indicators are met for hardware:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.
- The entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Accordingly, transfer of control over hardware is considered satisfied at a point in time. Transfer of control over hardware is strongly tied to the related shipping terms. Shipping and handling is considered a fulfilment activity and not a performance obligation, as such the transfer of control occurs upon the legal transfer of title utilising contractual shipment terms.

#### Software

Software is considered fully functional without the software maintenance (access to technical support, error correction and unspecified upgrades to the software on a when and if available basis). In addition, there are no promised features that the customer must deploy at a later date to maintain the functionality of the software. Therefore, transfer of control is deemed to have occurred at a point in time. Revenue from software license sales is generally recognized when control has transferred to the customer, which is typically upon shipment, electronic delivery, or when the software is available for download by the customer.

#### Professional Services

The Company's professional services generally include commissioning or installation, configuration, and system assessments.

The Company recognises revenue when the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The Company satisfies each of its performance

## Mediakind Systems UK Ltd

# Notes to the Financial statements

for the Year Ended 31 December 2023

### 1 Accounting Policies (continued)

obligations (that is, fulfils its promises to the customer) by transferring control of the promised good or service underlying that performance obligation to the customer. Control is generally deemed transferred when the customer has a present obligation to pay; physical possession of the asset(s); legal title; risks and rewards of ownership; and/or accepted the asset(s).

Revenue for over-time contracts is recognised on a time-and-materials basis as the services are provided and costs are expensed as incurred. Amounts remaining unbilled at the end of a reporting period are presented in the Statement of Financial Position as accounts receivable if only the passage of time is required before payment of these amounts will be due or as contract assets if payment is conditional on future performance.

#### Support

The Company's product support performance obligation includes access to technical support, error correction and unspecified upgrades to the product on a when and if available basis. The unspecified upgrades can also include enhancements of capabilities, deletion of obsolete capabilities and optimisation.

The Company has no discernible pattern of providing updates. The nature of the Company's promise is fundamentally one of providing the customer with assurance that any upgrades or updates developed by the Company during the period will be made available because the Company stands ready to transfer updates or upgrades when and if they become available (stand-ready).

Because the Company's obligation is to stand-ready, it is considered to meet the first criteria for when to recognise revenue over time: The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs. Accordingly, product support shall be recognised over the support term.

#### Others

The Company may enter into arrangements with third party suppliers to resell products or services. In such cases, the Company evaluates whether the Company is the principal (i.e. report revenues on a gross basis) or agent (i.e. report revenues on a net basis). In doing so, the Company first evaluates whether the Company controls the good or service before it is transferred to the customer. The Company considers whether it has the primary obligation to fulfil the contract, inventory risk, pricing discretion and other factors to determine whether it controls the goods or services and therefore, is acting as a principal or an agent. If the Company controls the good or service before it is transferred to the customer, the Company is the principal; if not, the Company is the agent.

#### Cost of Sales

Cost of sales for product and services in the Statement of Comprehensive Income primarily consists of costs related to third party product manufacturing and related expenses, direct labour and benefits, hardware, third-party cloud hosting fees and royalties. Product costs are generally recognised at the point in time control of the products is transferred to the customer and the associated revenue is recognised. Service costs are generally recognised as incurred over the support term.

#### Trade and other receivables

Trade receivables are initially measured at fair value and held at amortised cost less provisions for impairment. Provisions for impairment represent an allowance for doubtful debts that is estimated, based upon current observable data and historical trends.

## Mediakind Systems UK Ltd

# Notes to the Financial statements

for the Year Ended 31 December 2023

### 1 Accounting Policies (continued)

Contract assets are initially measured at fair value and held at amortised cost less provisions for impairment.

The carrying value of trade and other receivables in the Company is consistent with fair value in the current year and prior period.

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

#### Financial assets

Financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on the settlement date. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Separate assets or liabilities are recognised if any rights and obligations are created or retained in the transfer. The Company classifies its financial assets in the following categories: at amortised cost, at fair value through other comprehensive income (FVOCI), and at fair value through profit or loss (FVTPL). The classification depends on the characteristics of the asset and the business model in which it is held. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the Statement of Comprehensive Income. The fair values of quoted financial investments and derivatives are based on quoted market prices or rates. If official rates or market prices are not available, fair values are calculated by discounting the expected future cash flows at prevailing interest rates.

The Company currently has no financial assets at fair value.

#### Financial assets at amortised cost

Financial assets are classified as amortised cost if the contractual terms give rise to payments that are solely payments of principal and interest on the principal amount outstanding and the financial asset is held in a business model whose objective is to hold financial assets in order to collect contractual cash flows. These assets are subsequently measured at amortised cost using the effective interest method, minus impairment allowances. Interest income and gains and losses from financial assets at amortised cost are recognised in financial income.

#### Financial liabilities

Financial liabilities are recognised when the Company becomes bound to the contractual obligations of the instrument. Financial liabilities are derecognised when they are extinguished, i.e., when the obligation specified in the contract is discharged, cancelled or expires.

## Mediakind Systems UK Ltd

# Notes to the Financial statements

for the Year Ended 31 December 2023

### 1 Accounting Policies (continued)

#### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Depreciation and any impairment charges are included in administration and selling expenses. Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, at the following annual rate:

Plant and machinery - 2 to 5 years

The assets residual values and useful lives are reviewed and adjusted as appropriate at the end of each reporting period. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Gains and losses on disposal are determined by comparing the proceeds less costs to sell with the carrying amount and are recognised within administration and selling expenses in the Statement of Comprehensive Income.

#### Leases

##### *Company as a lessee*

The Company enters into an arrangement for lease of premises to be utilised for official purpose. Such arrangements are generally for a fixed period but may have extension or termination options. The Company assesses, whether the contract is, or contains, a lease, at its inception. A contract is, or contains, a lease if the contract conveys the right to:

- a) control use of an identified asset,
- b) obtain substantially all the economic benefits from use of the identified asset, and
- c) direct the use of the identified asset

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, company's incremental borrowing rate. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

## Mediakind Systems UK Ltd

# Notes to the Financial statements

for the Year Ended 31 December 2023

### 1 Accounting Policies (continued)

#### Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### Inventory

Inventory is stated at the lower of cost or net realisable value. Cost is determined using standard costs, which approximates the average cost. We determine net realisable value using our best estimates of future use or recovery, considering the aging and composition of inventory balances, the effects of technological and/or design changes, forecasted future product demand based on firm or near-firm customer orders and alternative means of disposition of excess or obsolete items. We recognise losses within Cost of Sales in the Statement of Comprehensive Income when we determine that the cost of inventory and commitments to purchase inventory exceed net realisable value.

#### Impairment of non-financial assets

The Company assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash generating unit's (CGU's) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the assets or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

#### Research and development

Research and development expenditure is charged to the Statement of Comprehensive Income as incurred under cost of sales.

#### Income tax and deferred tax

Income taxes in the financial statements include both current and deferred taxes. Income taxes are reported in the Statement of Comprehensive Income unless the underlying item is reported directly in equity or OCI. For those items, the related income tax is also reported directly in equity or OCI.

## Mediakind Systems UK Ltd

# Notes to the Financial statements

for the Year Ended 31 December 2023

### 1 Accounting Policies (continued)

A current tax liability or asset is recognised for the estimated taxes payable or refundable for the current year or prior years.

Deferred tax is recognised for temporary differences between the book values of assets and liabilities and their tax values. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and tax losses carried forward can be utilised. Deferred tax is not recognised for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit or when it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured at the tax rate that is expected to be applied to the temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted by the reporting date. An adjustment of deferred tax asset/liability balances due to a change in the tax rate is recognised in the Statement of Comprehensive Income, unless it relates to a temporary difference earlier recognised directly in equity or OCI, in which case the adjustment is also recognised in equity or OCI.

The measurement of deferred tax assets involves judgment regarding the deductibility of costs not yet subject to taxation and estimates regarding sufficient future taxable income to enable utilisation of unused tax losses in different tax jurisdictions. All deferred tax assets are subject to annual review of probable utilisation.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

#### Provisions

Provisions are made when there are legal or constructive obligations as a result of past events and when it is probable that an outflow of resources will be required to settle the obligations, and the amounts can be reliably estimated. When the effect of the time value of money is material, discounting is made of estimated outflow. However, the actual outflows as a result of the obligations may differ from such estimates.

The provisions are mainly related to warranty commitments, dilapidations, customer projects and other obligations and claims or obligations as a result of patent infringement and other litigations.

Product warranty commitments consider probabilities of all material quality issues based on historical performance for established products and expected performance for new products, estimates of repair cost per unit, and volumes sold still under warranty up to the reporting date.

Project related provisions include estimated contractual penalties and undertakings.

## Mediakind Systems UK Ltd

# Notes to the Financial statements

for the Year Ended 31 December 2023

### 1 Accounting Policies (continued)

Certain present obligations are not recognised as provisions as it is not probable that an economic outflow will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability. Such obligations are reported as contingent liabilities.

#### Pensions

Pensions are classified as defined contribution plans. Under a defined contribution plan, the Company's only obligation is to pay a fixed amount to a separate entity (a pension trust fund) with no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. The related actuarial and investment risks fall on the employees. The expenditures for defined contribution plans are recognised as expenses during the period when the employee provides service.

#### Critical accounting estimates and judgments

The preparation of financial statements and application of accounting standards often involve management's judgment, and the use of estimates and assumptions deemed to be reasonable at the time they are made. However, other results may be derived with different judgments or using different assumptions or estimates, and events may occur that could require a material adjustment to the carrying amount of the asset or liability affected. Examples of this could occur at change of strategy or restructuring. Judgements for accounting policies to be applied as well as estimates may also be impacted due to this. Following are the most important accounting policies subject to such judgments and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the reported results and financial position.

#### A. Judgements made in relation to accounting policies applied

##### Revenue recognition

The Company uses estimates and judgments in determining the amount and timing of revenue under IFRS 15, particularly when determining the transaction price and its allocation to performance obligations identified under the contract. Transaction price may consist of variable elements such as discounts, performance related price and contract penalties. Transaction price, including variable considerations, is estimated at the commencement of the contract (and periodically thereafter). Judgment is used in the estimation process based on historical experience with the type of business and customer.

IFRS 15 also requires revenue to be allocated to each performance obligations by reference to their standalone selling prices. The Company considers that an adjusted market assessment approach should be used to estimate stand-alone selling prices for its products and services for the purposes of allocating transaction price. These estimates are comprised of prices set for similar customer and circumstances, adjusted to reflect appropriate profit margins for the market. Discounts relating to specific performance obligations are included in their respective standalone selling prices. The method of allocating transaction price to each performance obligations based on their respective standalone selling prices means that discounts that do not relate to specific performance obligations will be allocated proportionately to each performance obligations.

##### Deferred taxes

Deferred tax assets are recognised for temporary differences between the carrying amounts for financial reporting purposes of assets and liabilities and the amounts used for taxation purposes. The valuation of deferred tax assets is based upon management's estimates of future taxable income in different tax jurisdictions. Refer to Note 6.

## Mediakind Systems UK Ltd

# Notes to the Financial statements

for the Year Ended 31 December 2023

### 1 Accounting Policies (continued)

#### **Accounting for income tax, value added tax and other taxes**

Accounting for these items is based upon evaluation of income, value added and other tax rules in all jurisdictions where we perform activities. The complexity of rules related to taxes and the accounting for these require management's involvement in judgments regarding classification of transactions and in estimates of probable outcomes of claimed deductions and/ or disputes.

#### **B. Key sources of estimation uncertainty**

Management applies judgment when assessing the customer's ability and intention to pay in a contract. The assessment is based on the latest customer credit standing and the customer's past payment history. This assessment may change during the contract execution, and if there is evidence of deterioration in the customer's ability or intention to pay, then under IFRS 15 no further revenue shall be recognised until the collectability criteria is met. Conversely, this assessment may also change favourably over time, upon which revenue shall now be recognised on a contract that did not initially meet the collectability criteria.

#### **Trade and customer finance receivables**

The Company monitors the financial stability of its customers and the environment in which they operate to make estimates regarding the likelihood that the individual receivables will be paid. Credit risks for outstanding customer finance credits are regularly assessed as well, and allowances are recorded for estimated losses. Refer to Note 9.

#### **Inventory valuation**

Inventories are valued at the lower of cost and net realisable value. Estimates are required in relation to forecasted sales volumes and value of inventory balances. In situations where excess inventory balances are identified, estimates of net realisable values for the excess volumes are made. Refer to Note 8.

#### **Provisions**

Provisions for product warranties are based on current volumes of products sold, still under warranty and on historic quality rates for mature products, as well as estimates and assumptions on future quality rates for new products and estimates of costs to remedy the various qualitative issues that might occur.

**MediaKind Systems UK Ltd**

**Notes to the financial Statements**

for the Year ended 31 December 2023

**2 Revenue from contract with customers**

All revenue is derived from one continuing activity. The Company's revenue disaggregated by primary geographical markets is as follows:

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
UK	3,263	4,055
Sweden	110	365
Rest of Europe	9,334	13,238
Asia Pacific	7,391	7,158
India and Middle East	2,668	3,067
Other	329	147
	<b>23,095</b>	<b>28,030</b>

The Company's revenue disaggregated by pattern of revenue recognition is as follows:

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Hardware	10,066	7,644
Professional Services	2,965	10,312
Support	7,607	7,628
Software	2,457	2,446
	<b>23,095</b>	<b>28,030</b>

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Contract assets	2,193	3,021
Contract liabilities	3,546	4,462

The following table shows how much of the revenue recognised in the current reporting period relates to carried forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year:

**Revenue recognised in the year**

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Revenue recognised in the year related to the opening contract liability balance	2,316	2,297

**Unsatisfied long-term contracts**

The following table shows unsatisfied performance obligations resulting from contracts:

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Unsatisfied long-term contracts</b>	<b>3,546</b>	<b>4,462</b>

Management expects that the transaction price allocated to unsatisfied contracts as of 31 December 2023 and 2022 will be recognised as revenue during the next reporting period, respectively.

## MediaKind Systems UK Ltd

### Notes to the financial Statements

for the Year ended 31 December 2023 (continued)

#### 3 Operating profit

This is stated after charging / recognising:

		2023	2022
	Note	£000	£000
Depreciation	7, 15	609	1,615
Directors remuneration	19	182	195
Research and development expenditure		4,140	3,433
R&D service revenue		(7,358)	(8,458)
R&D tax credits		(984)	(446)
Interest accretion on lease liability	5	37	26
Auditors' remuneration - for audit of the Company's financial statements		96	125

Audit remuneration relates to audit of entity's financial statements. It includes non-audit service - preparation of financial statements - to the value of Nil (2022: £28,000).

#### 4 Staff costs

	2023	2022
	£000	£000
Wages and salaries	13,271	13,818
Social security costs	1,287	1,387
<b>Other pension costs</b>		
- Defined contribution	934	961
	<b>15,492</b>	<b>16,166</b>

The monthly average number of employees during the year was as follows:

	2023	2022
	No.	No.
Production	10	14
Engineering	97	98
Sales and marketing	23	24
Administration	30	32
	<b>160</b>	<b>168</b>

#### 5 Finance income and costs

	2023	2022
	£000	£000
<b>Finance costs</b>		
Interest paid on finance lease liabilities	(37)	(26)
Net foreign exchange (losses) / gain	(367)	2,986
	<b>(404)</b>	<b>2,960</b>

## MediaKind Systems UK Ltd

### Notes to the financial Statements

for the Year ended 31 December 2023 (continued)

#### 6 Income tax expense and deferred tax

	2023 £000	2022 £000
<b>Current tax</b>		
UK current income tax expense	128	367
Adjustments to income tax of previous periods	(441)	-
Deferred tax benefit	1,010	(462)
Total income tax credit	<u>697</u>	<u>(95)</u>
	<b>2023 £000</b>	<b>2022 £000</b>
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	1,010	(462)
Accumulated tax losses	-	-
Total deferred tax benefit	<u>1,010</u>	<u>(462)</u>
Current income tax (payable) / receivable	<u>(128)</u>	<u>1,047</u>

The UK standard rate of tax is 25%. The actual tax charge for the current and previous year varies from the charge using the standard rate for reasons set out in the following reconciliation:

	2023 £000	2022 £000
Profit before tax	1,858	4,557
Tax effective rate 25% for 2023 and 19% for 2022	465	869
Effects of:		
Permanent difference	(778)	(502)
Accumulated tax losses	-	-
Temporary difference	1,010	(462)
Income tax credit	<u>697</u>	<u>(95)</u>

Deferred tax assets are only recognised where the Company expects to be able to generate corresponding taxable income in the future to benefit from tax reductions. The unrecognised deferred tax asset on losses as at 31 December 2023 amounted to £5.9 million (2022: £4.6 million).

#### Factors affecting current and future tax charges

The standard rate of UK Corporation Tax is to remain at 19% until 31 March 2023. The Finance Act 2021, which was published on 11 March 2021, states that this ratio is to be increased from 19% to 25% from 1 April 2023. The rate of corporation tax from 1 April 2023 will increase to 25% for companies generating taxable profits of more than £250,000. The estimated taxable profits for 2023 could exceed by £250,000, so the tax rate of 25% is used to arrive at tax liability for current year. Deferred tax at the Statement of Financial Position date has been measured using the enacted tax rates.

Deferred tax at the statement of financial Position date has been measured using the enacted tax rate of 25%.

The Company's future tax charge is likely to be lower than the standard rate of corporation tax due to continuing permanent differences and pension adjustments.

**MediaKind Systems UK Ltd**

**Notes to the financial Statements**

for the Year ended 31 December 2023 (continued)

**7 Property, plant and equipment**

	<b>Lease Buildings £000</b>	<b>Plant Machinery £000</b>	<b>Total £000</b>
<b>Cost</b>			
At 1 January 2022	9,346	5,724	15,070
Additions	442	269	711
Write-off	(9,346)	(4,405)	(13,751)
At 1 January 2023	442	1,588	2,030
Additions	22	126	148
At 31 December 2023	<b>464</b>	<b>1,714</b>	<b>2,178</b>
<b>Depreciation</b>			
At 1 January 2022	7,256	5,399	12,655
Charge for the year	773	481	1,254
Write-off	(7,972)	(4,871)	(12,843)
At 1 January 2023	57	1,009	1,066
Charge for the year	182	236	418
At 31 December 2023	<b>239</b>	<b>1,245</b>	<b>1,484</b>
<b>Net book value</b>			
At 31 December 2023	<b>225</b>	<b>469</b>	<b>694</b>
At 31 December 2022	<b>385</b>	<b>579</b>	<b>964</b>

**8 Inventories**

	<b>2023 £000</b>	<b>2022 £000</b>
Raw materials and consumables	1,827	3,009
Finished goods and goods for resale	356	445
	<b>2,183</b>	<b>3,454</b>

No information is held to enable cost of sales to be split into inventory purchases and direct labour costs. The above balance includes an allowance for obsolescence £535,000 (2022: £ 1,582,000)

**9 Trade and other receivables**

	<b>2023 £000</b>	<b>2022 £000</b>
Trade receivables	7,017	8,886
Provision for impairment of trade receivables	(196)	(294)
Net trade receivables	6,821	8,592
Amounts owed by group undertakings	44,286	41,395
Prepayments	244	286
Tax credits	1,534	1,183
Input VAT - net	2,625	2,009
Total current trade and other receivables	<b>55,510</b>	<b>53,465</b>

**MediaKind Systems UK Ltd**

**Notes to the financial Statements**

for the Year ended 31 December 2023 (continued)

**9 Trade and other receivables (continued)**

**Movement in allowances for impairment**

	<b>2023</b>	<b>2023</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 January	(294)	(708)
Additions	(196)	(294)
Reversal of allowance	294	708
Balance at 31 December	<b>(196)</b>	<b>(294)</b>

Aging analysis as at 31 December 2023

	<b>Trade receivables days past due (days)</b>			<b>Total</b>
	<b>Current</b>	<b>Less than 90</b>	<b>90 or more</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Trade receivables	5,612	1,002	403	7,017
Allowances for impairment	-	-	(196)	(196)
Net trade receivables	<b>5,612</b>	<b>1,002</b>	<b>207</b>	<b>6,821</b>

Aging analysis as at 31 December 2022

	<b>Trade receivables days past due (days)</b>			<b>Total</b>
	<b>Current</b>	<b>Less than 90</b>	<b>90 or more</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Trade receivables	7,537	818	531	8,886
Allowances for impairment	-	-	(294)	(294)
Net trade receivables	<b>7,537</b>	<b>818</b>	<b>237</b>	<b>8,592</b>

**Credit risk in trade receivables**

Credit risk is divided into three categories: credit risk in trade receivables, customer finance risk and financial credit risk.

Credit risk in trade receivables is governed by a policy applicable for all legal entities in the MediaKind Group.

The purpose of the policy is to:

- + Avoid credit losses through establishing internal standard credit approval routines in all MediaKind legal entities;
- + Ensure monitoring and risk mitigation of defaulting accounts, i.e. events of non-payment and/or delayed payments from customers;
- + Ensure efficient credit management within the Company and thereby improve Days Sales Outstanding and cash flow;
- + Ensure payment terms are commercially justifiable;
- + Define escalation path and approval process for payment terms and customer credit limits.

## MediaKind Systems UK Ltd

### Notes to the financial Statements

for the Year ended 31 December 2023 (continued)

#### 9 Trade and other receivables (continued)

The credit risk of all customers is regularly assessed. Through credit management system functionality, credit checks are performed every time a sales order or an invoice is generated in the source system. These are based on the credit risk set on the customer. Credit blocks appear if past due receivables are higher than permitted levels. Release of a credit block requires authorisation.

Letters of credit are used as a method for securing payments from customers operating in emerging markets, in particular in markets with unstable political and/or economic environment. By having banks confirming the letters of credit, the political and commercial credit risk exposures to MediaKind are mitigated.

#### Impairment of trade receivables and contract assets

Trade receivables and contract assets are assessed for impairment under a unified model. The Company has determined that credit risk largely depends on both the risk in the country where the customer resides (e.g. ability to make cross border payments) as well as the payment pattern of the customer. Therefore, impairments are calculated using a provision matrix that specifies a fixed rate depending both on the number of days past due and the country risk rating. The country risk ratings depend on the ratings used by all Export Credit Agencies within the OECD. The rates defined in the provision matrix are based on historical loss patterns for that grouping of customers. These rates are adjusted for current conditions as well as management expectations for changes to political risks and payment patterns in the future. The provision rates are higher on high risk countries compared to low risk countries and also higher on amounts that remain unpaid for longer periods of time. There were no significant changes to the model during the year.

Trade receivables and contract assets together amounted to £9.07 million as of 31 December 2023 (2022: £11.6 million). Provisions for expected credit losses on trade receivables and contract assets amounted to £196 thousand as of 31 December 2023 (2022: £294 thousand). The Company's write-offs have historically been low. The allowance decreased during 2023 due to reversals.

#### 10 Cash and cash equivalents

	2023	2022
	£000	£000
Cash at bank	966	2,262

For the purpose of cash flows, the cash and cash equivalents at the end of the year include amounts held in foreign currencies £0.72 million (2022: £ 1.3 million)

#### 11 Trade and other payables

	2023	2022
	£000	£000
Trade payables	3,681	4,757
Amounts due to related parties	19 21,161	21,356
Other payables	135	127
Accrued expenses	2,025	3,907
Lease liability	15 279	225
	<u>27,281</u>	<u>30,372</u>

All inter-company balances are payable on group standard repayment terms (30 days net) with no extended credit and no interest is earned.

**MediaKind Systems UK Ltd****Notes to the financial Statements**

for the Year ended 31 December 2023 (continued)

**12 Provisions for other liabilities and charges**

	Property £000	Product warranty £000	Other provisions £000	UK Medical Disability £000	Total £000
At 1 January 2022	1,750	699	867	1,107	4,423
Additions	-	-	564	-	564
Utilisation	-	(62)	-	(46)	(108)
Reversal	(650)	-	-	-	(650)
Reclassification	(1,100)	-	-	-	(1,100)
At 31 December 2022	-	637	1,431	1,061	3,129
Additions	-	195	-	-	195
Utilisation	-	-	-	(64)	(64)
At 31 December 2023	-	832	1,431	997	3,260

**Property provision**

The provision is in respect of potential dilapidation costs for current office space. As at 31 December 2022, dilapidation liability, recorded as part of accrued expenses, amounted to £1.1 million. This liability was subsequently settled in 2023.

**Product Warranty provision**

Warranty provisions are based on historic quality rates for established products as well as estimates regarding quality rates for new products and costs to remedy the various types of faults predicted. A provision is recognised for expected warranty costs on products sold during the past 12 months. It is expected that these costs will continue to be incurred in future periods.

**Other Provisions**

These are provisions regarding erroneous input credits that were claimed for VAT in the years 2019 and 2020. This relates to certain import of goods into the UK for which VAT was paid, for which the VAT originated in other countries.

**UK Medical Disability provision**

The UK Medical Disability provision refers to a financial obligation set aside to cover payments to an individual with multiple sclerosis (MS). This provision ensures that the Company allocates funds to meet ongoing or future medical-related expenses or compensation associated with the individual's condition. The provision is recognized based on the Company's expectation of its legal or constructive obligation to make these payments, reflecting the potential cost of supporting the individual over time.

**13 Share capital and other reserves**

Allotted, called up and fully paid up shares

	2023		2022	
	No. 000	£000	No. 000	£000
Ordinary shares of £1 each	10,000	10,000	10,000	10,000

**Other reserves**

On 31 December 2020, the business decided to have one entity to operate in UK hence MK Technologies UK Limited was merged with MediaKind Systems UK limited resulting in the creation of a merger reserve of £2.5 million.

## MediaKind Systems UK Ltd

### Notes to the financial Statements

for the Year ended 31 December 2023 (continued)

#### 14 Equity reconciliation

	Share capital	Other reserves	Retained earnings	Total
	£000	£000	£000	£000
At 1 January 2022	10,000	2,528	10,393	22,921
Profit for the year	-	-	4,652	4,652
<b>At 31 December 2022</b>	<b>10,000</b>	<b>2,528</b>	<b>15,045</b>	<b>27,573</b>
At 1 January 2022	10,000	2,528	15,045	27,573
Profit for the year	-	-	1,161	1,161
<b>At 31 December 2023</b>	<b>10,000</b>	<b>2,528</b>	<b>16,206</b>	<b>28,734</b>

#### 15 Leases

Movement in right of use assets is presented below:

	2023	2022
	£000	£000
At 1 January	760	340
Additions	-	781
Depreciation charge for the year	(191)	(361)
<b>At 31 December</b>	<b>569</b>	<b>760</b>

Lease liabilities are due as follows

	2023	2022
	£000	£000
Current	(279)	(225)
Non-current	(434)	(668)
	<b>(713)</b>	<b>(893)</b>

The lease liabilities are secured by the related underlying assets.

The Company's lease of office space with F&C Commercial holdings has expired during 2022. The Company then entered in a new lease agreement with Chatlotte Place for new office space for 5 years and Green Colo for colocation and data facility for 3 years.

Leases of office space and colocation facility are typically subject to rent reviews at specified intervals and provide for the lessee to pay all maintenance and repair costs as well as part of the insurance costs.

The following amounts in respect of leases, where the Company is a lessee, have been recognised in profit or loss:

	2023	2022
	£000	£000
Interest expense	37	26
Depreciation charge of right-of-use-asset	191	361
	<b>228</b>	<b>387</b>

The company has a lease with a remaining 3 and 1-year term.

**MediaKind Systems UK Ltd**

**Notes to the financial Statements**

for the Year ended 31 December 2023 (continued)

**15 Leases (continued)**

The lease liabilities are secured by the related underlying assets

<b>2023</b>	<b>Within 1 year</b>	<b>1-2 Years</b>	<b>Total</b>
Lease payments	307	465	772
Finance charges	(28)	(31)	(59)
Net present value	<b>279</b>	<b>434</b>	<b>713</b>

<b>2022</b>	<b>Within 1 year</b>	<b>1-2 Years</b>	<b>Total</b>
Lease payments	262	727	989
Finance charges	(37)	(59)	(96)
Net present value	<b>225</b>	<b>668</b>	<b>893</b>

**16 Financial risk management and impairment of financial assets**

The Company's capital and financial risk management policies are governed at the MediaKind Group level.

**Capital Management**

MediaKind Group defines its managed capital as the total of a Company's equity. Therefore, uses Equity /Total Assets ratio as a measure of determining the appropriate capital structure of its group companies.

The capital structure is managed by balancing equity, inter-company loans and liquidity in such a way that the Company secures funding of its operations in a cost-effective way for the MediaKind Group.

The Company achieves its funding needs solely through MediaKind Group Treasury and does not negotiate any external borrowing independently. This provides financial flexibility and independence to operate and manage variations in working capital needs as well as to capitalise on business opportunities.

Capital objectives information:

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Equity	28,734	27,573
Total assets	63,383	66,204
Equity ratio	45%	42%
Cash (outflow) / inflow from operating activities	(973)	1,402

**Financial Management**

The Company's financial risk management policy is primarily driven by MediaKind Group Treasury. The principal aim is to ensure that appropriate financing is in place to manage the Company's liquidity as well as financial assets and liabilities, and to control financial risk exposures in a manner consistent with underlying business risks and financial policies. The Company does not undertake any local hedging activities.

## MediaKind Systems UK Ltd

### Notes to the financial Statements

for the Year ended 31 December 2023 (continued)

#### 16 Financial risk management and impairment of financial assets (continued)

##### Foreign exchange risk

The Company is exposed to foreign exchange risk in the normal course of business for transactions not denominated in Pound Sterling. For inter-company transactions, MediaKind Group Treasury seeks to minimise such risk by dictating the currency of trade between the Company and its group undertakings. Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. Financial assets includes cash, trade receivables and receivables from related parties. Financial liabilities includes wage payables and payables to related parties. The amounts shown are those reported to key management translated into Pound Sterling at the closing rate:

	Euro £000	USD £000	Others £000
<b>31 December 2023</b>			
Financial assets	14,881	17,593	(179)
Financial liabilities	(10,225)	(14,955)	(7,641)
<b>Total exposure</b>	<b>4,656</b>	<b>2,638</b>	<b>(7,820)</b>
	Euro £000	USD £000	Others £000
<b>31 December 2022</b>			
Financial assets	19,131	19,399	(1,248)
Financial liabilities	(9,161)	(14,935)	841
<b>Total exposure</b>	<b>9,970</b>	<b>4,464</b>	<b>(407)</b>

##### Interest rate risk

The Company is exposed to interest rate risk through market value fluctuations in certain Statement of Financial Position items and through changes in interest revenues and expenses. The net cash position at year end was £0.97 million (2022: £2.2 million). There were no interest-bearing liabilities at year end (2022: £nil).

Cash or overdraft balances are managed through a cash pooling arrangement, subject to floating rates applicable to the cash pooling arrangement with MediaKind Group Treasury. No assets or liabilities are subject to fixed interest rate exposure.

The Company policy is to avoid a significant fixed rate exposure in its assets and liabilities.

##### Liquidity risk

Liquidity risk is that the Company is unable to meet its short-term payment obligations due to insufficient funds or illiquid cash reserve. The Company minimises the liquidity risk by maintaining a sufficient net cash position and having MediaKind Group Treasury loan facilities in place to meet potential funding needs. The current cash position is deemed to satisfy all short-term liquidity requirements.

During 2023, the net cash balance decreased to £0.97 million from £2.3 million.

The entire cash balance is held with reputable financial institutions.

##### Carrying amounts of financial instruments

The Management consider that the carrying amounts of financial assets and liabilities recognised in the financial statements approximate their fair values.

**MediaKind Systems UK Ltd**

**Notes to the financial Statements**

for the Year ended 31 December 2023 (continued)

**17 Contingent liabilities**

Bank guarantees of £ 200,000 (2022: £200,000) have been made to HMRC and to customers in the ordinary course of business.

There is an intellectual property charge where each chargor charges by way of fixed charge all intellectual property rights including all fees, royalties and other rights of every kind relating to or deriving from such intellectual property rights. The floating charge covers all the property or undertaking of the company.

**18 Pension commitments**

The Company operate a defined contribution pension scheme. The assets are managed by Legal & General Assurance Society Limited. The Company complies with its pension obligations in relation to pension auto-enrolment under the Pensions Act 2008 through the provision of an occupational defined contribution pension scheme, known as Group Personal Pension Plan ("GPP") provided by Legal & General. Subject to the provisions of the GPP, employees are eligible to participate in and make contributions at such levels as are notified from time to time.

**19 Related party transactions**

<b>Parent Entities</b>	<b>2023</b>	<b>2022</b>
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<b>Name of related party</b>	<b>Type</b>	<b>Place of incorporation</b>	<b>Ownership interest</b>	
Leone Media Inc.	Ultimate parent company	United states	100%	100%
MK Systems Netherlands B.V.	Parent company	Netherlands	100%	100%

**Transactions with key management personnel**

Key management personnel are the Directors of the Company. Their compensation comprised of the following:

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Salaries and short-term employee benefits	169	195
Company contributions paid to money purchases pension schemes	13	14
	<b>182</b>	<b>209</b>
<b>Highest paid Director</b>		
Emoluments and amounts receivable under incentive schemes	112	195
Company contribution paid to money purchases pension schemes	7	14
	<b>119</b>	<b>209</b>

**MediaKind Systems UK Ltd**

**Notes to the financial Statements**

for the Year ended 31 December 2023 (continued)

**19 Related party transactions (continued)**

Other related party transactions

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Transactions with related parties</b>		
<b>A. Nature of transactions - Purchases</b>		
Holding company	27	-
Fellow Subsidiary	5	1,314
Subsidiary/ Associates/ JV	50	642
Other related parties	3,457	2,733
<b>B. Nature of transaction - Sales</b>		
Fellow subsidiary	19	-
Subsidiary/ Associates/ JV	29	-
Other related parties	12,570	6,220

The above transaction between the Company and Related parties are governed by respective Intercompany agreement and are at arm length price.

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Transactions with related parties</b>		
<b>A. Receivable</b>		
Parent company	-	1,489
Subsidiary/ Associates/ JV	4,815	3,467
Other related party	23,240	18,200
<b>B. Payable</b>		
Holding company	1,121	-
Fellow subsidiaries	3,809	4,742
Other related party	-	-

The above outstanding balance to / from Related parties are in normal course of business and payable on demand. The Company has not provided for any doubtful debts on account of above balance and are considered recoverable in full.

**20 Subsidiary and consolidation**

The company owns 100% of the shares of MK HCSE France SAS with carrying value of £100. MK HCSE France SAS's registered address is Batiment Stanford 1b avenue de Belle Fontaine, Cesson-Sevigne, Ille-et- Vilaine, 35510.

The Company availed of the consolidation exemption under Company Act 2006 paragraph 400.2.

The smallest and largest group in which the results of the group are consolidated is Leone Media Inc, a company incorporated in the United States of America.

**MediaKind Systems UK Ltd****Notes to the financial Statements**

for the Year ended 31 December 2023 (continued)

**21 Analysis of debt**

	At 1 Jan 2023	Cash flows	At 31 Dec
	£000	£000	2023
			£000
Cash in bank	2,262	(1,296)	966
Leases	893	(180)	713

**22 Subsequent events**

In December 2023, the Company initiated a global restructuring plan, referred to as Project Diamond, which was implemented in January 2024. In the UK, the formal announcement of the restructuring occurred in January 2024. In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and IAS 19 Employee Benefits, the recognition of such a provision should only occur when a constructive obligation has been established. This typically arises when a detailed plan has been communicated to affected parties, which for the UK entity happened after the year-end. As a result, the restructuring provision amounting to £1.4 million will be recorded in the financial statements for the year ended 31 December 2024.

**23 Approval of financial statements**

The board of Directors approved these financial statements for issue on 18 December 2024.