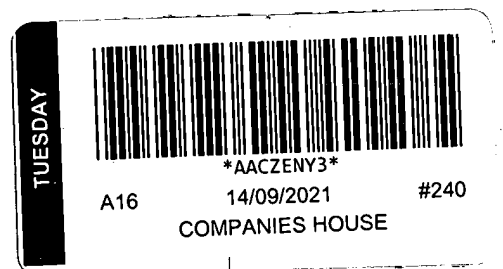


Financial Statements

Displaydata Limited

For the year ended 31 December 2020

Registered number: 03929602



Company Information

Directors	S M Chapman G Clempson P A J Coelewij A J Dark H Ford (Resigned 31 July 2020) F E Morgan
Registered number	03929602
Registered office	Malvern Hills Science Park Geraldine Road Malvern Worcestershire WR14 3SZ
Independent auditors	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 1020 Eskdale Road Winnersh Wokingham Berkshire RG41 5TS
Bankers	Barclays Bank Plc 54 High Street Worcester WR1 2QQ Clydesdale Bank PLC 30 St Vincent Place Glasgow G1 2HL HSBC Bank plc 8 Canada Square London E14 5HQ Investec Bank PLC 2 Gresham Street London EC2V 7QP

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Strategic report

For the year ended 31 December 2020

Introduction

Displaydata is a leading global player in the provision of digital display solutions to the retail market. Our fully graphic electronic shelf labels (ESL) managed via the industry's most scalable enterprise software, Dynamic Central, licensed and operated by our customers or through subscription to Dynamic Cloud, our managed service, hosted and operated by Displaydata. With server free and lightweight infrastructure, Displaydata's customers are able to deploy and operate our ESLs rapidly and benefit quickly from the improved margins and sales that our solution delivers.

Business review

The consolidated statement of comprehensive income for the year ended 31 December 2020 is set out on page 18.

2020 was dominated by the challenges created by the Covid-19 pandemic, however, the Board is pleased to report that, through taking difficult decisions and with the support of the Displaydata employees, the Group was restructured and with the reduced cost base, exited the year in a strong position to benefit from the significant revenue growth evident in 2021.

During 2020 a number of customers placed planned rollouts and projects on hold due to the impacts of the pandemic; but there were notable exceptions. A leading convenience chain installed ESL's in 100 stores in under 30 days using Dynamic Cloud and a new customer order for a two hundred store, 2021 deployment in Canada, was another notable win. The primary impact of the pandemic on Displaydata was a reduction in sales year on year; for the year ended 31 December 2020, revenues were \$21.1m (year ended 31 December 2019: \$25.2m). A further effect of the pandemic was to the predominantly Asia based supply chain, which was initially impacted through shortages of production capacity and component availability; working closely with both the supply chain and customers this was managed and gross margin percentage remained stable at 29.4% (year ended 31 December 2019: 29.3%).

At 31 December 2020, the Group had sufficient cash reserves for ongoing trading of \$1.2m (31 December 2019: \$3.5m); benefitting from continued shareholder support through an interest free shareholder loan of \$6.4m (31 December 2019: \$2.5m). During the year the medium-term bank loan was repaid in full (31 December 2019: \$1.3m) and of the \$7.5m invoice financing line only \$0.1m was utilised at 31 December 2020 (31 December 2019: \$5.5m).

Investment in product development to maintain the Group's technological advantages continued throughout 2020. The Group's best in class three-colour Chroma electronic shelf labels, in sizes ranging from a 1.6 inch peg hook display to a large format 12.5 inch display, have the brightest and most consistent colour and image in the market and are available with options for built-in LED flashing and NFC capability. Combined with the Company's Dynamic Central software, a retailer can control all of the stores in their estate removing the requirement for in-store servers and switches running localised software. In 2020 Dynamic Cloud was released enabling customers to benefit from an enterprise grade cloud hosted service, managed by Displaydata. The provision of this managed service enables retailers to remain focused on their business and end customers. The Dynamic Cloud

Strategic report

For the year ended 31 December 2020

service provides customers with a highly secure and resilient solution that can be deployed within hours, whilst at the same time providing in-built disaster recovery.

Financial key performance indicators

The Board reviews the following key performance indicators on a regular basis to facilitate its decision-making process:

- Revenue – achieved \$21.1m in 2020 reflecting a challenging year for bricks and mortar retailers (year ended 2019: \$25.2m).
- Gross margin percentage – at 29.4% this remained stable year on year through the close working relationship of the Group and suppliers in managing volatility in the supply chain, created by the pandemic (year ended 31 December 2019: 29.7%)
- Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) – benefitted from the reduced overhead cost base the loss of \$2.9m remained flat year on year (2019: \$2.9m); and
- Cash – available net cash at \$1.1m (2019: -\$2.0) comprising \$1.2m cash with drawn down CID of \$0.1m compared with prior year of \$3.5m cash with drawn down CID of \$5.5m.

Post year end events

As expected, the Group trading performance has significantly improved in 2021 as many retailers return to normal trading and rollouts and pilots are restarted. This uptick in performance has been underpinned by a significant new customer win in mainland Europe, won against strong competition. Subject to any unforeseen product delivery issues, the Board is pleased to report that the order cover for 2021 combined with the reduced cost base is forecast to deliver a positive EBITDA for the year.

Going Concern

The directors are required to make an assessment of the Group's ability to continue to trade as a going concern.

At 31 December 2020 the Group's available cash was \$1.2m (2019: \$3.5m) and the drawn down invoice discounting, secured against trade receivables was \$0.1m (2019: \$5.5m). In the first half of 2020 the Group repaid the medium-term bank loan (2019: \$1.3m) utilising part of a further \$4.0m draw down of the \$7.0m interest free shareholder loan facility (2019: \$3.0m). The present value of the principal of the interest free shareholder loan is \$6.4m, discounted at the market interest rate (7.54%). As at 31 December 2020 both the Group and Company net assets both show a net liability position of \$3.2m and \$2.3m, respectively. However, it should be noted that these net liabilities include the \$7.0m interest free, convertible shareholder loan facility.

The Group's invoice discounting facility (CID), which is an annual facility, was renewed at the end of March 2021 at \$5.0m (2019: \$7.5m) reflecting the reduced forecast requirement. The next renewal is due on 31 March 2022 and the bank have already expressed their opinion that the CID facility will

Strategic report

For the year ended 31 December 2020

be renewed for the following year. Hence, the CID facility post March 2022 has been included as available within the cashflow forecasts for the period under review.

As a result of the Covid-19 pandemic, the majority of the Group's employees remain working from home as remote working practices have been extended. The Group's supply chain has been managed to ensure that orders continue to be delivered with minimal disruption to customers, however, industry lead times have increased.

Overall, the Group is seeing significant growth in market activity as digitization in retail accelerates driven by the impact of Covid-19. Direct customer engagement is currently high both with existing customers and also a number of significant new opportunities in the sales order pipeline. This is endorsed by the activity from the Group's distributor and reseller base; it is also prominent in public statements made by the other, major ESL vendors. All of which supports the view that current growth in the ESL market will continue for the foreseeable future.

In order to assess the appropriateness of preparing the financial statements on a going concern basis, management prepared detailed projections of expected cash flows under various financial scenarios for the period ending 30 June 2023. These financial scenarios included sensitivity analyses on sales, gross margins, overheads and working capital, with specific reference to CID availability. On the basis of which, the Board has concluded that the Group will have sufficient resources to meet its liabilities for the foreseeable future and therefore the Group remains a going concern.

Principal risks and uncertainties

The principal risks faced by the Group are monitored by the Board on a regular basis. These are listed below, together with mitigating actions to manage the risk:

- loss of key staff – we seek to retain staff through employee initiatives and incentivisation and at the same time a succession plan for all key positions; if key staff were to leave the primary risk would be to future growth expectations;
- loss of product competitiveness – Displaydata continues to invest substantially in product improvements and development providing innovative, leading edge technology;
- loss of business to competitors – the market is highly competitive and comprises sophisticated customers in all geographies. To mitigate this risk Displaydata remains focussed, agile and employs high calibre staff to meet the stringent demands of the customers in its core markets
- service of debt – the company has a \$7.0 million shareholder convertible loan at 0% interest and repayable on 31st March 2022. It is expected that if the loan is not repaid by that date it will be converted to equity; and
- Covid-19: The Board has reviewed the ongoing risks facing the Group as a result of the Covid-19 pandemic. Remote working has continued and the impact on the operational effectiveness on the workforce remains minor. External impacts are still being seen in the supply chain but they continue to be managed without significant impact to customer deliveries.

Strategic report

For the year ended 31 December 2020

The Board believes that these risks are being assessed and addressed effectively.

Approved by the Board of Directors and signed on behalf of the Board

Andrew Dark ^{26/7/2021}

A J Dark
Director

Directors' report

For the year ended 31 December 2019

Results

The consolidated loss for the year, after taxation, amounted to \$3.9m (year ended 31 December 2019: \$3.8m). The loss before interest, tax, depreciation and amortisation (EBITDA) was \$2.9m (year ended 31 December 2019: \$2.9m)

Directors

On 31 July 2020, H Ford resigned and left the board. There were no other changes to the directors in office during the year.

Events after the reporting period

The ongoing impact of the Covid-19 pandemic is discussed under 'Principal risks and uncertainties' in the Strategic Report.

There are no other events of note after the reporting period.

Going Concern

As noted in the Strategic Report above, the directors are required to make an assessment of the Group's ability to continue to trade as a going concern.

At 31 December 2020 the Group's available cash was \$1.2m (2019: \$3.5m) and invoice discounting drawn down was \$0.1m (2019: \$5.5m) secured against trade receivables. A further \$4.0m of the £7.0m, interest free shareholder loan facility (2019: \$3.0m) was drawn down and the Group repaid the medium-term bank loan (2019: \$1.3m). The Group's invoice discounting facility (CID), which is an annual facility, was renewed in March 2021 at \$5.0m (2019: \$7.5m) reflecting the reduced forecast requirement. The next renewal is due on 31 March 2022 and the bank have already expressed their opinion that the CID facility will be renewed for the following year. Hence, the CID facility post March 2022 has been included as available within the cashflow forecasts for the period under review.

In order to assess the appropriateness of preparing the financial statements on a going concern basis, management prepared detailed projections of expected cash flows under various financial scenarios for the period ending 30 June 2023. The financial projections for 2021 based on the 30 June 2020 orderbook together with the benefit of the significant, ongoing overhead cost reductions made in 2020, lead to a forecast expectation that in 2021 the Group will be cash generative. Similarly, based on existing orders on hand for 2022 along with current customer expectations, the Group is also expected to be cash generative in 2022.

Hence, the Board has concluded that the Group will have sufficient resources to meet its liabilities for the foreseeable future and therefore the Group remains a going concern.

Directors' report

For the year ended 31 December 2019

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

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

Disclosure of information to auditors

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

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

Directors' report

For the year ended 31 December 2019

Research and Development

The Group continues to invest significantly in research and development, to develop the next generation of shelf edge labelling and associated infrastructure including a cloud hosted managed service solution; the first major order for which was received in December 2019.

Financial risk management objectives and policies

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations to the Group, resulting in financial loss to the Group. The Group's principal financial assets are cash and trade receivables. The Group limits its exposure to any one counterparty and evaluates credit risk on an ongoing basis and there have been no material issues to date, nor are any expected. The Group deposits with major banks of high credit standing.

Liquidity Risk

Prudent liquidity risk management entails maintaining sufficient cash and ensuring the availability of funding through an adequate amount of committed credit facilities. The Group attempts to secure and maintain sufficient borrowing facilities, including its invoice discounting facility, at all times to ensure that it is able to fund its operations. The Group extended its confidential invoice discounting facility with Clydesdale Bank in March 2021 based on an annual renewal cycle. The Group's risk to liquidity is a result of the funds available to cover future commitments. The Group manages liquidity risk through an ongoing review of future commitments and credit facilities. Forecasts are prepared and the availability of adequate borrowing facilities and the utilisation thereof is monitored on a regular basis.

Currency Risk

The Group transacts in a number of foreign currencies that expose it to currency exchange differences. Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Board is responsible for coordinating the Group's risk management and focuses on actively securing the Group's short to medium-term cash flows. The Group does not actively engage in the trading of financial assets, however foreign exchange risk is hedged, when considered appropriate, through foreign exchange forward contracts.

Directors' report

For the year ended 31 December 2019

Directors' and officers' liability insurance

The Group has, as permitted by Section 236 of the Companies Act 2006, maintained insurance cover on behalf of the Directors and Company Secretary indemnifying them against certain liabilities which may be incurred by them in relation to the Group.

Auditors

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar whichever is earlier.

This report was approved by the board and signed on its behalf by:

Andrew Dark

A J Dark
Director

Date: 26/7/2021

Independent auditor's report to the members of Displaydata Limited

Opinion

We have audited the financial statements of Displaydata Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020, which comprise the consolidated statement of comprehensive income; the consolidated statement of financial position; the consolidated statement of changes in equity; the consolidated statement of cashflows; the notes to the consolidated financial statements; which include a summary of the Group's significant accounting policies; the company statement of comprehensive income; the company statement of financial position; the company statement of changes in equity; and notes to the financial statements. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2020 and of the Group's loss and the parent company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent auditor's report to the members of Displaydata Limited

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

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 the 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.

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.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Independent auditor's report to the members of Displaydata Limited

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matter on which we are required to report under the Companies Act 2006

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 any material misstatements in the Strategic report or the Directors' report.

Matters on which we are required to report by exception

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 for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Displaydata Limited

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

How we obtained an understanding of the legal and regulatory framework

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the parent company and the group and industry in which it operates through our commercial and sector experience; making enquiries of management and those charged with governance; and inspection of the parent company's and the group's key external correspondence. We corroborated our enquiries through our review of board minutes and other information obtained during the course of the audit.

Which laws and regulations we identified as being significant in the context of the parent company and the group

- Through the understanding that we obtained, we determined the most significant legal and regulatory frameworks which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (including applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006) and the relevant taxation legislation.

Independent auditor's report to the members of Displaydata Limited

How we assessed the susceptibility of the parent company's and the group's financial statements to material misstatement, including how fraud might occur

- We assessed the susceptibility of the parent company's and the group's financial statements to material misstatement, including how fraud might occur, by considering management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to the estimation and judgmental areas of recognition of revenue; potential management bias in determining accounting estimates, especially in relation to the amounts held on the balance sheet for warranty and inventory provisions and expected credit losses over accounts receivables; and through management override of controls.

Our audit procedures included

- Making enquiries of management concerning the parent company's and the group's policies and procedures relating to the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud;
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations. We considered whether there is a culture of honesty and ethical behaviour within the parent company and the group and whether there is a strong emphasis of prevention and deterrence of fraud amongst those charged with governance. We also enquired with management and those charged with governance whether they were aware of any instances of non-compliance with laws and regulations, or whether they had any knowledge of actual, suspected, or alleged fraud;
- Gaining an understanding of the controls that management has in place to prevent and detect fraud;
- Challenging significant accounting assumptions, estimates and judgements made by management, including those relevant to the estimation and judgmental areas of recognition of revenue; and potential management bias in determining accounting estimates, especially in relation to the amounts held on the balance sheet for warranty and inventory provisions and expected credit losses over accounts receivables.
- Journal entry testing, with a focus on journals indicating large or unusual transactions based on our understanding of the business and those posted directly to the financial statements that related to revenue;
- Gaining an understanding of and testing significant identified related party transactions;
- Assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item; and
- Performing audit procedures to consider the compliance of disclosures in the financial statements with applicable financial reporting requirements.
- Our audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

Independent auditor's report to the members of Displaydata Limited

How we assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations

- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
- Understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
- Knowledge of the industry in which the parent company and the group operates; and
- Understanding of the legal and regulatory requirements specific to the parent company and the group including: the provisions of the applicable legislation, the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules; and the applicable statutory provisions.

Which matters about non-compliance with laws and regulations and fraud were communicated with the audit team

- Communications within the audit team in respect of potential non-compliance with laws and regulations and fraud included the potential for fraud in relation to the estimation and judgemental areas of recognition of revenue; potential management bias in determining accounting estimates, especially in relation to the amounts held on the balance sheet for warranty and inventory provisions and expected credit losses over accounts receivables; and through management override of controls in the preparation of the financial statements.

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.

Grant Thornton UK LLP

Paul Holland, BSc, BFP, FCA
Senior Statutory Auditor
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Reading

Date: 26/7/2021

Consolidated statement of comprehensive income

For the year ended 31 December 2020

	Notes	Year ended 31 December 2020 \$	Year ended 31 December 2019 \$
Revenue	5	21,011,949	25,192,543
Cost of sales		(15,316,188)	(17,798,201)
Gross profit		5,695,761	7,394,343
Administrative expenses		(9,631,605)	(12,849,179)
Other Income	7	498,939	-
Profit on sale of ZBD technology		-	1,914,357
Operating loss	8	(3,436,906)	(3,540,479)
Finance costs	9	(957,364)	(898,974)
Finance income	9	(12)	1,401
Loss before taxes		(4,394,281)	(4,438,053)
Tax income	10	523,523	669,220
Loss for the period and total comprehensive income		<u>(3,870,758)</u>	<u>(3,768,832)</u>

There are no amounts of other comprehensive income in either the current or the prior period.

All amounts relate to continuing operations.

The notes, which form part of these financial statements, can be found on pages 22-47

Consolidated statement of financial position

As at 31 December 2020

	Notes	31 December 2020 \$	31 December 2019 \$
Assets			
Non-current assets			
Intangible assets	12	1,135	-
Property, plant and equipment	13	950,072	1,422,625
Non-current assets		<u>951,207</u>	<u>1,422,625</u>
Current			
Inventories	14	1,535,661	2,182,353
Trade and other receivables	15	3,412,905	9,430,595
Cash and cash equivalents	16	1,218,708	3,530,165
Current assets		<u>6,167,275</u>	<u>15,143,113</u>
Total assets		<u><u>7,118,482</u></u>	<u><u>16,565,738</u></u>
Equity and liabilities			
Equity			
Share capital	17	5,991,403	5,991,322
Share premium		126,606,533	126,606,452
Capital contribution		4,073,480	4,073,480
Retained earnings		(139,838,548)	(136,503,856)
Total equity		<u>(3,167,132)</u>	<u>167,398</u>
Liabilities			
Current liabilities			
Provisions	18	326,823	378,150
Trade and other payables	19	2,814,635	5,866,730
Borrowings	20	122,670	5,958,415
Lease Liabilities	21	397,434	245,802
Current liabilities		<u>3,661,562</u>	<u>12,449,096</u>
Long-term liabilities			
Borrowings	20	6,393,475	3,373,708
Lease liabilities	21	230,577	575,536
Total liabilities		<u>10,285,613</u>	<u>16,398,340</u>
Total equity and liabilities		<u><u>7,118,482</u></u>	<u><u>16,565,738</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

A J Dark
Director

26/7/2021
Andrew Dark

The notes, which form part of these financial statements, can be found on pages 22 to 47.

Consolidated statement of changes in equity

For the year ended 31 December 2020

	Share capital \$	Share premium \$	Capital contribution \$	Retained earnings \$	Total equity \$
Balance at 1 January 2019	5,991,322	126,606,452	4,073,480	(133,228,259)	3,442,995
Adjustment from the adoption of IFRS 16	-	-	-	(66,549)	(66,549)
Adjustment for present value of interest-free loan	-	-	-	559,784	559,784
Loss for the year and total comprehensive income	-	-	-	(3,768,832)	(3,768,832)
Balance at 31 December 2019 and 1 January 2020	<u>5,991,322</u>	<u>126,606,452</u>	<u>4,073,480</u>	<u>(136,503,856)</u>	<u>167,398</u>
Adjustment for present value of interest-free loan	-	-	-	536,067	536,067
Loss for the year and total comprehensive income	-	-	-	(3,870,758)	(3,870,758)
Share Issue	82	82	-	-	164
Balance at 31 December 2020	<u>5,991,404</u>	<u>126,606,534</u>	<u>4,073,480</u>	<u>(139,838,547)</u>	<u>(3,167,132)</u>

The notes, which form part of these financial statements, can be found on pages 22 to 47.

Consolidated statement of cash flows

For the year ended 31 December 2020

	Notes	Year ended 31 December 2020 \$	Year ended 31 December 2019 \$
Operating activities			
Loss before tax		(4,394,281)	(4,438,053)
Non-cash flow adjustments	23	1,468,223	1,640,123
Net changes in working capital	23	3,428,665	1,441,462
Taxes received		655,816	749,613
Net cash used in operating activities		<u>1,158,423</u>	<u>(606,853)</u>
Investing activities			
Purchase of intangible assets	12	(1,390)	-
Purchase of property, plant and equipment	12	(38,040)	(198,430)
Interest received	8	(12)	1,401
Net cash used in investing activities		<u>(39,443)</u>	<u>(197,029)</u>
Financing activities			
Shares issued	16	164	-
Loan (payments) / receipts		(2,279,912)	2,410,892
Interest paid	8	(904,271)	(640,665)
Lease liability payments		(245,592)	(308,628)
Net cash used in financing activities		<u>(3,429,611)</u>	<u>1,461,599</u>
Net change in cash and cash equivalents		<u>(2,310,631)</u>	<u>657,716</u>
Cash and cash equivalents, beginning of period	15	3,530,165	3,067,389
Exchange differences on cash and cash equivalents		(825)	(194,940)
Cash and cash equivalents, end of period	15	<u>1,218,709</u>	<u>3,530,165</u>

The notes, which form part of these financial statements, can be found on pages 22 to 47.

Notes to the consolidated financial statements

For the year ended 31 December 2020

1 Nature of operations

The Group's principal activity is the development and sale of dynamic digital display solutions incorporating fully graphic electronic shelf labels (ESLs) and centralised management systems. No changes to this activity are anticipated in the foreseeable future.

2 General information and basis of preparation

Displaydata Limited, the Group's parent company, is a limited liability company incorporated and domiciled in the United Kingdom. Its registered office and principal place of business is Malvern Hills Science Park, Geraldine Road, Malvern, Worcestershire, WR14 3SZ.

The financial statements of the Group have been prepared in accordance with applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

The Group and Company financial statements are presented in US Dollars (\$).

3 New standards and amendments

There are various amendments to existing standards which are effective for the first time in 2020 (for an entity with a 31 December 2020 year-end):

Amendments to IAS 1 and IAS 8 Definition of materiality
Amendment to IFRS 3 Business combinations (Definition of a business)
Amendments to IFRS 9, IAS 39 and IFRS 7 Interest rate benchmark reform
Amendments to IFRS 16 Leases, Related rent concessions

These amendments to existing standards, published by the IASB, and effective from 2020, have no impact on the financial statements of the Group in the current period.

4 Summary of accounting policies

4.1 Overall considerations

The financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

4.2 Basis of consolidation

The group financial statements consolidate those of the parent company and its subsidiary as of 31 December 2020. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 December. All information consolidated is for the year to 31 December. All transactions and balances between group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of group members have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Notes to the consolidated financial statements

For the year ended 31 December 2020

4.3 Going concern

Management routinely plan future activities including forecasting future cash flows. Management prepared detailed projections of expected cash flows under various financial scenarios for a period ending 30 June 2023. These financial scenarios included sensitivity analyses on sales, gross margins, overheads, working capital, with specific reference to CID availability to ensure the Group has sufficient resources to meet its liabilities for the foreseeable future. This is discussed further in the Directors' Report.

The conclusion was that the Group will have adequate resources to continue as a going concern for at least 12 months from the date of signing of the financial statements. In arriving at this judgement, the directors have considered existing commitments together with the financial resources available to the Group.

4.4 Foreign currency translation

Functional and presentation currency

The directors believe that due to the nature of the business and given that a significant proportion of the Group and Company's income is derived in US dollars, the functional currency of the Group and Company is US dollars and the financial statements should be presented in US dollars.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at period-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

4.5 Revenue

The whole of the revenue is attributable to the group's activities in the research, development and commercialisation of display technology.

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue

Notes to the consolidated financial statements

For the year ended 31 December 2020

when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a refund liability.

- Revenue from the sale of goods is recognised when the relevant contractual performance obligations have been met. Where customers have made their own delivery arrangements, this is on dispatch of the goods or at the time of collection. Where the significant risks and rewards of ownership remain with the Group during transit, revenue is recognised on delivery.
- Service revenue, for example, installation or training, is recognised as services are provided using stage of completion.
- Software licences, support and maintenance are recognised over the period to which the contract relates. Licence revenue is recognised evenly over the term of the agreed licence contract period. The approach is on the basis that licence sales are separate from hardware sales, and licencing is not required for devices to be usable by customers. The licence is provided to customers over an agreed term, as opposed to a purchase made by a customer of a software product. There is no requirement for customers to purchase as a licence at the time of acquiring the hardware, thus licence revenue is distinct from hardware revenue.

4.6 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred. Expenditure for warranties is recognised when the Group incurs an obligation, which is typically when the related goods are sold.

4.7 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Notes to the consolidated financial statements

For the year ended 31 December 2020

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). Financial assets, other than those designated and effective as hedging instruments, are classified into

the following categories: amortised cost, fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI). In the periods presented the Group does not have any

financial assets categorised as FVTPL or FVOCI. All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or finance income, except for impairment of trade receivables which is presented within expenses.

The Group makes use of a simplified approach in accounting for trade and other receivables 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 Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses. The Group assesses impairment of trade receivables on an individual basis, as this is the most appropriate approach for its portfolio of customers.

Classification and subsequent measurement of financial liabilities

The Group's non-derivative financial liabilities include trade and other payables.

Financial liabilities are initially measured at fair value and measured subsequently at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Financial derivatives

Financial derivatives are measured at fair value and any changes in the fair value are recognised in profit and loss.

The shareholder loan has been treated as a compound financial instrument due to the option for the loan to convert to equity on a fixed for fixed basis. Therefore, there arises an equity element and a liability element to the loan, required to be split at initial recognition. See note 4.21 for further detail.

4.8 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Notes to the consolidated financial statements

For the year ended 31 December 2020

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and associates is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. Deferred tax assets and liabilities are calculated, without discounting, at tax rates and laws that are expected to apply to their respective period of realisation, provided those rates and laws are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

4.9 Intangible fixed assets and amortisation

Intangible assets are initially recognised at cost.

Amortisation is provided on all intangible assets at rates calculated to write off the cost over their expected useful lives. It is calculated on a straight-line basis, at the following rates, on a pro-rata basis in the period of acquisition/disposal:

Trademarks	-	Over 5 years
Software	-	Over 3 years

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Notes to the consolidated financial statements

For the year ended 31 December 2020

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

4.10 Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of property, plant and equipment, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold improvements	-	Over 5 years
Laboratory equipment	-	Between 3 and 5 years
Fixtures & fittings	-	Over 5 years
Office equipment	-	Over 3 years

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

4.11 Leases

From 1 January 2019, at inception of a contract, the Group assesses whether it is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a time in exchange for consideration. A contract conveys the right to control the use of an asset, if the Group receives substantially all of the economic benefits from its use over time and controls how it is used. At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component based on their relative stand-alone prices.

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease using the same assessment. The Group 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. Cost 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 the site on which it is located, less any lease incentives received. The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of its useful life or the end of the lease term. Useful life is determined on the same basis as other property and equipment. 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 cannot be determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The lease liability is measured at amortised cost using the effective interest method. Under the previous policy none of the Group's leases were classified as finance leases. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

Notes to the consolidated financial statements

For the year ended 31 December 2020

4.12 Inventories

Inventories of finished goods for resale and raw materials are stated at the lower of cost and net realisable value. Where appropriate, costs include all costs incurred in bringing each product to its present location and condition.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion.

4.13 Research

Research expenditure is written off to the statement of comprehensive income as incurred.

4.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.15 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued. Share premium represents the difference between the price paid for shares and the nominal value.

Retained earnings includes all current and prior period retained profits.

All transactions with owners of the parent are recorded separately within equity.

The capital contribution was created when interest on loans converted to equity was waived in prior years and is therefore considered distributable.

4.16 Short-term employee benefits

Short-term employee benefits, including holiday entitlement, are current liabilities included in other employee obligations, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

4.17 Share-based payments

Equity-settled share-based payments to employees and others are measured at the fair value of the equity instruments at the grant date. This fair value excludes the effect of non-market vesting conditions. All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to retained earnings.

4.18 Defined contribution plans

The Group pays fixed contributions into independent entities in relation to several state plans and insurances for individual employees. The Group has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that related employee services are received.

Notes to the consolidated financial statements

For the year ended 31 December 2020

4.19 Exceptional items

Exceptional items are defined as items of income and expenditure which are material and unusual in nature and which are considered to be of such significance that they require separate disclosure on the face of the consolidated statement of comprehensive income in accordance with IAS 1 (Revised 2007).

4.20 Deposits

Deposits represent balances paid in respect of lease agreements.

4.21 Government Grants

Grants are accounted under the accruals model. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income. Grants of a revenue nature are recognised in the Consolidated Statement of Comprehensive Income as other income in the same period as the related expenditure.

4.22 Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgement

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Shareholder loan

In management's judgement the shareholder loan is a compound financial instrument with both debt and equity elements. To this end, the present value of the shareholder cash flows was calculated using the Group's estimated cost of capital and the expected term to maturity, with the difference between the drawdown portion received and the discounted present value being considered the equity element of the loan (see note 20, Borrowings).

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Research and development tax recoverable

The Group has included \$0.5 million for the research and development tax reclaim as a non-financial asset within trade receivables. This calculation has been estimated based on the same parameters and principles applied in previous years.

Notes to the consolidated financial statements

For the year ended 31 December 2020

Provisions

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

W Shares

Valuation of employee incentive scheme W shares, is based on a combination of management's judgement and independent professional advice when the shares are issued. Using different input estimates or models could produce different values.

Notes to the consolidated financial statements

For the year ended 31 December 2020

5 Revenue

The Group's revenue disaggregated by primary geographical markets is as follows:

For the year ended 31 December 2020

	Electronic Shelf Labels	Other products and services	Total
	\$	\$	\$
Europe	16,805,365	1,116,132	17,921,497
N America	<u>2,804,842</u>	<u>285,610</u>	<u>3,090,452</u>
Total	<u>19,610,207</u>	<u>1,401,741</u>	<u>21,011,949</u>

For the year ended 31 December 2019

	Electronic Shelf Labels	Other products and services	Total
	\$	\$	\$
Europe	14,945,174	1,105,012	16,050,186
N America	<u>8,345,342</u>	<u>797,015</u>	<u>9,142,357</u>
Total	<u>23,290,516</u>	<u>1,902,027</u>	<u>25,192,543</u>

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

For the year ended 31 December 2020

	Electronic Shelf Labels	Other products and services	Total
	\$	\$	\$
Goods and services transferred at a point in time	19,519,783	826,034	20,345,817
Services transferred over time	<u>19,519,783</u>	<u>666,132</u>	<u>666,132</u>
Total	<u>19,519,783</u>	<u>1,492,166</u>	<u>21,011,949</u>

For the year ended 31 December 2019

	Electronic Shelf Labels	Other products and services	Total
	\$	\$	\$
Goods and services transferred at a point in time	23,290,516	1,384,481	24,674,997
Services transferred over time	<u>23,290,516</u>	<u>517,486</u>	<u>517,486</u>
Total	<u>23,290,516</u>	<u>1,901,967</u>	<u>25,192,483</u>

Notes to the consolidated financial statements

For the year ended 31 December 2020

6 Employee remuneration

The average monthly number of employees, including the directors, during the period was as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
	No.	No.
	61	79

Expenses recognised for employee benefits are analysed below:

	Year ended 31 December 2020	Year ended 31 December 2019
	\$	\$
Wages and salaries	5,279,654	6,543,181
Social security costs	509,367	679,079
Other pension costs	384,613	534,156
	<u>6,173,635</u>	<u>7,756,416</u>

The Group also operates a share scheme for certain employees and directors.

Directors' remuneration	Year ended 31 December 2020	Year ended 31 December 2019
	\$	\$
Remuneration	408,889	495,004

During the period retirement benefits were accruing to no directors (year ended 31 December 2019: nil) in respect of defined contribution pension schemes.

The highest paid director received remuneration of \$356,693 (year ended 31 December 2019: \$375,379).

Notes to the consolidated financial statements

For the year ended 31 December 2020

7 Other Income

The two components of other income are the Paycheck Protection Program (PPP) in the United States administered by the Small Business Administration (SBA) through partner commercial banks and the Coronavirus Job Retention Scheme (CJRS) in the UK, allowing businesses the right to claim to cover the wages of employees on temporary leave ('furlough').

	Year ended 31 December 2020	Year ended 31 December 2019
	\$	\$
Coronavirus Job Retention Scheme	268,939	-
Paycheck Protection Program	230,000	-
	<u>498,939</u>	<u>-</u>

8 Operating Loss

Operating loss is stated after charging:

	Year ended 31 December 2020	Year ended 31 December 2019
	\$	\$
Amortisation of intangible fixed assets	255	5,292
Depreciation of tangible fixed assets	510,592	627,640
Auditors' remuneration for audit services	57,024	52,085
Audit overrun for 2019 year-end audit	24,933	-
Tax advisory services	12,219	1,209
Operating lease rentals	215,257	254,949
Loss on disposal of property, plant and equipment	-	11,775
Research costs	109,975	316,779
Defined contribution pension costs	384,613	534,156

9 Finance costs and finance income

Finance costs for the reporting periods consisted of the following:

	Year ended 31 December 2020	Year ended 31 December 2019
	\$	\$
Foreign exchange	(825)	(194,940)
Interest on lease liabilities	(52,267)	(63,369)
Other interest	(904,271)	(640,665)
Total	<u>(957,364)</u>	<u>(898,974)</u>

Finance income for the reporting periods consisted of the following:

	Year ended 31 December 2020	Year ended 31 December 2019
	\$	\$
Interest on bank deposits	(12)	1,401

Notes to the consolidated financial statements

For the year ended 31 December 2020

10 Tax income

The major components of tax income and expense and the reconciliation of the expected tax income and expense based on the domestic effective tax rate of Displaydata Limited at 19% (2019: 19%) and the reported tax expense in profit or loss are as follows:

	Year ended 31 December 2020 \$	Year ended 31 December 2019 \$
Loss before tax	(4,394,281)	(4,438,052)
Domestic tax rate for Displaydata Limited	19.00%	19.00%
Expected tax income	834,913	843,230
Expenses not deductible for tax purposes	(373,275)	(401,910)
Income not taxable	690,581	-
Losses surrendered for R&D tax credit	(690,581)	-
Amounts not recognised	(294,200)	(443,414)
Foreign taxation	(3,499)	(15,326)
Adjustments to tax charge in respect of prior periods	-	25,231
R&D tax claim	527,022	659,315
Overseas profit - adjustment	(167,438)	1,889
	<u>523,523</u>	<u>669,220</u>
	Year ended 31 December 2020 \$	Year ended 31 December 2019 \$
Current R&D claim	527,022	659,315
Adjustments in respect of prior year	-	25,231
Foreign taxation	(3,499)	(15,326)
Tax Income	<u>523,523</u>	<u>669,220</u>

At the year end, the Group had unrecognised tax losses amounting to \$18,532,721 (31 December 2019: \$16,339,213).

On 3 March 2021, it was announced that the standard rate of corporation tax will increase from 19% to 25% from 1 April 2023 on profits in excess of £250,000. A small profits rate of 19% will apply to profits of £50,000 or less. Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective corporation tax rate. Since these changes have not yet been enacted the budget announcement is a non-adjusting event. For the purposes of deferred tax, there is no change to the rate before the Balance Sheet date. The future deferred tax balance is dependent on future changes in fair values of assets and liabilities and therefore it is not possible to estimate any future reversals at this stage.

Notes to the consolidated financial statements

For the year ended 31 December 2020

11 Interests in subsidiaries

Set out below are details of the subsidiaries held by the parent company.

Shares held by Displaydata Limited:

Company Name	Country	Shareholding	Description
Displaydata Inc.	USA	100%	Distribution of shelf-edge label displays and related communications software
Displaydata Nominee Limited	UK	100%	Management of employee share scheme

Displaydata Nominee Limited (company number 11226563) is exempt from the requirements under the Companies Act 2006 relating to the audit of financial statements under section 479A of that Act. Displaydata Limited has provided a parent company guarantee over the liabilities of Displaydata Nominee Limited, pursuant to section 479C of the Companies Act 2006.

12 Intangible assets

Group	Trademarks \$	Software \$	Total \$
Cost			
At 1 January 2020	17,238	119,922	137,160
Additions in the year	-	1,390	1,390
At 31 December 2020	<u>17,238</u>	<u>121,311</u>	<u>138,549</u>
Amortisation			
At 1 January 2020	17,238	119,922	137,160
Charge in the year	-	255	255
Disposals in the year	-	-	-
At 31 December 2020	<u>17,238</u>	<u>120,177</u>	<u>137,414</u>
Net book value			
At 31 December 2020	<u>-</u>	<u>1,134</u>	<u>1,134</u>
At 1 January 2020	<u>-</u>	<u>-</u>	<u>-</u>

Notes to the consolidated financial statements

For the year ended 31 December 2020

13 Property, plant and equipment

Group	Leased buildings	Leasehold improvements	Laboratory equipment	Fixtures & Fittings	Office equipment	Total
	\$	\$	\$	\$	\$	\$
Cost						
At 1 January 2020	1,302,930	236,970	1,019,615	90,953	469,895	3,120,363
Adjustment from the introduction of IFRS 16	-	-	-	-	-	-
Additions in the year	-	-	15,253	-	22,787	38,040
Disposals	-	-	-	-	-	-
At 31 December 2020	<u>1,302,930</u>	<u>236,970</u>	<u>1,034,868</u>	<u>90,953</u>	<u>492,682</u>	<u>3,158,403</u>
Depreciation						
At 1 January 2020	589,184	89,808	572,997	43,834	401,915	1,697,739
Adjustment from the introduction of IFRS 16	-	-	-	-	-	-
Charge in the year	256,319	39,853	172,397	12,660	29,364	510,592
Disposals	-	-	-	-	-	-
At 31 December 2020	<u>845,503</u>	<u>129,661</u>	<u>745,393</u>	<u>56,494</u>	<u>431,280</u>	<u>2,208,331</u>
Net book value						
At 31 December 2020	<u>457,427</u>	<u>107,309</u>	<u>289,475</u>	<u>34,459</u>	<u>61,402</u>	<u>950,072</u>
At 1 January 2020	<u>713,746</u>	<u>147,162</u>	<u>446,618</u>	<u>47,119</u>	<u>67,980</u>	<u>1,422,625</u>

Notes to the consolidated financial statements

For the year ended 31 December 2020

14 Inventories

Inventories consist of the following:

	31 December 2020	31 December 2019
Group	\$	\$
Raw materials	1,095,376	1,449,652
Finished goods and goods for resale	440,285	732,701
	<u>1,535,661</u>	<u>2,182,353</u>

Inventory relates to ESL technology held at the lower of cost and net realisable value at the reporting date. The cost of inventory recognised as an expense during the period was \$15,316,188.

At the reporting date, there is a provision against inventory amounting to \$225,209. (31 December 2019: \$31,962).

15 Trade and other receivables

	31 December 2020	31 December 2019
Group	\$	\$
Trade receivables	2,505,367	7,407,524
Loans receivable	41,749	17,615
Other financial assets	22,861	325,339
Financial assets	<u>2,569,977</u>	<u>7,750,478</u>
Prepayments	251,033	928,586
Corporation tax recoverable	527,022	659,315
VAT receivable	64,873	92,216
Non-financial assets	<u>842,928</u>	<u>1,680,117</u>
Trade and other receivables	<u>3,412,905</u>	<u>9,430,595</u>

All amounts are expected to be recovered in the short-term. The net carrying value of trade receivables is considered a reasonable approximation of their fair value.

All of the Group's trade and other receivables have been reviewed for indicators of impairment and none were found to be impaired.

Notes to the consolidated financial statements

For the year ended 31 December 2020

16 Cash and cash equivalents

	31 December 2020	31 December 2019
	\$	\$
Cash at bank and in hand:		
USD	682,989.69	3,093,292
GBP	301,300	95,655
EUR	<u>234,419</u>	<u>341,218</u>
	<u>1,218,708</u>	<u>3,530,165</u>

17 Share Capital

Shares authorised, issued and fully paid:

Type	Qty	31 December 2020	31 December 2019
		\$	\$
Ordinary Shares of £0.10 each	2,642,552	413,893	413,893
'X' Preferred Shares of £0.02 each	16,127,223	519,153	519,153
'Y' Preferred Shares of £0.02 each	2,229,228	80,032	80,032
'E' Preferred Shares of £0.10 each	4,598,741	711,673	711,673
'E1' Preferred Shares of £0.10 each	3,007,541	481,592	481,592
'F' Preferred Shares of £0.10 each	5,366,724	697,674	697,674
'Z' Preferred Shares of £0.10 each	1,414,083	231,878	231,878
'W' Ordinary Shares of £0.001 each	8,882,055	10,044	12,299
'A' Ordinary Shares of £0.10 each	1,749,269	298,998	298,998
Deferred shares of £0.10 each	78,560	12,882	12,882
'X' Deferred Shares of £0.02 each	73,503,319	2,530,993	2,530,993
'W' Deferred Shares of £0.001 each	1,867,255	<u>2,591</u>	<u>255</u>
		<u>5,991,403</u>	<u>5,991,322</u>

In 2020, 1,684,880 shares issued to employees who left the company were converted to 'W' Deferred Shares. In the event of a return of capital a total of £0.10 will be made for the entire class of Deferred Shares (Deferred, 'X' Deferred and 'W' Deferred).

The preferred shares have preferential rights over other classes of shares, other than 'Z' ordinary shares, on liquidation of the group. These are set out in the Articles of Association. Under certain terms and conditions all the preferred shares can, at the option of the shareholder, be converted into ordinary shares.

Notes to the consolidated financial statements

For the year ended 31 December 2020

18 Provisions

	Total \$
As at 1 January 2020	378,150
Amount utilised	(211,382)
Amount released	(166,768)
Additional provisions	<u>326,823</u>
At 31 December 2020	<u>326,823</u>

Provisions comprises of both Warranty and Dilapidations provisions. Warranties are provided on hardware for a period of 12 months and a provision is held based on historic claims. Dilapidation provisions are based on the expected costs to restore the Group's leased properties to their original state.

19 Trade and other payables

Group	31 December 2020 \$	31 December 2019 \$
Trade and other payables consist of the following:		
Current		
Trade payables	2,069,796	4,710,365
Employee obligations	52,576	47,930
Accruals	<u>502,343</u>	<u>646,640</u>
Financial liabilities	<u>2,624,715</u>	<u>5,404,935</u>
Other taxation and social security	138,205	278,694
Deferred income	<u>51,716</u>	<u>183,101</u>
Non-financial liabilities	<u>189,920</u>	<u>461,795</u>
Trade and other payables	<u>2,814,635</u>	<u>5,866,730</u>

All amounts are expected to be repaid within the short term. The carrying values of trade payables and accruals and deferred income are considered to be a reasonable approximation of their fair value.

Notes to the consolidated financial statements

For the year ended 31 December 2020

20 Borrowings

	31 December 2020	31 December 2019
	\$	\$
Current Borrowings:		
Invoice Discounting	122,670	5,453,449
Bank Loan	-	504,966
	<u>122,670</u>	<u>5,958,415</u>
Long-term Borrowings:		
Bank Loan	-	826,308
Shareholder Loan	6,393,475	2,547,400
	<u>6,393,475</u>	<u>3,373,708</u>
Total Borrowings	<u><u>6,516,145</u></u>	<u><u>9,332,123</u></u>

The invoice discounting is secured against trade receivables and expires on 31 March 2022. The shareholder loan carries no interest, is repayable in March 2022 and has been discounted to its present value at the Group's incremental borrowing rate. In the year \$382,128 of interest was charged to the income statement.

21 Leases

	31 December 2020	31 December 2019
	\$	\$
Amounts payable within one year:	397,434	245,802
Amounts payable after more than one year:	<u>230,577</u>	<u>575,536</u>
Total	<u><u>628,010</u></u>	<u><u>821,338</u></u>

The group has adopted IFRS 16 using the modified retrospective approach from 1 January 2019 and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in retained earnings at 1 January 2019.

	Within one year	1-2 years	2-5 years
	\$	\$	\$
Minimum lease payments due at 31 December 2020	431,714	218,898	20,050
Finance charges	<u>(34,280)</u>	<u>(7,139)</u>	<u>(1,232)</u>
Net present values	<u><u>397,434</u></u>	<u><u>211,759</u></u>	<u><u>18,817</u></u>
Minimum lease payments due at 31 December 2019	245,802	351,355	224,181

Notes to the consolidated financial statements

For the year ended 31 December 2020

22 Financial assets and liabilities

31 December 2020	Note	Loans and receivables measured at amortised cost \$	Total \$
Financial assets			
Trade and other receivables	14	2,569,977	2,569,977
Cash and cash equivalents	15	<u>1,218,708</u>	<u>1,218,708</u>
		<u>3,788,685</u>	<u>3,788,685</u>
Financial liabilities			
		Liabilities measured at amortised cost \$	Total \$
Trade and other payables	18	2,624,715	2,624,715
Borrowings	19	<u>6,516,145</u>	<u>6,516,145</u>
		<u>9,140,860</u>	<u>9,140,860</u>
31 December 2019			
Financial assets			
		Loans and receivables measured at amortised cost \$	Total \$
Trade and other receivables	14	7,750,478	7,750,478
Cash and cash equivalents	15	<u>3,530,165</u>	<u>3,530,165</u>
		<u>11,280,643</u>	<u>11,280,643</u>
Financial liabilities			
		Liabilities measured at amortised cost \$	Total \$
Trade and other payables	18	5,404,935	5,404,935
Borrowings	19	<u>9,332,123</u>	<u>9,332,123</u>
		<u>14,737,058</u>	<u>14,737,058</u>

Notes to the consolidated financial statements

For the year ended 31 December 2020

23 Non-cash adjustments and changes in working capital

The following non-cash flow adjustments and adjustments for changes in working capital have been made to loss before tax to arrive at operating cash flow:

	Year ended 31 December 2020	Year ended 31 December 2019
Non-cash flow adjustments	\$	\$
Depreciation and amortisation	510,847	632,931
Foreign exchange losses	825	194,940
Interest income	12	(1,401)
Interest expense	956,538	704,034
Loss on disposal of fixed assets	-	109,618
Total adjustments	<u>1,468,223</u>	<u>1,640,123</u>

Net changes in working capital

	Year ended 31 December 2020	Year ended 31 December 2019
	\$	\$
(Increase)/Decrease in inventories	646,692	(344,286)
(Increase)/Decrease in trade and other receivables	5,885,396	2,909,201
Increase/(Decrease) in trade and other payables	(3,052,094)	(973,078)
Increase/(Decrease) in provisions	(51,327)	(150,374)
Changes in working capital	<u>3,428,665</u>	<u>1,441,462</u>

24 Related party transactions

	Year ended 31 December 2020	Year ended 31 December 2019
At 31 December 2020, Displaydata Limited owed the following amounts to shareholders:	\$	\$
Coller International Partners V-A	2,619,832	1,122,785
Lansdowne Partners Limited	2,441,966	1,046,557
Zebra Diamond Holdings Limited	1,196,791	512,910
Peter Davies	741,435	317,758
	<u>7,000,024</u>	<u>3,000,010</u>

Notes to the consolidated financial statements

For the year ended 31 December 2020

25 Financial instruments risk

25.1 Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised in Note 22. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated at its headquarters, in close cooperation with the board of directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets. Long-term financial investments are managed to generate lasting returns. The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

25.2 Market risk analysis

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk which results from both its operating and investing activities.

25.3 Foreign currency sensitivity

Most of the Group's transactions are carried out in US Dollars. Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in Euros (EUR) and Pounds Sterling (GBP). Further, the Group has bank balances held in EUR, GBP and other currencies. The Group's exposure to foreign currency risk from non-USD cash flows is carefully monitored. Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within 6 months) from longer-term cash flows (due after 6 months). Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into USD at the closing rate:

	EUR \$	GBP \$	Other \$
As at 31 December 2020			
Financial assets	285,578	594,870	38,918
Financial Liabilities	(53,965)	(1,259,629)	-
Total exposure	<u>231,613</u>	<u>(664,759)</u>	<u>38,918</u>

Notes to the consolidated financial statements

For the year ended 31 December 2020	EUR	GBP	Other
	\$	\$	\$
As at 31 December 2019			
Financial assets	77,087	40,335	91,862
Financial Liabilities	(290,576)	(2,271,131)	-
Total exposure	<u>(213,489)</u>	<u>(2,230,796)</u>	<u>91,862</u>

The following table illustrates the sensitivity of profit and equity in regards to the Group's financial assets and financial liabilities and the EUR/USD exchange rate and GBP/USD exchange rate 'all other things being equal'. It assumes a +/- 5% change of the USD/EUR exchange rate for the period ended 31 December 2020 (year ended 31 December 2019: 5%). A +/-5% change is considered for the USD/GBP exchange rate (year ended 31 December 2019: 5%). Both of these percentages have been determined based on the average market volatility in exchange rates in the previous year. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date.

If the USD had strengthened against the EUR by 5% (year ended 31 December 2019: 5%) and GBP by 5% (year ended 31 December 2019: 5%) respectively then this would have had the following impact:

	Gain/(Loss) for Period			Equity		
	EUR	GBP	Total	EUR	GBP	Total
31 December 2020	<u>(11,581)</u>	<u>33,238</u>	<u>21,657</u>	<u>(11,581)</u>	<u>33,238</u>	<u>21,657</u>
31 December 2019	<u>10,674</u>	<u>111,540</u>	<u>122,214</u>	<u>10,674</u>	<u>111,540</u>	<u>122,214</u>

If the USD had weakened against the EUR by 5% (year ended 31 December 2019: 5%) and GBP by 5% (year ended 31 December 2019: 5%) respectively then this would have had the following impact

	Gain/(Loss) for Period			Equity		
	EUR	GBP	Total	EUR	GBP	Total
31 December 2020	<u>12,160</u>	<u>(34,900)</u>	<u>(22,740)</u>	<u>12,160</u>	<u>(34,900)</u>	<u>(22,740)</u>
31 December 2019	<u>(11,208)</u>	<u>(117,117)</u>	<u>(128,325)</u>	<u>(11,208)</u>	<u>(117,117)</u>	<u>(128,325)</u>

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

Notes to the consolidated financial statements

For the year ended 31 December 2020

25.4 Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example receivables to customers and placing deposits. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at 31 December 2020, as summarised below:

Classes of financial assets	31-Dec-20	31-Dec-19
- carrying amounts	\$	\$
Cash and cash equivalents	1,218,708	3,530,165
Trade and other receivables	<u>2,569,977</u>	<u>7,750,478</u>
	<u>3,788,686</u>	<u>11,280,643</u>

The Group continuously monitors defaults of customers, merchants and other counterparties, identified either individually or by the Group, and incorporates this information into its credit risk controls. Where available, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group makes use of a simplified approach in accounting for trade and other receivables 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 Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses. The Group assesses impairment of trade receivables on an individual basis, as this is the most appropriate approach for its portfolio of customers.

The credit risk for cash and cash equivalents and derivative financial instruments is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Notes to the consolidated financial statements

For the year ended 31 December 2020

25.5 Liquidity risk analysis

Liquidity risk is that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available cash balances to identify any potential shortfalls.

The Group's objective is to maintain cash to meet its liquidity requirements for its day-to-day activities and to fund on-going investment. This objective was met for the reporting periods.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Group's existing cash resources and trade receivables significantly exceed the current cash outflow requirements. Cash flows from trade and other receivables are all contractually due within two months.

As at 31 December 2020, the Group has the following contracted non-derivative financial liabilities.

	Current		
	Within 6 months	6 to 12 months	
	\$		\$
Trade and other payables	2,624,715		-
Borrowings	<u>122,670</u>		-
	<u>2,747,385</u>		-

This compares to the maturity of the Group's non-derivative financial liabilities in the previous reporting periods as follows

	Current		
	Within 6 months	6 to 12 months	
	\$		\$
Trade and other payables	5,404,935		-
Borrowings	<u>5,453,449</u>		<u>504,966</u>
	<u>10,858,384</u>		<u>504,966</u>

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

In assessing and managing liquidity risks of its derivative financial instruments, the Group considers both contractual inflows and outflows. As at 31 December 2020, the Group had no derivative financial liabilities and therefore no related contractual cash flows.

Notes to the consolidated financial statements

For the year ended 31 December 2020

26 Capital management policies and procedures

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern
- to provide an adequate return to shareholders

The Group monitors capital on the basis of the carrying amount of equity, less cash and cash equivalents as presented on the face of the statement of financial position.

Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The amounts managed as capital by the Group for the reporting periods under review are summarised as follows:

	31 December 2020	31 December 2019
	\$	\$
Total equity	(3,167,132)	167,398
Cash and cash equivalents	<u>(1,218,708)</u>	<u>(3,530,165)</u>
Capital	<u>(4,385,840)</u>	<u>(3,362,767)</u>
Overall financing	<u><u>(3,167,132)</u></u>	<u><u>167,398</u></u>
Capital to overall financing ratio	0.72	(0.05)

27 Capital commitments

The Group had no capital expenditure contracted but not provided for at 31 December 2020 (31 December 2019: £nil).

28 Events after the reporting period

There are no other events of note after the reporting period.

29 Ultimate Controlling Party

The directors consider the ultimate controlling party to be Colter International Partners V-A, L.P., a private equity fund registered in the Cayman Islands.

Company statement of comprehensive income

For the year ended 31 December 2020

	Notes	Year ended 31 December 2020 \$	Year ended 31 December 2019 \$
Revenue		20,085,800	23,075,143
Cost of sales		(15,250,566)	(17,486,807)
Gross profit		<u>4,835,235</u>	<u>5,588,336</u>
Administrative expenses		(7,670,456)	(11,055,394)
Other Income		268,939	-
Profit on sale of ZBD technology		-	1,914,357
Operating loss	8	(2,566,283)	(3,552,701)
Finance costs	9	(947,446)	(896,694)
Finance income	9	703	1,401
Loss before taxes		<u>(3,513,026)</u>	<u>(4,447,994)</u>
Tax expense	10	527,022	684,546
Loss for the period and total comprehensive income		<u><u>(2,986,004)</u></u>	<u><u>(3,763,448)</u></u>

There are no amounts of other comprehensive income in either the current or the prior period.

All amounts relate to continuing operations.

The notes, which form part of these financial statements, can be found on pages 51 to 61

Company statement of financial position

As at 31 December 2020

	Notes	31 December 2020 \$	31 December 2019 \$
Fixed assets			
Intangible assets	32	1,135	-
Tangible assets	33	742,531	1,151,839
Investments	34	1,000	-
		<u>744,666</u>	<u>1,151,839</u>
Current assets			
Inventories	35	1,426,455	2,004,042
Debtors due within one year	36	6,443,156	11,822,586
Cash at bank and in hand		987,318	3,230,470
		<u>8,856,930</u>	<u>17,057,098</u>
Creditors: amounts falling due within one year			
Trade and other payables	37	(4,581,270)	(7,731,208)
Borrowings	20	(122,670)	(5,958,415)
Lease liabilities	38	(331,313)	(185,548)
		<u>3,821,676</u>	<u>3,181,927</u>
Net current assets		<u>3,821,676</u>	<u>3,181,927</u>
Total assets less current liabilities		<u>4,566,343</u>	<u>4,333,766</u>
Provisions	39	(319,575)	(378,150)
Creditors: amounts falling due after more than one year			
Borrowings	20	(6,393,475)	(3,373,708)
Lease liabilities	38	(187,639)	(466,478)
		<u>(2,334,345)</u>	<u>115,431</u>
Net assets		<u>(2,334,345)</u>	<u>115,431</u>
Capital and reserves			
Share capital	41	5,991,403	5,991,322
Share premium		126,606,533	126,606,452
Capital contribution		4,073,480	4,073,480
Retained earnings		(139,005,761)	(136,555,824)
Shareholders' funds		<u>(2,334,345)</u>	<u>115,431</u>

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

A J Dark
Director

Andrew Dark

26/7/2021

The notes, which form part of these financial statements, can be found on pages 51 to 61.

Company statement of changes in equity

For the year ended 31 December 2020

	Share capital \$	Share premium \$	Capital contribution \$	Retained earnings \$	Total equity \$
Balance at 1 January 2019	5,991,322	126,606,452	4,073,480	(136,555,824)	3,345,595
Adjustment from the adoption of IFRS 16	-	-	-	(26,501)	(26,501)
Adjustment for present value of interest-free loan	-	-	-	559,784	559,784
Loss for the year and total comprehensive income	-	-	-	(3,763,448)	(3,763,448)
Balance at 31 December 2019 and 1 January 2020	5,991,322	126,606,452	4,073,480	(136,555,824)	115,431
Share Issue	82	82			164
Adjustment for present value of interest-free loan	-	-	-	536,067	536,067
Loss for the year and total comprehensive income	-	-	-	(2,986,004)	(2,986,004)
Balance at 31 December 2020	5,991,404	126,606,534	4,073,480	(139,005,761)	(2,334,345)

The notes, which form part of these financial statements, can be found on pages 51 to 61.

Notes to the company financial statements

For the year ended 31 December
2020

30 Basis of preparation

The parent company financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 – 'The Reduced Disclosure Framework' (FRS101) and the Companies Act 2006.

The company has chosen to take advantage of the following exemptions permitted under FRS 101:

- There is no requirement to prepare a cash flow statement
- No disclosure is required of related party transaction with and between wholly owned subsidiaries
- There is no need to present comparative reconciliations for property, plant and equipment or intangible assets
- Disclosure is not required of key management personnel compensation or amounts incurred for the provision of key management personnel services provided by a separate management entity, although the directors' remuneration disclosures required by law must be given
- There is no requirement to present capital management disclosures
- No disclosures have to be made in respect of standards in issue not yet effective
- A significant reduction in financial instruments disclosures due to these being disclosed as part of the consolidated financial statements

31 Summary of accounting policies

31.1 Going concern

Management routinely plan future activities including forecasting future cash flows. Management have reviewed their plans with the directors and have collectively formed a judgement that the company has adequate resources to continue as a going concern for at least 12 months from the date of signing of the financial statements. In arriving at this judgement, the directors have prepared detailed projections of expected cash flows under various financial scenarios for the period ending 30 June 2023. These financial scenarios included sensitivity analyses on sales, gross margins, overheads and working capital, with specific reference to CID availability.

As at 31 December 2020 the Company net assets show a net liability position of -\$2.3m. It should be noted that these net assets include the \$7.0m interest free, convertible shareholder loan facility.

Board has concluded that the Group will have sufficient resources to meet its liabilities for the foreseeable future and therefore the Group remains a going concern.

31.2 Foreign currency translation

Functional and presentation currency

The directors believe that due to the nature of the business and given that a significant proportion of the Company's income is derived in US dollars, the functional currency of the Company is US dollars and the financial statements should be presented in US dollars.

Notes to the company financial statements

For the year ended 31 December 2020

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the Company, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at period-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at period-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

31.3 Revenue

The whole of the revenue is attributable to the group's activities in the research, development and commercialisation of display technology.

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a refund liability.

- Revenue from the sale of goods is recognised when the relevant contractual performance obligations have been met. Where customers have made their own delivery arrangements, this is on dispatch of the goods or at the time of collection. Where the significant risks and rewards of ownership remain with the Group during transit, revenue is recognised on delivery.
- Service revenue, for example, installation or training, is recognised as services are provided using stage of completion.
- Software licences, support and maintenance are recognised over the period to which the contract relates.

Notes to the company financial statements

For the year ended 31 December 2020

31.4 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred. Expenditure for warranties is recognised when the Company incurs an obligation, which is typically when the related goods are sold.

31.5 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement financial assets are classified as loans and receivables upon initial recognition.

All financial assets are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. The criteria to determine impairment are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

The Company makes use of a simplified approach in accounting for trade and other receivables 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. The Company assesses impairment of trade receivables on an individual basis, as this is the most appropriate approach for its portfolio of customers.

Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include trade and other payables.

Financial liabilities are initially measured at fair value and measured subsequently at amortised cost using the effective interest method

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Financial derivatives are measured at fair value and any changes in the fair value are recognised in profit and loss.

Notes to the company financial statements

For the year ended 31 December 2020

31.6 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and associates is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future. Deferred tax assets and liabilities are calculated, without discounting, at tax rates and laws that are expected to apply to their respective period of realisation, provided those rates and laws are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

31.7 Intangible fixed assets and amortisation

Intangible assets are initially recognised at cost.

Amortisation is provided on all intangible assets at rates calculated to write off the cost over their expected useful lives. It is calculated on a straight-line basis, at the following rate, on a pro-rata basis in the year of acquisition/disposal:

Trademarks	-	Over 5 years
Software	-	Over 3 years

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognised in profit or loss within other income or other expenses.

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31.8 Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of property, plant and equipment, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold improvements	-	Over 5 years
Laboratory equipment	-	Between 3 and 5 years
Fixtures & fittings	-	Over 5 years
Office equipment	-	Over 3 years

31.9 Inventories

Inventories of finished goods for resale and raw materials are stated at the lower of cost and net realisable value. Where appropriate, costs include all costs incurred in bringing each product to its present location and condition.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion.

31.10 Research

Research expenditure is written off to the profit and loss account as incurred.

31.11 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

31.12 Equity, reserves, and dividend payments

Share capital represents the nominal value of shares that have been issued. Share premium represents the difference between the price paid for shares and the nominal value.

Retained earnings includes all current and prior period retained profits.

All transactions with owners of the parent are recorded separately within equity.

Other non-distributable reserves comprise a capital contribution created when interest on loans converted to equity was waived in prior years.

31.13 Short-term employee benefits

Short-term employee benefits, including holiday entitlement, are current liabilities included in other employee obligations, measured at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

Notes to the company financial statements

For the year ended 31 December 2020

31.14 Share-based payments

Equity-settled share-based payments to employees and others are measured at the fair value of the equity instruments at the grant date. This fair value excludes the effect of non-market vesting conditions. All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to retained earnings.

31.15 Defined contribution plan

The Company pays fixed contributions into independent entities in relation to plans and insurances for individual employees. The Company has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that related employee services are received.

31.16 Operating leases

Where the Company is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

31.17 Exceptional items

Exceptional items are defined as items of income and expenditure which are material and unusual in nature and which are considered to be of such significance that they require separate disclosure on the face of the consolidated statement of comprehensive income in accordance with IAS 1 (Revised 2007).

31.18 Deposits

Deposits represent balances paid in respect of lease agreements and forward currency contracts.

31.19 Significant management judgement in applying policies and estimating uncertainty

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgement

The following are significant management judgements in applying the accounting policies of the Company that have the most significant effect on the financial statements

Shareholder loan

In management's judgement the shareholder loan is a compound financial instrument with both debt and equity elements. To this end, the present value of the shareholder cash flows was calculated using the Group's estimated cost of capital and the expected term to maturity, with the difference between the drawdown portion received and the discounted present value being considered the equity element of the loan (see note 19, Borrowings).

Estimating uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Notes to the company financial statements

For the year ended 31 December 2020

Research and development tax recoverable

The Group has included \$0.5 million for the research and development tax reclaim as a non-financial asset within trade receivables. This calculation has been estimated based on the same parameters and principles applied in previous years.

Provisions

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

W Shares

Valuation of employee incentive scheme W shares, is based on a combination of management's judgement and independent professional advice when the shares are issued. Using different input estimates or models could produce different values.

Government Grants

Grants are accounted under the accruals model. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated Statement of Comprehensive Income in the same period as the related expenditure.

Notes to the company financial statements

For the year ended 31 December 2020

32 Intangible assets

	Trademarks	Software	Total
Company	\$	\$	\$
Cost			
At 1 January 2020	17,238	119,922	137,160
Disposals in the year	-	1,390	1,390
At 31 December 2020	<u>17,238</u>	<u>121,312</u>	<u>138,550</u>
Amortisation			
At 1 January 2020	17,238	119,922	137,160
Charge in the year	-	255	255
Disposals in the year	-	-	-
At 31 December 2020	<u>17,238</u>	<u>120,177</u>	<u>137,414</u>
Net book value			
At 31 December 2020	<u>-</u>	<u>-</u>	<u>1,135</u>
At 1 January 2020	<u>-</u>	<u>-</u>	<u>-</u>

Notes to the company financial statements

For the year ended 31 December 2020

33 Property, plant and equipment

	Leased buildings \$	Leasehold improvements \$	Laboratory equipment \$	Fixtures & Fittings \$	Office equipment \$	Total \$
Cost						
At 1 January 2020	1,025,546	180,030	992,821	47,389	384,579	2,630,365
Adjustment from the introduction of IFRS 16	-	-	-	-	-	-
Additions in the year	-	-	15,253	-	2,107	17,360
Disposals	-	-	-	-	-	-
At 31 December 2020	<u>1,025,546</u>	<u>180,030</u>	<u>1,008,075</u>	<u>47,389</u>	<u>386,686</u>	<u>2,647,725</u>
Depreciation						
At 1 January 2020	444,091	66,401	572,997	28,723	366,314	1,478,526
Adjustment from the introduction of IFRS 16	-	-	-	-	-	-
Charge in the year	205,109	30,647	172,397	6,437	12,078	426,667
Disposals	-	-	-	-	-	-
At 31 December 2020	<u>649,200</u>	<u>97,048</u>	<u>745,393</u>	<u>35,160</u>	<u>378,392</u>	<u>1,905,194</u>
Net book value						
At 31 December 2020	<u>376,346</u>	<u>82,982</u>	<u>262,681</u>	<u>12,229</u>	<u>8,294</u>	<u>742,531</u>
At 1 January 2020	<u>581,455</u>	<u>113,629</u>	<u>419,824</u>	<u>18,666</u>	<u>18,265</u>	<u>1,151,839</u>

Notes to the company financial statements

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34 Investments

Company	Investments in subsidiary companies \$
Cost or valuation	
At 1 January and 31 December 2020	1,000
Net book value	
At 31 December 2020	<u>1,000</u>
At 31 December 2019	<u>1,000</u>

Details of the principal subsidiaries can be found in note 10

35 Inventories

Inventories consist of the following:

	31 December 2020 \$	31 December 2019 \$
Raw materials	1,095,376	1,449,651
Finished goods and goods for resale	<u>331,078</u>	<u>554,391</u>
	<u>1,426,455</u>	<u>2,004,042</u>

36 Debtors due within one year

	31 December 2020 \$	31 December 2019 \$
Trade Debtors	2,429,277	2,850,092
Loans receivable	18,288	17,667
Amounts owed by group undertakings	3,155,276	7,026,037
Prepayments	239,926	919,367
Corporation tax recoverable	527,022	659,315
VAT Receivable	64,873	92,216
Other debtors	<u>8,494</u>	<u>257,892</u>
	<u>6,443,156</u>	<u>11,822,586</u>

Notes to the company financial statements

For the year ended 31 December 2020

37 Creditors: amounts falling due within one year

	31 December 2020	31 December 2019
Company	\$	\$
Trade and other payables consist of the following:		
Trade payables	1,989,207	4,702,203
Employee obligations	40,502	36,413
Accruals	504,998	656,738
Amounts owed to group undertakings	1,921,257	2,171,457
Other taxation and social security	125,307	164,397
	<u>4,581,270</u>	<u>7,731,208</u>

38 Leases

	31 December 2020	31 December 2019
	\$	\$
Amounts payable within one year:	331,313	185,548
Amounts payable after more than one year:	<u>187,639</u>	<u>466,478</u>
Total	<u>518,952</u>	<u>821,338</u>

The group has adopted IFRS 16 using the modified retrospective approach from 1 January 2019 and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in retained earnings at 1 January 2019.

39 Provisions

Details of provisions are included in note 18 of the Consolidated financial statements of the Group.

40 Creditors: amounts falling due after more than one year

Details of creditors are included in note 20 of the Consolidated financial statements of the Group.

41 Share capital

Details of share capital are included in note 17 of the Consolidated financial statements of the Group.