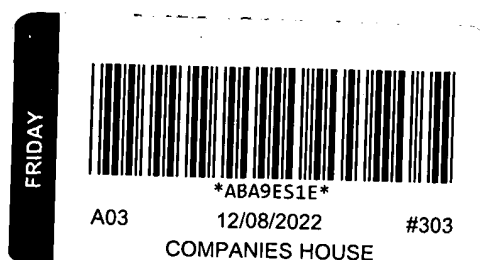


Financial Statements

Displaydata Limited

For the year ended 31 December 2021



Registered number: 03929602

Company Information

Directors	S M Chapman G Clempson (Resigned 10 February 2022) P A J Coelewij A J Dark F E Morgan
Registered number	03929602
Registered office	Malvern Hills Science Park Geraldine Road Malvern Worcestershire WR14 3SZ
Independent auditors	Grant Thornton UK LLP First Floor, One Valpy 20 Valpy Street Reading Berkshire RG1 1AR
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 2021

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) are managed via the industry's most scalable enterprise software, Dynamic Central, licensed and operated by our customers or through subscription to Dynamic Cloud, 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 2021 is set out on page 16.

The Board is pleased to report that 2021 was a year of strong growth throughout the business culminating in Displaydata's first year of positive EBITDA (see below for further details).

As forecast, customer demand for Displaydata solutions grew strongly as evidenced by a 48% increase in revenue year-on-year at \$31.1m (2020: \$21.0m). This performance was driven by the start of a major new European DIY customer deployment combined with a general increase in existing customer activity and new customer wins. The impact of Covid pandemic on the customer base was still evident but as 2021 progressed customers returned to their ESL investment in bricks and mortar retail. This significant growth in revenue was achieved despite a 3rd quarter lockdown in Vietnam where production assembly was virtually halted for 3 months, requiring an exceptional production output in the final quarter.

Order intake continued to grow in 2021 with an overall intake of \$45m generating a 2022 opening order cover of \$27m, underpinning revenue growth in the new year. Displaydata's core markets of grocery, DIY and petrol forecourts continues to expand with new entrants looking to benefit from our ESL solution. Another positive factor for future revenues, is the quality of the customer base and the scope for revenue expansion through existing customer roll-outs. As many customers deploy by complete store or by department, the existing customer base potential for future orders to complete store wide roll outs, comfortably provides a platform for Displaydata to exceed \$100m+ annual revenue in the short to medium term.

Gross profit percentage in 2021 improved to 27.5% (2020:27.1%) with the economies of scale through increased production volume more than offsetting component price rises; and the effects of volatility in component supply, which also absorbed significant management resource throughout the for the year.

Another positive was the reduction in operating expenses year on year to \$9.3m (2020: \$9.6m). This improvement significantly reduced the operating expense percentage of revenue to 30.0% from 45.8% in 2020.

The Board is pleased to report that in 2021 Displaydata achieved its first, positive, Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of \$0.3m (2020: -\$2.9m). This was a significant milestone for Displaydata in a year still dominated by the impact of the Covid-19 pandemic and reflected the hard work and perseverance of all Displaydata's employees.

Strategic report

For the year ended 31 December 2021

Financial key performance indicators

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

- Revenue – achieved a 48% increase at \$31.1m in 2021, (year ended 2020: \$21m) in another year of Covid related challenges
- Gross margin percentage – at 27.4% this improved on the prior year (2020: 27.1%) through the close working relationship of the Group and suppliers in managing volatility in the supply chain and the corresponding component price increases.
- Administrative expenses – reduced to \$9.3m (30.0% of revenue) from 2020 levels at \$9.6m (45.8% of revenue)
- Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) – at a positive \$0.3m (2020: -\$2.9m) this was a \$3m improvement year on year resultant from both the increased revenue and the major reduction in overheads; and
- Cash and cash equivalents – at year end \$0.9m (2020: \$1.2m). Significant increased revenues in Q4, following the Covid related production issues in Q3, led to an absorption of cash and increased utilisation of CID year on year with trade debtors increasing to \$12.6m from the prior year \$2.5m.

Post year end events

The robust performance of 2021 has continued into 2022 with current year order cover already exceeding 2021 revenue. In Q1 2022, a new, major petrol forecourt retailer win in North America continues to underpin another year of strong revenue growth. Subject to any unforeseen issues, the Board is pleased to report that the order cover and order pipeline for 2022 combined with the current cost base is forecast to deliver a profit for the year.

Following Board approval on 10th February 2022 to extend the Termination Date of the Shareholder Loan Agreement, agreement was sought and obtained from the Lenders and Borrower to extend the Termination date of 31 March 2022 to 31 March 2024. All other provisions of the Shareholder Loan continue to be in full force and effect.

Going Concern

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

The assessment of the Group's going concern is addressed in the Director's Report section of the financial statements

Strategic report

For the year ended 31 December 2021

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 2024. It is expected that if the loan is not repaid by that date it will be converted to equity; and
- Covid-19 and other global events: The Board has reviewed the ongoing risks facing the Group as a result of the Covid-19 pandemic and other global events. Remote working has now become standard working practice for a large number of the Group's employees and operational effectiveness remains high. External impacts are still being seen in the supply chain and with logistics but they continue to be managed without significant impact to customer deliveries.

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

A J Dark
Director

Date: 22/7/2022

Directors' report

For the year ended 31 December 2021

Results

The consolidated loss for the year, after taxation, amounted to \$0.5m (year ended 31 December 2020: \$3.9m). The profit before interest, tax, depreciation and amortisation (EBITDA) was \$0.3m (loss year ended 31 December 2020: \$2.9m).

Future Developments

Displaydata continues to develop its enterprise solution to retain its leadership position in ease of deployment, scalability and display consistency of the brightest and sharpest ESLs available. The ongoing product development is not only facilitating Displaydata's growth in its core retail market but also the strategic development of new markets including manufacturing, logistics and office signage and expansion into new territories. The on-going development of Dynamic Cloud, the company's ESL management tool, continues to attract customers onto Displaydata's managed service providing an increasing level of recurring monthly revenue.

Directors

There were no changes to the directors in office during 2021, however, due to other commitments G Clempson resigned and left the board in February 2022.

Events after the reporting period

The ongoing impact of the Covid-19 pandemic and other global events are addressed under 'Principal risks and uncertainties' in the Strategic Report.

Following Board approval on 10th February 2022 to extend the Termination Date of the Shareholder Loan Agreement, agreement was sought and obtained from the Lenders and Borrower to extend the Termination date of 31 March 2022 to 31 March 2024. All other provisions of the Shareholder Loan continue to be in full force and effect.

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.

On 31 December 2021 the Group's available cash was \$0.9m (2020: \$1.2m). The drawn down invoice discounting was \$4.1m (2020: \$0.1m), secured against trade receivables \$12.6m (2020: \$2.5m).

The Group's confidential invoice discounting facility (CID) was renewed at the end of March 2022 for a further 18 months. The renewal facility was also increased to \$6.5m (2020: \$5m) reflecting the trading requirement as the Group revenues grow. The next renewal is due on 30 September 2023 and hence, the CID facility post March 2022 has been included as available within the cashflow forecasts for the period under review.

The Group also has a convertible \$7.0m, interest free, shareholder loan facility; the present value of the principal of the interest free shareholder loan is \$6.9m, discounted at the market interest rate (7.54%). Post year end, the shareholder loan term has been extended for 2 years to 31 March 2024.

As at 31 December 2021 both the Group and Company net assets both show a net liability position of \$3.7m and \$2.3m, respectively. The Group and Company net current liability position is \$4.3m and \$2.6m respectively. However, it should be noted that both the net liabilities and current net liabilities are after the deduction of the \$7.0m interest free, convertible shareholder loan facility noted above and repayment of which has been extended.

Directors' report

For the year ended 31 December 2021

The supply of semiconductors remains challenging and is expected to continue to be so throughout 2022 and has required significant resource to manage continuity of supply. In order to ameliorate the risk of working capital volatility a further \$3m interest free, non -convertible shareholder loan facility has been agreed with \$2m drawn down in June. This loan is expected to be repaid in the short term.

The Group constantly monitors both global economic conditions and geopolitical changes to assess the potential impact on the Group and its supply chain and customer base. Of note the Russian-Ukrainian crisis has led to increased volatility and cost of fuel and energy which, has a direct impact on the Group's cost base which has been mitigated where possible. Similarly, lockdowns in China continue to be a potential risk to component supplies and product shipments but to date have been manageable. It is noted that, if the global economic environment was to deteriorate significantly then it could have a materially adverse effect on the Group's performance and outlook.

As a result of the Covid-19 pandemic, the majority of the Group's employees are now working from home as remote working practices have been extended. The Group will be relocating to a smaller, more appropriately sized head office in Q4 2022, to reflect these new working practices. The Group's supply chain continues to be closely managed as global issues affect component supply, component cost and challenges in logistics and costs of shipping products internationally. Disruption to customers has been minimised but industry lead times remain extended.

Overall, the Group is seeing significant growth in bricks and mortar, retail market. 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.

The financial projections for 2022 based on the Q1 2022 orderbook together with the benefit of the lower cost run rate from 2021, lead to a forecast expectation that in 2022 the Group will be cash generative and profitable.

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 2021

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

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

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 the cloud hosted, managed service solution.

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.

Directors' report

For the year ended 31 December 2021

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 2022 for a period of 18 months at an increased facility of \$6.5m. 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.

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 22/7/2022

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 2021, which comprise the consolidated and Company statement of comprehensive income; the consolidated and Company statement of financial position; the consolidated and Company statement of changes in equity; the consolidated statement of cashflows; the notes to the consolidated and Company financial statements; which include a summary of the Group's and Company's significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards. 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 2021 and of the Group's loss and the parent company's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards
- 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.

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.

Independent auditor's report to the members of Displaydata Limited

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.

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.

Independent auditor's report to the members of Displaydata Limited

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.

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

- We have considered the impact of the sanctions against Russia on the Group's operations, customer base and credit risk as well as the possibility of further more restrictive sanctions being imposed and nothing has come to our attention to suggest that the operations or the liquidity of the Group have been adversely affected directly by the current political and economic situation other than the negative impact on capital markets and the financing options available to management. We reviewed management's assessment of the sanctions impact on the Group's operations (and the external advice received by the Group.)

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 manual journal entries.
- 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;
 - 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
 - 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 or cash;
 - 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.

Independent auditor's report to the members of Displaydata Limited

Our audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as 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.

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, 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.



Amrish Shah, BSc, FCA
Senior Statutory Auditor
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Reading

Date: 22/7/2022

Consolidated statement of comprehensive income

For the year ended 31 December 2021

		Year ended 31 December 2021	Year ended 31 December 2020
	Notes	\$	\$
Revenue	5	31,147,065	21,011,949
Cost of sales		(22,587,572)	(15,316,188)
Gross profit		<u>8,559,493</u>	<u>5,695,761</u>
Administrative expenses		(9,314,745)	(9,631,605)
Other Income	6	550,484	498,939
Operating loss	8	(204,768)	(3,436,906)
Finance costs	9	(652,232)	(957,364)
Finance income	9	98	(12)
Loss before taxes		<u>(856,902)</u>	<u>(4,394,281)</u>
Tax income	10	356,239	523,523
Loss for the period and total comprehensive income		<u><u>(500,663)</u></u>	<u><u>(3,870,758)</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 20 to 46.

Consolidated statement of financial position

As at 31 December 2021

	Notes	31 December 2021 \$	31 December 2020 \$
Assets			
Non-current assets			
Intangible assets	12	118,712	1,135
Property, plant and equipment	13	881,600	950,072
Non-current assets		<u>1,000,312</u>	<u>951,207</u>
Current			
Inventories	14	2,372,523	1,535,661
Trade and other receivables	15	13,881,841	3,412,905
Cash and cash equivalents	16	894,082	1,218,708
Current assets		<u>17,148,446</u>	<u>6,167,275</u>
Total assets		<u>18,148,758</u>	<u>7,118,482</u>
Equity and liabilities			
Equity			
Share capital	17	5,991,403	5,991,403
Share premium		126,606,533	126,606,533
Capital contribution		4,073,480	4,073,480
Retained earnings		(140,339,249)	(139,838,548)
Total equity		<u>(3,667,832)</u>	<u>(3,167,132)</u>
Liabilities			
Current liabilities			
Provisions	18	216,407	326,823
Trade and other payables	19	10,043,709	2,814,635
Borrowings	20	10,986,822	122,670
Lease Liabilities	21	248,058	397,434
Current liabilities		<u>21,494,995</u>	<u>3,661,562</u>
Long-term liabilities			
Borrowings	20	-	6,393,475
Lease liabilities	21	321,595	230,577
Total liabilities		<u>21,816,590</u>	<u>10,285,613</u>
Total equity and liabilities		<u>18,148,758</u>	<u>7,118,482</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 22/7/2022

A J Dark *Andrew Dark*
Director

The notes, which form part of these financial statements, can be found on pages 20 to 46.

Consolidated statement of changes in equity

For the year ended 31 December 2021

	Share capital \$	Share premium \$	Capital contribution \$	Retained earnings \$	Total equity \$
Balance at 1 January 2020	5,991,321	126,606,452	4,073,480	(136,503,857)	167,396
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	-	-	163
Balance at 31 December 2020 and 1 January 2021	5,991,403	126,606,533	4,073,480	(139,838,548)	(3,167,132)
Adjustment for present value of interest-free loan	-	-	-	(38)	(38)
Loss for the year and total comprehensive income	-	-	-	(500,663)	(500,663)
Balance at 31 December 2021	5,991,403	126,606,533	4,073,480	(140,339,249)	(3,667,832)

The notes, which form part of these financial statements, can be found on pages 20 to 46.

Consolidated statement of cash flows

For the year ended 31 December 2021

		Year ended 31 December 2021	Year ended 31 December 2020
	Notes	\$	\$
Operating activities			
Loss before tax		(856,902)	(4,394,281)
Non-cash flow adjustments	23	1,116,415	1,468,223
Net changes in working capital	23	(4,330,970)	3,428,665
Taxes received		502,841	655,816
Net cash used in operating activities		<u>(3,568,616)</u>	<u>1,158,423</u>
Investing activities			
Purchase of intangible assets	12	(127,884)	(1,390)
Purchase of property, plant and equipment	13	(45,062)	(38,040)
Interest received	9	98	(12)
Net cash used in investing activities		<u>(172,847)</u>	<u>(39,443)</u>
Financing activities			
Shares issued	17	-	164
Loan (payments) / receipts		3,988,505	(2,279,912)
Interest paid	9	(187,677)	(904,271)
Lease liability payments		(436,310)	(245,592)
Net cash used in financing activities		<u>3,364,518</u>	<u>(3,429,611)</u>
Net change in cash and cash equivalents		(376,946)	(2,310,631)
Cash and cash equivalents, beginning of period	16	1,218,708	3,530,165
Exchange differences on cash and cash equivalents		52,319	(825)
Cash and cash equivalents, end of period	16	<u>894,082</u>	<u>1,218,709</u>

The notes, which form part of these financial statements, can be found on pages 20 to 46.

Notes to the consolidated financial statements

For the year ended 31 December 2021

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 2021 (for an entity with a 31 December 2021 year-end):

Amendments to IFRS16 COVID-19 rent concessions beyond 30 June 2021

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 & IFRS 16 Interest rate benchmark reform phase

These amendments to existing standards, published by the IASB, and effective from 2021, 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 2021. 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 2021

4.3 Going concern

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

On 31 December 2021 the Group's available cash was \$0.9m (2020: \$1.2m). The drawn down invoice discounting was \$4.1m (2020: \$0.1m), secured against trade receivables \$12.6m (2020: \$2.5m).

The Group's confidential invoice discounting facility (CID) was renewed at the end of March 2022 for a further 18 months. The renewal facility was also increased to \$6.5m (2020: \$5m) reflecting the trading requirement as the Group revenues grow. The next renewal is due on 30 September 2023 and hence, the CID facility post March 2022 has been included as available within the cashflow forecasts for the period under review.

The Group also has a convertible \$7.0m, interest free, shareholder loan facility; the present value of the principal of the interest free shareholder loan is \$6.9m, discounted at the market interest rate (7.54%). Post year end, the shareholder loan term has been extended for 2 years to 31 March 2024.

As at 31 December 2021 both the Group and Company net assets both show a net liability position of \$3.7m and \$2.3m, respectively. The Group and Company net current liability position is \$4.3m and \$2.6m respectively. However, it should be noted that both the net liabilities and current net liabilities are after the deduction of the \$7.0m interest free, convertible shareholder loan facility noted above and repayment of which has been extended.

The supply of semiconductors remains challenging and is expected to continue to be so throughout 2022 and has required significant resource to manage continuity of supply. In order to ameliorate the risk of working capital volatility a further \$3m interest free, non -convertible shareholder loan facility has been agreed with \$2m drawn down in June. This loan is expected to be repaid in the short term.

The Group constantly monitors both global economic conditions and geopolitical changes to assess the potential impact on the Group and its supply chain and customer base. Of note the Russian-Ukrainian crisis has led to increased volatility and cost of fuel and energy which, has a direct impact on the Group's cost base which has been mitigated where possible. Similarly, lockdowns in China continue to be a potential risk to component supplies and product shipments but to date have been manageable. It is noted that, if the global economic environment was to deteriorate significantly then it could have a materially adverse effect on the Group's performance and outlook.

As a result of the Covid-19 pandemic, the majority of the Group's employees are now working from home as remote working practices have been extended. The Group will be relocating to a smaller, more appropriately sized head office in Q4 2022, to reflect these new working practices. The Group's supply chain continues to be closely managed as global issues affect component supply, component cost and challenges in logistics and costs of shipping products internationally. Disruption to customers has been minimised but industry lead times remain extended.

Notes to the consolidated financial statements

For the year ended 31 December 2021

Overall, the Group is seeing significant growth in bricks and mortar, retail market. 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. The financial projections for 2022 based on the Q1 2022 orderbook together with the benefit of the lower cost run rate from 2021, lead to a forecast expectation that in 2022 the Group will be cash generative and profitable. On this basis, 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.

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 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.

Notes to the consolidated financial statements

For the year ended 31 December 2021

- 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 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.

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.

Notes to the consolidated financial statements

For the year ended 31 December 2021

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 4.22 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.

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.

Notes to the consolidated financial statements

For the year ended 31 December 2021

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.

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.

Notes to the consolidated financial statements

For the year ended 31 December 2021

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.

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.

Throughout the accounting period, provisions are made for obsolete, slow moving or defective items where this is appropriate.

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

Notes to the consolidated financial statements

For the year ended 31 December 2021

conditions. All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to retained earnings. In the event of a return of capital, the combined value of the entire class of Deferred Shares (Deferred, 'X' Deferred and 'W' Deferred) is £0.01.

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.

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).

Notes to the consolidated financial statements

For the year ended 31 December 2021

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 \$0.4 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 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 2021

5 Revenue

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

For the year ended 31 December 2021

	Electronic Shelf Labels	Other products and services	Total
	\$	\$	\$
Europe	25,985,342	1,717,102	27,702,444
N America	2,660,509	784,112	3,444,621
Total	<u>28,645,851</u>	<u>2,501,214</u>	<u>31,147,065</u>

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	2,804,842	285,610	3,090,452
Total	<u>19,610,207</u>	<u>1,401,741</u>	<u>21,011,949</u>

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

For the year ended 31 December 2021

	Electronic Shelf Labels	Other products and services	Total
	\$	\$	\$
Goods and services transferred at a point in time	28,645,851	1,718,829	30,364,680
Services transferred over time		782,385	782,385
Total	<u>28,645,851</u>	<u>2,501,214</u>	<u>31,147,065</u>

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		666,132	666,132
Total	<u>19,519,783</u>	<u>1,492,166</u>	<u>21,011,949</u>

Notes to the consolidated financial statements

For the year ended 31 December 2021

6 Other Income

The components of other income are the Paycheck Protection Program (PPP) & Employee Retention Tax Credit (ERTC) in the United States. PPP is administered by the Small Business Administration

(SBA) through partner commercial banks. Advance ERTC payments were received from the IRS - this is an incentive created within the Coronavirus Aid, Relief, and Economic Security Act (CARES), intended to encourage employers to keep employees on payroll. The purpose of the Coronavirus Job Retention Scheme (CJRS) in the UK, is to provide relief for employers incurring costs of employment in respect of furloughed employees arising from the health, social and economic emergency in the UK resulting from coronavirus disease.

	Year ended 31 December 2021	Year ended 31 December 2020
	\$	\$
Coronavirus Job Retention Scheme	-	268,939
Paycheck Protection Program	377,831	230,000
Employee Retention Tax Credit	172,653	-
	<u>550,484</u>	<u>498,939</u>

7 Employee Remuneration

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

	Year ended 31 December 2021	Year ended 31 December 2020
	No.	No.
	47	61

Expenses recognised for employee benefits are analysed below:

	Year ended 31 December 2021	Year ended 31 December 2020
	\$	\$
Wages and salaries	5,387,408	5,279,654
Social security costs	474,193	509,367
Other pension costs	361,935	384,613
	<u>6,223,536</u>	<u>6,173,635</u>

The Group also operates a share scheme for certain employees and directors. There were no additional charges relating to the employee share scheme in the current year. (year ended 31 December 2020: nil)

	Year ended 31 December 2021	Year ended 31 December 2020
	\$	\$
Directors' remuneration	545,615	408,889

During the period retirement benefits were accruing to no directors (year ended 31 December 2020: nil) in respect of defined contribution pension schemes.

The highest paid director received remuneration of \$425,491 (year ended 31 December 2019: \$356,393).

Notes to the consolidated financial statements

For the year ended 31 December 2021

8 Operating Loss

Operating loss is stated after charging

	Year ended 31 December 2021	Year ended 31 December 2020
	\$	\$
Amortisation of intangible fixed assets	10,307	255
Depreciation of tangible fixed assets	453,974	510,592
Auditors remuneration for audit services	72,947	81,957
Tax advisory services	13,800	12,219
Research costs	1,326,068	109,975
Defined contribution pension costs	361,935	384,613

9 Finance costs and finance income

Finance costs for the reporting periods consisted of the following:

	Year ended 31 December 2021	Year ended 31 December 2020
	\$	\$
Foreign exchange	52,320	(825)
Interest on lease liabilities	(34,703)	(52,267)
Other interest	(669,849)	(904,271)
Total	<u>(652,232)</u>	<u>(957,364)</u>

Finance income for the reporting periods consisted of the following:

	Year ended 31 December 2021	Year ended 31 December 2020
	\$	\$
Interest on bank deposits	98	(12)

Notes to the consolidated financial statements

For the year ended 31 December 2021

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% (2020: 19%) and the reported tax expense in profit or loss are as follows:

	Year ended 31 December 2021 \$	Year ended 31 December 2020 \$
Loss before tax	(856,902)	(4,394,281)
Domestic tax rate for Displaydata Limited	19.00%	19.00%
Expected tax income	162,811	834,913
Expenses not deductible for tax purposes	(343,769)	(373,275)
Income not taxable	582,060	690,581
Losses surrendered for R&D tax credit	(469,737)	(690,581)
Amounts not recognised	167,111	(294,200)
Foreign taxation	(2,245)	(3,499)
Adjustments to tax charge in respect of prior periods	-	-
R&D tax claim	358,484	527,022
Overseas profit - adjustment	(98,476)	(167,438)
	<u>356,239</u>	<u>523,523</u>
	Year ended 31 December 2021 \$	Year ended 31 December 2020 \$
Current R&D claim	358,484	527,022
Adjustments in respect of prior year	-	0
Foreign taxation	(2,245)	(3,499)
Tax Income	<u>356,239</u>	<u>523,523</u>

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021.

At the year end, the Group had unrecognised tax losses amounting to \$24,385,159 (31 December 2020: \$18,532,721). No deferred tax asset is recognised in respect of those losses as it's not possible to estimate future reversals at this stage.

Notes to the consolidated financial statements

For the year ended 31 December 2021

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 UK scheme Limited		100%	Management of employee share

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

	Trademarks	Software	Total
	\$	\$	\$
Cost			
At 1 January 2021	17,238	121,311	138,549
Additions in the year	-	127,884	127,884
At 31 December 2021	17,238	249,194	266,432
Amortisation			
At 1 January 2021	17,238	120,177	137,414
Charge in the year	-	10,307	10,307
Disposals in the year	-	-	-
At 31 December 2021	17,238	130,483	147,721
Net book value			
At 31 December 2021	-	118,712	118,712
At 1 January 2021	-	1,134	1,134

13 Property, plant and equipment

Group	Right-of use asset	Leasehold improvements	Laboratory equipment	Fixtures & Fittings	Office equipment	Total
	\$	\$	\$	\$	\$	\$
Cost						
At 1 January 2021	1,302,930	236,970	1,034,868	90,954	492,682	3,158,403
Additions in the year	340,440	-	16,647	-	28,415	385,502
Disposals	-	-	-	-	-	-
At 31 December 2021	1,643,370	236,970	1,051,515	90,954	521,097	3,543,905
Depreciation						
At 1 January 2021	845,503	129,661	745,393	56,494	431,281	2,208,332
Charge in the year	239,317	39,020	138,644	12,590	24,403	453,974
Disposals	-	-	-	-	-	-
At 31 December 2021	1,084,820	168,681	884,037	69,084	455,684	2,662,306
Net book value						
At 31 December 2021	558,551	68,289	167,478	21,870	65,413	881,600
At 1 January 2021	457,427	107,309	289,475	34,460	61,401	950,072

Notes to the consolidated financial statements

For the year ended 31 December 2021

14 Inventories

Inventories consist of the following:

Group	31 December 2021 \$	31 December 2020 \$
Raw materials	2,306,321	1,095,376
Finished goods and goods for resale	66,202	440,285
	<u>2,372,523</u>	<u>1,535,661</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 \$22,587,572.

At the reporting date, there is a provision against inventory amounting to \$215,463. (31 December 2020: \$225,209).

15 Trade and other receivables

Group	31 December 2021 \$	31 December 2020 \$
Trade receivables	12,555,111	2,505,367
Loans receivable	42,414	41,749
Other financial assets	30,312	22,861
Financial assets	<u>12,627,836</u>	<u>2,569,977</u>
Prepayments	689,932	251,033
Corporation tax recoverable	380,420	527,022
VAT receivable	183,654	64,873
Non-financial assets	<u>1,254,006</u>	<u>842,928</u>
Trade and other receivables	<u>13,881,841</u>	<u>3,412,905</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 are stated after an allowance for credit losses of \$732 (2020: \$8,055)

Notes to the consolidated financial statements

For the year ended 31 December 2021

16 Cash and cash equivalents

	31 December 2021	31 December 2020
	\$	\$
Cash at bank and in hand:		
USD	664,911.14	682,990
GBP	72,963	301,300
EUR	156,207	234,419
	<u>894,082</u>	<u>1,218,708</u>

17 Share Capital

Shares authorised, issued and fully paid:

Type	Qty	31 December 2021	31 December 2020
		\$	\$
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' Ordinary Shares of £0.10 each	1,414,083	231,878	231,878
'W' Ordinary Shares of £0.001 each	7,090,925	9,896	10,044
'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	1,791,130	2,739	2,591
		<u>5,991,403</u>	<u>5,991,403</u>

In 2021, 106,250 shares issued to employees who left the company were converted to 'W' Deferred Shares. In the event of a return of capital, the combined value of the entire class of Deferred Shares (Deferred, 'X' Deferred and 'W' Deferred) is £0.01.

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 2021

18 Provisions

	Total \$
As at 1 January 2021	326,823
Amount utilised	5,630
Amount released	(332,453)
Additional provisions	216,407
At 31 December 2021	<u>216,407</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. The total provision consists of a warranty provision of \$194,046 and dilapidation provision of \$22,360.

19 Trade and other payables

	31 December 2021 \$	31 December 2020 \$
Group		
Trade and other payables consist of the following:		
Current		
Trade payables	7,730,894	2,069,796
Employee obligations	58,416	52,576
Accruals	1,754,138	502,343
Financial liabilities	<u>9,543,448</u>	<u>2,624,715</u>
Other taxation and social security	420,112	138,205
Deferred income	80,149	51,716
Non-financial liabilities	<u>500,261</u>	<u>189,920</u>
Trade and other payables	<u>10,043,709</u>	<u>2,814,635</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 2021

20 Borrowings

	31 December 2021	31 December 2020
	\$	\$
Current Borrowings:		
Invoice Discounting	4,111,175	122,670
Shareholder Loan	6,875,647	-
	<u>10,986,822</u>	<u>122,670</u>
Long-term Borrowings:		
Shareholder Loan	-	6,393,475
	<u>-</u>	<u>6,393,475</u>
Total Borrowings	<u><u>10,986,822</u></u>	<u><u>6,516,145</u></u>

The invoice discounting is secured against trade receivables and expires on 31 March 2022 with a limit of \$5m. Subsequent to year end, the CID facility was renewed for a further 18 months with an increased limit of \$6.5m. The renewed facility expires on 30 September 2023.

The unsecured shareholder loan carries no interest, and is repayable in March 2022, and has been discounted to its present value at the Group's incremental borrowing rate. In the year \$482,172 of interest was charged to the income statement. Subsequent to year end, the shareholder loan was extended for a further 24 months, and is now repayable in March 2024.

21 Leases

	31 December 2021	31 December 2020
	\$	\$
Amounts payable within one year:	248,058	397,434
Amounts payable after more than one year:	321,595	230,577
Total	<u>569,653</u>	<u>628,010</u>

The group has adopted IFRS 16 using the modified retrospective approach from 1 January 2019.

	Within one year	1-2 years	2-5 years
	\$	\$	\$
Minimum lease payments due at 31 December 2021	279,316	107,925	284,891
Finance charges	(31,258)	(26,702)	(44,517)
Net present values	<u>248,058</u>	<u>81,223</u>	<u>240,373</u>
Minimum lease payments due at 31 December 2020	397,434	211,759	18,817

Further information regarding the right of use assets is included in Note 13.

Notes to the consolidated financial statements

For the year ended 31 December 2021

22 Financial assets and liabilities

31 December 2021	Note	Loans and receivables measured at amortised cost \$	Total \$
Financial assets			
Trade and other receivables	15	12,627,836	12,627,836
Cash and cash equivalents	16	894,082	894,082
		<u>13,521,918</u>	<u>13,521,918</u>
Financial liabilities			
Trade and other payables	19	9,543,448	9,543,448
Borrowings	20	10,986,822	10,986,822
		<u>20,530,270</u>	<u>20,530,270</u>
31 December 2020			
Financial assets			
Trade and other receivables	15	2,569,977	2,569,977
Cash and cash equivalents	16	1,218,708	1,218,708
		<u>3,788,685</u>	<u>3,788,685</u>
Financial liabilities			
Trade and other payables	19	2,624,715	2,624,715
Borrowings	20	6,516,145	6,516,145
		<u>9,140,860</u>	<u>9,140,860</u>

Notes to the consolidated financial statements

For the year ended 31 December 2021

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 2021	Year ended 31 December 2020
	\$	\$
Non-cash flow adjustments		
Depreciation and amortisation	464,281	510,847
Foreign exchange losses	(52,320)	825
Interest income	(98)	12
Interest expense	704,552	956,538
Total adjustments	<u>1,116,415</u>	<u>1,468,223</u>
Net changes in working capital		
	Year ended 31 December 2021	Year ended 31 December 2020
	\$	\$
(Increase)/Decrease in inventories	(836,862)	646,692
(Increase)/Decrease in trade and other receivables	(10,612,765)	5,885,396
Increase/(Decrease) in trade and other payables	7,229,074	(3,052,094)
Increase/(Decrease) in provisions	(110,417)	(51,327)
Changes in working capital	<u>(4,330,970)</u>	<u>3,428,666</u>

Notes to the consolidated financial statements

For the year ended 31 December 2021

24 Net debt reconciliation

	Year ended 31 December 2021	Year ended 31 December 2020
Cash and Cash Equivalents	\$ 894,082	\$ 1,218,708
Borrowings (CID)	(4,111,175)	(122,670)
Shareholder Loan	(6,875,647)	(6,393,475)
Lease liabilities	(569,653)	(628,010)
Net Debt	(10,662,393)	(5,925,447)

	Borrowings (CID)	Borrowings Shareholder Loan	Borrowings Bank Loan	Leases	Sub-total	Cash	Total
Net debt as at 1 January 2020	(5,453,449)	(2,547,400)	(1,331,274)	(821,338)	(10,153,461)	3,530,165	(6,623,296)
Financing cash flows	5,330,779	(3,463,947)	1,331,274	245,592	3,443,698	(2,310,632)	1,133,066
New Leases	-	-	-	-	-	-	-
Foreign Exchange Adjustments	-	-	-	-	-	(825)	(825)
Interest Expense	(421,963)	(382,128)	(39,834)	(52,264)	(896,189)	-	(896,189)
Interest payments (presented as operating cash flows)	421,963	-	39,834	-	461,797	-	461,797
Net debt as at 31 December 2020	(122,670)	(6,393,475)	-	(628,010)	(7,144,155)	1,218,708	(5,925,447)
Financing cash flows	(3,988,505)	-	-	436,310	(3,552,195)	(376,946)	(3,929,141)
New Leases	-	-	-	(340,440)	(340,440)	-	(340,440)
Foreign Exchange Adjustments	-	-	-	(2,810)	(2,810)	52,320	49,510
Interest Expense	(187,677)	(482,172)	-	(34,703)	(704,552)	-	(704,552)
Interest payments (presented as operating cash flows)	187,677	-	-	-	187,677	-	187,677
Net debt as at 31 December 2021	(4,111,175)	(6,875,647)	-	(569,653)	(11,556,475)	894,082	(10,662,393)

Notes to the consolidated financial statements

For the year ended 31 December 2021

25 Related party transactions

	Year ended 31 December 2021	Year ended 31 December 2020
At 31 December 2021, Displaydata Limited owed the following amounts to shareholders:	\$	\$
Coller International Partners V-A	2,619,832	2,619,832
Esprit Nominees Limited	2,441,966	2,441,966
Peter Davies	1,196,791	1,196,791
Zebra Diamond Holdings Limited	741,435	741,435
	<u>7,000,024</u>	<u>7,000,024</u>

26 Financial instruments risk

26.1 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.

26.2 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.

26.3 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 2021			
Financial assets	1,674,049	508,143	695,329
Financial Liabilities	(237,576)	(1,796,446)	(149,158)
Total exposure	<u>1,436,473</u>	<u>(1,288,304)</u>	<u>546,171</u>

Notes to the consolidated financial statements

For the year ended 31 December 2021

	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>

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 2021 (year ended 31 December 2020: 5%). A +/- 5% change is considered for the USD/GBP exchange rate (year ended 31 December 2020: 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 2020: 5%) and GBP by 5% (year ended 31 December 2020: 5%) respectively then this would have had the following impact:

	Gain/(Loss) for Period			Equity		
	EUR	GBP	Total	EUR	GBP	Total
31 December 2021	<u>(71,824)</u>	<u>64,415</u>	<u>(7,408)</u>	<u>(71,824)</u>	<u>64,415</u>	<u>(7,408)</u>
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>

If the USD had weakened against the EUR by 5% (year ended 31 December 2020: 5%) and GBP by 5% (year ended 31 December 2020: 5%) respectively then this would have had the following impact

	Gain/(Loss) for Period			Equity		
	EUR	GBP	Total	EUR	GBP	Total
31 December 2021	<u>75,415</u>	<u>(67,636)</u>	<u>7,779</u>	<u>75,415</u>	<u>(67,636)</u>	<u>7,779</u>
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>

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 2021

26.4 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 2021, as summarised below:

Classes of financial assets	31-Dec-21	31-Dec-20
- carrying amounts	\$	\$
Cash and cash equivalents	894,082	1,218,708
Trade and other receivables	12,627,836	2,569,977
	<u>13,521,918</u>	<u>3,788,686</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.

The loss allowance as at 31 December 2021 and 31 December 2020 was determined as follows for trade receivables:

31 December 2021	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	0%	0%	0%	22%	
Gross carrying amount - trade receivables	12,550,368		1,700.53	3,042.25	12,555,111
Loss allowance	73	-	-	659	732
	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
31 December 2020					
Expected loss rate	0%	0%	4%	24%	
Gross carrying amount - trade receivables	2,478,616		5,857	20,894	2,505,367
Loss allowance	2,691.00	-	247.00	5,117.41	8,055

The loss allowances for trade receivables as at 31 December reconcile to the opening loss allowances as follows

Notes to the consolidated financial statements

For the year ended 31 December 2021

	31-Dec-21	31-Dec-20
	\$	\$
Opening loss allowance at 1 January	8,055	4,134
Increase in loan loss allowance recognised in profit or loss during the year	-	3,921
Receivables written off during the year as uncollectible	807	-
Unused amount reversed	(8,130)	-
Closing loss allowance at 31 December	732	8,055

Trade receivables are written off if there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and failure to make contractual payments for a period greater than 120 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts are credited against the same line item.

Notes to the consolidated financial statements

For the year ended 31 December 2021

26.5 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 2021, the Group has the following contracted non-derivative financial liabilities.

	Current	
	Within 6 months	6 to 12 months
	\$	\$
Trade and other payables	9,543,448	-
Borrowings	<u>10,986,822</u>	<u>-</u>
	<u>20,530,270</u>	<u>-</u>

\$6,875,647 of the Group's short-term borrowings relates to the Shareholder Loan for which the Termination Date has been extended from 31 March 2022 to 31 March 2024. As such there will be no cash outflow within the next 12 months from the balance sheet date.

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	2,624,715	-
Borrowings	<u>122,670</u>	<u>-</u>
	<u>2,747,385</u>	<u>-</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 2021, 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 2021

27 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.

28 Capital commitments

The Group had no capital expenditure contracted but not provided for at 31 December 2021 (31 December 2020: £nil).

29 Events after the reporting period

There are no other events of note after the reporting period other than as disclosed in the Directors' Report.

30 Ultimate Controlling Party

The directors consider the ultimate controlling party to be Collier 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 2021

	Notes	Year ended 31 December 2021 \$	Year ended 31 December 2020 \$
Revenue		30,248,554	20,085,800
Cost of sales		(22,603,648)	(15,250,566)
Gross profit		<u>7,644,906</u>	<u>4,835,235</u>
Administrative expenses		(7,341,138)	(7,670,456)
Other Income		-	268,938.73
Operating profit/ (loss)	8	<u>303,768</u>	<u>(2,566,283)</u>
Finance costs		(642,473)	(947,446)
Finance income	9	98	703
Loss before taxes		<u>(338,607)</u>	<u>(3,513,026)</u>
Tax expense	10	358,484	527,022
Profit/(loss) for the period and total comprehensive income		<u><u>19,877</u></u>	<u><u>(2,986,004)</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 50 to 60.

Company statement of financial position

As at 31 December 2021

	Notes	31 December 2021 \$	31 December 2020 \$
Fixed assets			
Intangible assets	33	118,711	1,135
Tangible assets	34	399,865	742,531
Investments	35	1,000	1,000.00
		<u>519,576</u>	<u>744,666</u>
Current assets			
Inventories	36	2,266,525	1,426,455
Debtors due within one year	37	16,374,479	6,443,156
Cash at bank and in hand		833,596	987,318
		<u>19,474,600</u>	<u>8,856,930</u>
Creditors: amounts falling due within one year			
Trade and other payables	38	(10,925,778)	(4,581,270)
Borrowings		(10,986,822)	(122,670)
Lease liabilities	39	(168,246)	(331,313)
		<u>(2,606,245)</u>	<u>3,821,676</u>
Net current (liabilities)/assets			
		<u>(2,086,670)</u>	<u>4,566,343</u>
Total assets less current liabilities			
Provisions	40	(209,116)	(319,575)
Creditors: amounts falling due after more than one year	41		
Borrowings		-	(6,393,475)
Lease liabilities	39	(18,682)	(187,639)
		<u>(2,314,467)</u>	<u>(2,334,345)</u>
Net Deficit			
Capital and reserves			
Share capital	42	5,991,403	5,991,403
Share premium		126,606,533	126,606,533
Capital contribution		4,073,480	4,073,480
Retained earnings		(138,985,884)	(139,005,761)
Shareholders' funds		<u>(2,314,467)</u>	<u>(2,334,345)</u>

The financial statements were approved and authorised by the Board of Directors and authorised for issue on 22/7/2022

They were signed on its behalf by:

Andrew Dark

A J Dark
Director

The notes, which form part of these financial statements, can be found on pages 50 to 60.

Company statement of changes in equity

For the year ended 31 December 2021

	Share capital \$	Share premium \$	Capital contribution \$	Retained earnings \$	Total equity \$
Balance at 1 January 2020	5,991,322	126,606,452	4,073,480	(136,555,824)	115,430
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 and 1 January 2021	5,991,404	126,606,534	4,073,480	(139,005,761)	(2,334,345)
Share Issue	-	-	-	-	-
Adjustment for present value of interest-free loan	-	-	-	-	-
Profit for the year and total comprehensive income	-	-	-	19,877	19,877
Balance at 31 December 2021	5,991,403	126,606,533	4,073,480	(138,985,884)	(2,314,467)

The notes, which form part of these financial statements, can be found on pages 50 to 60.

Notes to the company financial statements

For the year ended 31 December 2021

31 Basis of preparation

The financial statements of the parent company have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK (UK-adopted international accounting standards), but makes amendments where necessary in order to comply with the Companies Act 2006 and to take advantage of FRS 101 disclosure exemptions.

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

32 Summary of accounting policies

32.1 Going concern

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

On 31 December 2021 the company's available cash was \$0.8m (2020: \$1m). The drawn down invoice discounting was \$4.1m (2020: \$0.1m), secured against trade receivables \$12.3m (2020: \$2.4m).

The company's confidential invoice discounting facility (CID) was renewed at the end of March 2022 for a further 18 months. The renewal facility was also increased to \$6.5m (2020: \$5m) reflecting the trading requirement as the company revenues grow. The next renewal is due on 30 September 2023 and hence, the CID facility post March 2022 has been included as available within the cashflow forecasts for the period under review.

The company also has a convertible \$7.0m, interest free, shareholder loan facility; the present value of the principal of the interest free shareholder loan is \$6.9m, discounted at the market interest rate (7.54%). Post year end, the shareholder loan term has been extended for 2 years to 31 March 2024.

As at 31 December 2021 the company net assets show a net liability position of -\$2.3m, with a company net current liability position of \$2.6m. However, it should be noted that both the net liabilities and current net liabilities are after the deduction of the \$7.0m interest free, convertible shareholder loan facility noted above and repayment of which has been extended.

Notes to the company financial statements

For the year ended 31 December 2021

The supply of semiconductors remains challenging and is expected to continue to be so throughout 2022 and has required significant resource to manage continuity of supply. In order to ameliorate the risk of working capital volatility a further \$3m interest free, non -convertible shareholder loan facility has been agreed with \$2m drawn down in June. This loan is expected to be repaid in the short term.

The Company constantly monitors both global economic conditions and geopolitical changes to assess the potential impact on the Company and its supply chain and customer base. Of note the Russian-Ukrainian crisis has led to increased volatility and cost of fuel and energy which, has a direct impact on the Company's cost base which has been mitigated where possible. Similarly, lockdowns in China continue to be a potential risk to component supplies and product shipments but to date have been manageable. It is noted that, if the global economic environment was to deteriorate significantly then it could have a materially adverse effect on the Company's performance and outlook.

As a result of the Covid-19 pandemic, the majority of the company's employees are now working from home as remote working practices have been extended. The company will be relocating to a smaller, more appropriately sized head office in Q4 2022, to reflect these new working practices. The company's supply chain continues to be closely managed as global issues affect component supply, component cost and challenges in logistics and costs of shipping products internationally. Disruption to customers has been minimised but industry lead times remain extended.

Overall, the company is seeing significant growth in bricks and mortar, retail market. 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 company'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.

The financial projections for 2022 based on the Q1 2022 orderbook together with the benefit of the lower cost run rate from 2021, lead to a forecast expectation that in 2022 the company will be cash generative and profitable.

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

32.2 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.

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.

Notes to the company financial statements

For the year ended 31 December 2021

32.3 Revenue

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

Revenue is recognised at an amount that reflects the consideration to which the company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the company: 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 company 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 a licence at the time of acquiring the hardware, thus licence revenue is distinct from hardware revenue.

32.4 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.

32.5 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.

Notes to the company financial statements

For the year ended 31 December 2021

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.

32.6 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.

Notes to the company financial statements

For the year ended 31 December 2021

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.

32.7 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.

32.8 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

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.

32.9 Leases

From 1 January 2019, at inception of a contract, the company 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 company 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 company allocates the consideration in the contract to each lease component based on their relative stand-alone prices.

Notes to the company financial statements

For the year ended 31 December 2021

32.10 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.

Throughout the accounting period, provisions are made for obsolete, slow moving or defective items where this is appropriate.

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

32.11 Research

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

32.12 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.

32.13 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.

32.14 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.

32.15 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.

32.16 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.

Notes to the company financial statements

For the year ended 31 December 2021

32.17 Operating leases

From 1 January 2019, at inception of a contract, the company 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 company 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 company 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 company determined whether the arrangement was or contained a lease using the same assessment. The company recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost. 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 company's incremental borrowing rate. Generally, the company 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 company'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.

32.18 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).

32.19 Deposits

Deposits represent balances paid in respect of lease agreements.

32.20 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 company'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).

Notes to the company financial statements

For the year ended 31 December 2021

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.

Amounts owed by Group undertakings

The recoverability of the net amounts owed by Group undertakings, specifically Displaydata Inc. of \$1.6m (year ended 31 December 2020: \$1.2m) has been reviewed, and in management's judgement, assessed as fully recoverable in the medium term. Based on the significant sales potential of its existing customer base, historic trading and forecast revenues from both existing and new customers, the present value of the forecast cash flows has been calculated using the Company's estimated cost of capital and incorporates a terminal value. The result of which underpinned the management's judgement that the undertakings would be fully repaid and no provision is required, with significant headroom allowing for flex in the model's key assumptions.

Research and development tax recoverable

The Group has included \$0.4 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 Statement of Comprehensive

Notes to the company financial statements

For the year ended 31 December 2021

33 Intangible assets

Company	Trademarks \$	Software \$	Total \$
Cost			
At 1 January 2021	17,238	121,311	138,549
Disposals in the year	-	127,884	127,884
At 31 December 2021	<u>17,238</u>	<u>249,194</u>	<u>266,432</u>
Amortisation			
At 1 January 2021	17,238	120,177	137,415
Charge in the year	-	10,307	10,307
Disposals in the year	-	-	-
At 31 December 2021	<u>17,238</u>	<u>130,484</u>	<u>147,721</u>
Net book value			
At 31 December 2021	<u>-</u>	<u>118,711</u>	<u>118,711</u>
At 1 January 2021	<u>-</u>	<u>1,134</u>	<u>1,134</u>

34 Property, plant and equipment

	Right of use Asset improvements \$	Leasehold improvements \$	Laboratory equipment \$	Fixtures & Fittings \$	Office equipment \$	Total \$
Cost						
At 1 January 2021	1,025,546	153,234	1,034,869	47,389	386,685	2,647,724
Additions in the year	-	-	16,646	-	28,415	45,061.19
Disposals	-	-	-	-	-	-
At 31 December 2021	<u>1,025,546</u>	<u>153,234</u>	<u>1,051,515</u>	<u>47,389</u>	<u>415,100</u>	<u>2,692,785</u>
Depreciation						
At 1 January 2021	649,200	97,048	745,393	35,160	378,392	1,905,193
Charge in the year	205,109	30,647	138,644	6,367	6,961	387,727
Disposals	-	-	-	-	-	-
At 31 December 2021	<u>854,309</u>	<u>127,695</u>	<u>884,037</u>	<u>41,527</u>	<u>385,353</u>	<u>2,292,920</u>
Net book value						
At 31 December 2021	<u>171,237</u>	<u>25,539</u>	<u>167,479</u>	<u>5,862</u>	<u>29,748</u>	<u>399,865</u>
At 1 January 2021	<u>376,346</u>	<u>56,186</u>	<u>289,476</u>	<u>12,229</u>	<u>8,293</u>	<u>742,531</u>

Notes to the company financial statements

For the year ended 31 December 2021

35	Investments	Investments in subsidiary companies \$
	Company	
	Cost or valuation	
	At 1 January and 31 December 2021	1,000
	Net book value	
	At 31 December 2021	<u>1,000</u>
	At 31 December 2020	<u>1,000</u>

Details of the principal subsidiaries can be found in note 11

36 Inventories

Inventories consist of the following:

	31 December 2021 \$	31 December 2020 \$
Raw materials	2,076,011	1,095,376
Finished goods and goods for resale	<u>190,513</u>	<u>331,078</u>
	<u>2,266,525</u>	<u>1,426,455</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 by the company during the period was \$22,603,648

37 Debtors due within one year

	31 December 2021 \$	31 December 2020 \$
Trade Debtors	12,308,954	2,429,277
Loans receivable	18,156	18,288
Amounts owed by group undertakings	2,896,526	3,155,276
Prepayments	684,616	239,926
Corporation tax recoverable	358,484	527,022
VAT Receivable	72,605	64,873
Other debtors	<u>35,138</u>	<u>8,494</u>
	<u>16,374,479</u>	<u>6,443,156</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 company's trade and other receivables have been reviewed for indicators of impairment, and are stated after an allowance for credit losses of \$295 (2020: \$682)

Notes to the company financial statements

For the year ended 31 December 2021

38 Creditors: amounts falling due within one year

	31 December 2021	31 December 2020
Company	\$	\$

Trade and other payables consist of the following:

Trade payables	7,735,264	1,989,207
Employee obligations	50,787	40,502
Accruals	1,744,976	504,998
Amounts owed to group undertakings	1,276,496	1,921,257
Other taxation and social security	118,255	125,307
	<u>10,925,778</u>	<u>4,581,270</u>

39 Leases

	31 December 2021	31 December 2020
	\$	\$
Amounts payable within one year:	168,246	331,313
Amounts payable after more than one year:	18,682	187,639
Total	<u>186,928</u>	<u>518,952</u>

The company has adopted IFRS 16 using the modified retrospective approach from 1 January 2019.

	Within one year \$	1-2 years \$	2-5 years \$
Minimum lease payments due at 31 December 2021	174,346	11,322	8,583
Finance charges	<u>(6,100)</u>	<u>(976)</u>	<u>(247)</u>
Net present values	<u>168,246</u>	<u>10,346</u>	<u>8,336</u>
Minimum lease payments due at 31 December 2020	330,660	169,473	18,818

Further information regarding the right of use assets is given in Note 13.

40 Provisions

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

41 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

42 Share capital

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