

Registered Number: 10187484

AVA SECURITY LIMITED

**UNAUDITED DIRECTORS' REPORT AND FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2021



AVA SECURITY LIMITED
UNAUDITED DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

| CONTENTS | PAGES |
|-----------------------------------|--------------|
| Strategic report | 3 - 4 |
| Directors report | 5 - 6 |
| Income statement | 7 |
| Balance sheet | 8 |
| Statement of equity | 9 |
| Notes to the financial statements | 10-21 |

AVA SECURITY LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The Board of Directors

F Halvorsen
S Evans
J Weeks
M Biake

Registered office

The Charter Building
Charter Place
Uxbridge
Middlesex
UB8 1JG

Business address

The Charter Building
Charter Place
Uxbridge
Middlesex
UB8 1JG

Registered number

10187484 (England and Wales)

AVA SECURITY LIMITED

STRATEGIC REPORT

The directors present their strategic report on the Company for the year ended 31 December 2021. The company was incorporated on 18 May 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was that of unified security solutions.

BUSINESS REVIEW

Key Performance Indicators for the Company

| | 2021 | 2020 |
|--------------------------------------|-------------|-------------|
| | £ | £ |
| Revenue | 725,886 | 665,016 |
| Loss for the Year | (6,996,023) | (6,674,657) |
| Research and development expenditure | 4,708,474 | 3,737,166 |

The results for the year ended 2021 are set out in the income statement on page 7 of this report and financial statements. The Company revenue for the year was £725,886 (2020: £665,016). The Company loss for the year after taxation was £6,996,023 (2020: £6,674,657).

STRATEGY

At Ava, we started with the people. A small core group of engineers got together to find an industry where we could merge innovation, passion, and simplicity to help people reach their greatest potential. Their attention was drawn towards the world of security—indispensable to modern work, yet often overlooked and taken for granted. Organizations needed the tools to understand if something was happening in real-time to keep their people safe and their data and premises protected. We started Ava Cyber in 2016, and Ava Video in 2018, and the two companies merged in 2020. Four years later, we have embarked on the path to delivering unified security to enterprises around the world.

RESEARCH AND DEVELOPMENT

The Company's total research and development expenditure in 2021 was £4,708,474 (2020: £3,737,166). All of these costs have been recognised as an expense.

FUTURE OUTLOOK

The Board is pleased with progress made in 2021 and remains committed to its research and development strategy with a view to further improving its offering in the marketplace. The Board has confidence about the long-term growth prospects of the Company.

FINANCIAL RISK MANAGEMENT

Exposure to capital management, credit, liquidity, market, interest rate and foreign currency risks arises in the normal course of the Company's operations. All these risks, and the policies adopted by the Board to limit these risks, are detailed in note 16 of this report and financial statements.

The key risks that the Board consider the Company to be exposed to are:

Early-stage market: While the security market is mainly dominated by large corporations, the market where Ava Security Limited operates is still at an early stage and is difficult to predict.

Ability to continue to innovate and launch new products: In order to compete long-term, the company has to continue to innovate and bring new products to market to remain competitive.

AVA SECURITY LIMITED
STRATEGIC REPORT

Managing growth: In order to manage growth, the Company has to add additional capacity on management, operations, sales, marketing finance and other resources. Moreover, it is also dependent on establishing relationships with third party partners on distribution and sales.

ON BEHALF OF THE BOARD

James Weeks.....

J Weeks
Director

Date: 23 February 2022

AVA SECURITY LIMITED
DIRECTORS REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

COMPANY REGISTRATION NUMBER – 10187484

The directors present their report and unaudited financial statements of Ava Security Limited (“the Company”) for the year ended 31 December 2021.

RESULTS AND DIVIDENDS

The results for the year ended 2021 are set out in the income statement on page 7 of this report and financial statements. The Company loss for the year after taxation was £6,996,023 (2020: £6,674,657)

No interim dividend was paid (2020: nil) and the directors do not recommend a final dividend for the year (2020: nil).

DIRECTORS

The directors who have held office during the year to the date of signing these financial statements are as follows:

F Halvorsen
J Weeks
S Evans
M Blake

INDEMNITY PROVISION FOR DIRECTORS

The Company had directors’ and officers’ liability insurance in place throughout the financial year and up to the date of approval of the financial statements. By virtue of the articles of association, the company had also provided indemnity for its directors and the secretary, which is a qualifying third-party indemnity provision for the purposes of the Companies Act 2006.

GOING CONCERN

The financial statements have been prepared on a going concern basis, which assumes that sufficient funds will be available for the Company to continue in operational existence for the foreseeable future. These assumptions have been based in part on assurances from its largest shareholder, Ubon Partners AS, that the Company will receive adequate financial support as necessary for at least twelve months following the signing of the financial statements.

DIRECTORS’ RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union and IFRSs issued by IASB have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

AVA SECURITY LIMITED
DIRECTORS REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

DIRECTORS' RESPONSIBILITIES STATEMENT (continued)

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

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

FINANCIAL RISK FACTORS AND FUTURE DEVELOPMENTS

These are discussed in the Strategic Report.

ON BEHALF OF THE BOARD:

James Weeks

.....
J Weeks
Director

AVA SECURITY LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

| | | Year ended 31 December 2021 £ | Year ended 31 December 2020 £ |
|---|---|--|--|
| Revenue | | 725,886 | 665,016 |
| Cost of Sales | | (206,294) | (687,685) |
| GROSS PROFIT/(LOSS) | | 519,592 | (22,669) |
| Research and Development | | (4,708,474) | (3,737,166) |
| Sales, marketing, and administration costs | | (3,388,333) | (3,801,026) |
| Operating Costs | 3 | (8,096,807) | (7,538,192) |
| OPERATING LOSS | | (7,577,215) | (7,560,861) |
| Finance income | 4 | 280,054 | 184,418 |
| Finance costs | 4 | (809,079) | (398,375) |
| LOSS BEFORE TAX | | (8,106,240) | (7,774,818) |
| Taxation credit | 5 | 1,110,217 | 1,100,161 |
| LOSS FOR THE YEAR | | (6,996,023) | (6,674,657) |
| TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR | | (6,996,023) | (6,674,657) |

AVA SECURITY LIMITED
BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2021

| | Notes | 31 December 2021 £ | 31 December 2020 £ |
|-------------------------------------|-------|---------------------------------|---------------------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant, and equipment | 7 | 73,472 | 64,407 |
| Investments | 6 | 2,620 | 2,535 |
| | | <u>76,092</u> | <u>66,942</u> |
| CURRENT ASSETS | | | |
| Inventories | 8 | - | 5,761 |
| Trade and other receivables | 9 | 8,711,906 | 6,305,144 |
| Cash and cash equivalents | 10 | 23,110,429 | 21,501,391 |
| | | <u>31,822,335</u> | <u>27,812,296</u> |
| TOTAL ASSETS | | <u>31,898,427</u> | <u>27,879,238</u> |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Share capital | 11 | 193 | 171 |
| Share premium account | 11 | 36,044,089 | 28,159,475 |
| Accumulated losses | | (30,426,088) | (23,430,065) |
| TOTAL EQUITY | | <u>5,618,194</u> | <u>4,729,581</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 12 | 12,531,755 | 11,797,850 |
| Accruals and deferred income | 13 | 3,798,478 | 1,401,807 |
| | | <u>16,330,233</u> | <u>13,199,657</u> |
| LONG-TERM LIABILITIES | | | |
| Long-term loan | 14 | 9,950,000 | 9,950,000 |
| TOTAL LIABILITIES | | <u>26,280,233</u> | <u>23,149,657</u> |
| TOTAL EQUITY AND LIABILITIES | | <u><u>31,898,427</u></u> | <u><u>27,879,238</u></u> |

The directors are satisfied that the company is entitled to exemption from the requirement to obtain an audit under section 477 of the Companies Act 2006. The members have not required the company to obtain an audit in accordance with section 476 of the Companies Act 2006. The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and the preparation of accounts. These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements on pages 7 to 21 were approved by the Board of Directors on 23 February 2022 and signed on its behalf by J Weeks.

James Weeks

J Weeks - Director
Registered number: 10187484

AVA SECURITY LIMITED
STATEMENT OF EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

| | Share capital £ | Share Premium | Accumulated losses £ | Total Equity £ |
|--|-----------------------|-------------------|----------------------------|----------------------|
| At 31 December 2019 | 170 | 27,750,573 | (16,755,408) | 10,995,335 |
| Comprehensive expense: | | | | |
| Loss for the period | - | - | (6,674,657) | (6,674,657) |
| Transactions with owners of the company: | | | | |
| Proceeds from shares issued | 1 | 408,902 | - | 408,903 |
| At 31 December 2020 | 171 | 28,159,475 | (23,430,065) | 4,729,581 |
| Comprehensive expense: | | | | |
| Loss for the year | - | - | (6,996,023) | (6,996,023) |
| Transactions with owners of the company: | | | | |
| Proceeds from shares issued | 22 | 7,884,614 | - | 7,884,636 |
| At 31 December 2021 | 193 | 36,044,089 | (30,426,088) | 5,618,194 |

AVA SECURITY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company's financial statements for the year ended 31 December 2021 were authorised for issue on 23 February 2022 and the statements of financial position signed on the board's behalf by J Weeks. Ava Security Limited is a limited company incorporated and domiciled in England & Wales.

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. The principal accounting policies adopted by the Company are set out in note 2.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis for preparation

The financial statements have been prepared with the Companies Act 2006 as applicable to companies using IFRS and EU adopted IFRS and interpretations issued by the IFRS Interpretations Committee (IFRS IC). The principal accounting policies adopted by the Company have been applied consistently for the periods presented unless otherwise stated. The financial statements have been prepared on the historical cost basis.

The preparation of financial statements in conformity with IFRS, as adopted by the European Union requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies selected for use by the Company. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in these accounting policies under the heading 'Critical accounting estimates and judgements'. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates.

b) Going Concern

The financial statements have been prepared on a going concern basis, which assumes that sufficient funds will be available for the Company and Company to continue in operational existence for the foreseeable future. These assumptions have been based in part on assurances from its largest funder, Ubon Partners AS that the Company will receive adequate financial support as necessary for at least twelve months following the signing of the financial statements.

c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the company's activities as described below.

During the year ended 31 December 2021, the company has recognised £725,886 in revenue (2020: £665,016).

d) Employee benefits

Wages, salaries and social security costs are accrued in the year in which the associated services are rendered by the employees of the Company.

e) Taxation

The Directors are required to exercise judgement in determining the Company's provision for income taxes.

The Company's liability for current tax is based on taxable profit for the year and is calculated using tax rates that have been enacted or substantively enacted at the financial reporting date.

Deferred tax assets and liabilities are recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the corresponding tax bases used in the

AVA SECURITY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

computation of taxable profit. Temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting profit nor taxable profit are not provided for.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that have been enacted or substantially enacted at the financial reporting date.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Deferred tax is calculated at the rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets and liabilities are not discounted. Deferred tax is charged or credited to profit or loss, except where it relates to items charged or credited to other comprehensive income, in which case the deferred tax is also included within other comprehensive income. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

f) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is charged so as to write off the cost of assets less residual values over their estimated useful lives, on the following bases:

| | |
|--------------------------------|-----------------------|
| Leasehold improvements | 2 years straight line |
| Computer equipment | 2 years straight line |
| Fixtures, fittings & equipment | 2 years straight line |
| R&D equipment | 2 years straight line |

g) Investments

Investments in group undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

h) Financial assets and liabilities

Financial assets and liabilities at amortised cost are initially recognised at fair value plus any directly attributable transaction costs. Financial assets and liabilities at fair value through profit and loss are recognised at fair value and any transaction costs are recorded in profit or loss. At each financial reporting date, the Company assesses whether there is any objective evidence that any financial asset is impaired. Financial assets and liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the financial asset or liability. Financial assets are de-recognised from the balance sheet when the Company's contractual rights to the cash flows expire or the Company transfers substantially all the risks and rewards of the financial asset. Financial liabilities are derecognised from the Company's balance sheet when the obligation specified in the contract is discharged, cancelled or expires.

i. Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments and are carried at original invoice amount less an allowance for any uncollectible or impaired amounts.

ii. Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank accounts, deposits receivable on demand and deposits with maturity dates of three months or less from the date of inception. Bank overdrafts that are repayable on demand and which form an integral part of the Company's cash management are also included as a component of cash and cash equivalents where offset conditions are met.

AVA SECURITY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

iii. Trade and other payables

Trade and other payables are non-derivative financial liabilities and are measured at amortised cost using the effective interest method. Trade and other payables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial.

iv. Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only where there is a legally enforceable right to offset the recognised amounts and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

v. Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument, or, where appropriate, a shorter period.

i) Prepayments

Prepayments are recognised in the financial statements at cost less provision for impairment.

j) Impairment

At each financial reporting date, the Company reviews the carrying amounts of all its assets to determine whether there is any indication that any of those assets have suffered an impairment loss. An impairment is recognised in profit or loss whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. The recoverable amount is the greater of net selling price, defined as the fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to those units, and then to reduce the carrying amount of other assets in the unit on a pro-rata basis.

An impairment loss for an individual asset or cash generating unit shall be reversed if there has been a change in estimates used to determine the recoverable amount since the last impairment loss was recognised and is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

k) Share capital

Ordinary shares are classified as equity. There are no other types of share capital.

Where the Company purchases and cancels its own equity share capital, the cost of those shares, is deducted from issued share capital with a corresponding credit to a capital redemption reserve within shareholders equity and a deduction against retained earnings.

l) Critical accounting estimates and judgements

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are set out below:

i) Taxation

The Company's tax charge is the sum of the total current and deferred tax charges. The calculation of the Company's total tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process.

AVA SECURITY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The key area of judgement in respect of deferred tax accounting is the assessment of the expected timing and manner of realisation or settlement of the carrying amounts of assets and liabilities held at the financial reporting date.

m) New accounting pronouncements

The financial statements have been drawn up on the basis of accounting Standards, Interpretations and amendments effective or early adopted at the beginning of the accounting period on 1 January 2021.

New and amended standards early adopted by the Company

- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted subject to EU endorsement.

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted subject to EU endorsement. The company is yet to assess IFRS 9's full impact.

- IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.

Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

n) Leases

Operating lease payments, and any incentives receivable, are recognised in profit or loss on a straight-line basis over the period of the lease.

AVA SECURITY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

3. OPERATING LOSS

Operating loss is stated after charging the following:

| | Year ended 31 December 2021 £ | Year ended 31 December 2020 £ |
|--|--|--|
| Research and Development costs: | | |
| Wages and salaries | 2,228,405 | 1,793,342 |
| Other staff benefits | 322,410 | 275,386 |
| Intercompany staff costs | 505,641 | 945,076 |
| Recruitment costs | 314,241 | 113,871 |
| Software and hardware | 725,072 | 267,014 |
| Travel and subsistence | 94,935 | - |
| Depreciation or property, plant, and equipment | 58,087 | 55,601 |
| Other administration costs | 69,140 | - |
| Property Cost | 390,543 | 286,876 |
| | <u>4,708,474</u> | <u>3,737,166</u> |
| Sales, marketing, and administration costs: | | |
| Wages and salaries | 1,828,506 | 2,459,896 |
| Other staff benefits | 209,847 | - |
| Intercompany staff costs | 741,390 | - |
| Professional fees | 195,255 | 86,137 |
| Software | - | 193,661 |
| Travel and subsistence | 35,069 | 49,152 |
| Other administration costs | 36,304 | 15,696 |
| Marketing cost | 341,962 | 122,088 |
| Recruitment cost | - | 113,871 |
| Premises cost | - | 760,525 |
| | <u>3,388,333</u> | <u>3,801,026</u> |

4. FINANCE AND INCOME EXPENSE

| | Year ended 31 December 2021 £ | Year ended 31 December 2020 £ |
|-----------------------------------|--|--|
| Finance income | | |
| Interest income | 66,857 | 45,710 |
| Interest income (Group Companies) | 181,030 | 138,708 |
| Foreign exchange gains | 32,167 | - |
| | <u>280,054</u> | <u>184,418</u> |
| Finance cost | | |
| Interest payable | 798,968 | 386,414 |
| Foreign exchange losses | - | 7,376 |
| Bank charges | 10,111 | 4,585 |
| | <u>809,079</u> | <u>398,375</u> |

AVA SECURITY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

5. TAXATION (EXPENSE)/CREDIT

Components of taxation credit:

| | Year ended 31 December 2021 £ | Year ended 31 December 2020 £ |
|---|--|--|
| Current tax: | | |
| Current tax on profit/(loss) for the year | (1,110,217) | (1,100,161) |
| Total current tax | <u>(1,110,217)</u> | <u>(1,100,161)</u> |
| Tax per income statement | <u>(1,110,217)</u> | <u>(1,100,161)</u> |

Factors Affecting Total Tax Charge for the Current Year

The charge for the year can be reconciled to the profit per the income statement as follows:

| | | |
|--|--------------------|--------------------|
| Loss on ordinary activities before taxation | <u>(8,106,240)</u> | <u>(7,774,818)</u> |
| Tax on loss at standard UK tax rate of 19.00% (2020: 19.00%) | (1,540,186) | (1,477,215) |
| Current tax: | | |
| Expenses not deductible | 632,507 | 626,778 |
| R&D tax credit | (1,110,217) | (1,100,161) |
| Deferred tax on losses not recognised | 907,679 | 850,437 |
| Tax credit for the year | <u>(1,110,217)</u> | <u>(1,100,161)</u> |
| Income tax expense reported in the income statement | (1,110,217) | (1,100,161) |

The standard rate of corporation tax in the UK is 19% with effect from 1 April 2021 (2020: 19%).

A deferred tax asset of £ 3,790,151 (2020: £2,882,473) has not been recognised due to the unpredictability of future profit streams. This deferred tax asset is generated by unused tax losses available for offset against future profits.

AVA SECURITY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

6. INVESTMENTS IN SUBSIDIARIES

| | Shares in Group undertakings |
|---------------------------------|---|
| | £ |
| Cost and net book value: | |
| At 1 January 2021 | 2,535 |
| Additions | 2,580 |
| Disposals | (2,495) |
| At 31 December 2021 | <u>2,620</u> |

The directors have reviewed the recoverability of the carrying value of investments and have concluded that there is no permanent diminution in their value. Details of the Company's subsidiaries at 31 December 2021 are set out below. In each case, the Company's equity interest is in the form of ordinary shares which, unless otherwise stated, are directly owned.

| Company | Equity Interest | Country of incorporation | Principle activity |
|----------------------------|----------------------------|-------------------------------------|---|
| Ava Security Inc | 100% | USA | Sales and marketing of security solutions |
| Ava Federal Inc | 100% | USA | Sales and marketing of security solutions |
| Ava Video Security Limited | 100% | UK | Development of security solutions |

The aggregate of the share capital and reserves as at 31 December 2021 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

| Name | Currency | Aggregate of share capital and reserves | Profit/(loss) |
|----------------------------|-----------------|--|----------------------|
| Ava Security Inc | USD | 112,607 | 60,929 |
| Ava Federal Inc | USD | 25,459 | 8,214 |
| Ava Video Security Limited | GBP | (20,037,125) | (9,050,731) |

AVA SECURITY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

7. PROPERTY PLANT AND EQUIPMENT

| At 31 December 2020 | Leasehold Improvements | Computer Equipment | Fixtures, fittings & equipment | R&D Equipment | Total |
|---------------------------------|-----------------------------------|-------------------------------|---|------------------------------|----------------|
| | £ | £ | £ | £ | £ |
| Cost | | | | | |
| At 1 January 2020 | 163,349 | 33,975 | 47,142 | 102,829 | 347,295 |
| Additions | - | 60,597 | 9,974 | 5,528 | 76,099 |
| Disposals | - | - | - | - | - |
| At 31 December 2020 | 163,349 | 94,572 | 57,116 | 108,357 | 423,394 |
| Accumulated Depreciation | | | | | |
| At 1 January 2020 | 163,349 | 24,068 | 40,908 | 75,061 | 303,386 |
| Charge for year | - | 23,055 | 8,113 | 24,433 | 55,601 |
| Disposals | - | - | - | - | - |
| At 31 December 2020 | 163,349 | 47,123 | 49,021 | 99,494 | 358,987 |
| Net Book Value | | | | | |
| At 31 December 2020 | - | 47,449 | 8,095 | 8,863 | 64,407 |
| At 31 December 2021 | | | | | |
| | £ | £ | £ | £ | £ |
| Cost | | | | | |
| At 1 January 2021 | 163,349 | 94,572 | 57,116 | 108,357 | 423,394 |
| Additions | - | 44,560 | 2,240 | 20,351 | 67,152 |
| Disposals | - | - | - | - | - |
| At 31 December 2021 | 163,349 | 139,132 | 59,356 | 128,708 | 490,546 |
| Accumulated Depreciation | | | | | |
| At 1 January 2021 | 163,349 | 47,123 | 49,021 | 99,494 | 358,987 |
| Charge for year | - | 41,870 | 6,430 | 9,787 | 58,087 |
| Disposals | - | - | - | - | - |
| At 31 December 2021 | 163,349 | 88,993 | 55,451 | 109,281 | 417,074 |
| Net Book Value | | | | | |
| At 31 December 2021 | - | 50,139 | 3,906 | 19,427 | 73,472 |

AVA SECURITY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

8. INVENTORIES

| | 31 December | 31 December |
|-----------------------|--------------------|--------------------|
| | 2021 | 2020 |
| | £ | £ |
| Finished goods | - | 5,761 |
| | <u>-</u> | <u>5,761</u> |

9. TRADE AND OTHER RECEIVABLES

| | 31 December | 31 December |
|--|--------------------|--------------------|
| | 2021 | 2020 |
| | £ | £ |
| Trade debtors | 2,215,506 | 465,714 |
| Amounts due from group companies (Note 15) | 5,167,423 | 4,401,855 |
| Corporation tax receivable | 1,110,217 | 1,100,161 |
| Other debtors | - | 84,126 |
| VAT | 42,450 | 82,699 |
| Prepayments | 176,310 | 170,589 |
| | <u>8,711,906</u> | <u>6,305,144</u> |

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The other classes within trade and other receivables do not contain impaired assets.

10. CASH AND CASH EQUIVALENTS

| | 31 December | 31 December |
|------------------------|--------------------|--------------------|
| | 2021 | 2020 |
| | £ | £ |
| Bank balances and cash | 23,110,429 | 21,501,391 |
| | <u>23,110,429</u> | <u>21,501,391</u> |

AVA SECURITY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

11. SHARE CAPITAL

| | | No. of Shares | Share Capital £ | Share Premium £ |
|----------|---|-------------------|-----------------------|-----------------------|
| | At 31 December 2020: | | | |
| Ordinary | Class A nominal value \$0.00001 issued | 11,851,476 | 92 | 12,267,391 |
| Ordinary | Class A1 nominal value \$0.0000001 issued | 5,918,560 | 1 | 16,069,078 |
| Ordinary | Class B nominal value \$0.00001 issued | 6,083,855 | 47 | 173,006 |
| Ordinary | Class C nominal value \$0.00001 issued | 3,648,329 | 31 | 0 |
| | Costs | | | (350,000) |
| | Total: | 27,502,220 | 171 | 28,159,475 |
| | At 31 December 2021: | | | |
| Ordinary | Class A nominal value \$0.00001 issued | 14,716,605 | 113 | 20,144,056 |
| Ordinary | Class A1 nominal value \$0.0000001 issued | 5,918,560 | 1 | 16,069,078 |
| Ordinary | Class B nominal value \$0.00001 issued | 8,580,792 | 69 | 180,955 |
| Ordinary | Class C nominal value \$0.00001 issued | 1,313,890 | 10 | 0 |
| | Costs | | | (350,000) |
| | Total: | 30,529,847 | 193 | 36,044,089 |

12. TRADE AND OTHER PAYABLES

| | 31 December 2021 £ | 31 December 2020 £ |
|--|--------------------------|--------------------------|
| Current trade and other payables: | | |
| Trade creditors | 548,688 | 345,708 |
| Amounts due to related parties (Note 15) | 8,094,708 | 11,329,885 |
| Other creditors | 3,757,027 | 19,123 |
| NIC and tax payable | 131,332 | 103,134 |
| | 12,531,755 | 11,797,850 |

13. ACCRUALS AND DEFERRED INCOME

| | 31 December 2021 £ | 31 December 2020 £ |
|---------------------|--------------------------|--------------------------|
| Accrued liabilities | 1,593,756 | 792,091 |
| Deferred income | 2,204,722 | 609,716 |
| | 3,798,478 | 1,401,807 |

14. LONG-TERM LIABILITIES

| | Year ended 31 December 2021 £ | Year ended 31 December 2020 £ |
|----------------|--|--|
| Long-term loan | 9,950,000 | 9,950,000 |
| | 9,950,000 | 9,950,000 |

AVA SECURITY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

15. RELATED PARTY TRANSACTIONS

| | 31 December 2021 £ | 31 December 2020 £ |
|---|--------------------------|--------------------------|
| <u>Current Assets</u> | | |
| Trade and other receivables | | |
| Amounts due from Ava Video Security Limited | 4,765,069 | 4,394,761 |
| Amounts due from Vaion Inc | - | 6,246 |
| Amounts due from Vaion AS | - | 848 |
| Amounts due from Ava Sweden Filial | 402,354 | - |
| | <u>5,167,423</u> | <u>4,401,855</u> |
| <u>Current Liabilities</u> | | |
| Trade and other payables | | |
| Amounts due to Ava Security AS | 1,646,219 | 3,403,826 |
| Amounts due to Ava Security Inc | 5,450,520 | 4,954,085 |
| Amounts due to Ubon Partners | - | 1,831,501 |
| Amounts due to Ava Federal Inc | 997,969 | 984,132 |
| Amounts due Ava Sweden Filial | - | 156,341 |
| | <u>8,094,708</u> | <u>11,329,885</u> |

The receivables are unsecured in nature and bear no interest.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Exposure to credit, liquidity, market, interest rate and foreign currency risks arises in the normal course of the Company's operations. These risks are limited by the Company's financial management policies and practices described below:

a) Capital Management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

b) Credit risk

Management considers the creditworthiness of customers at the point in time when credit terms are to be made available to customers.

c) Liquidity risk

The directors have responsibility for the management of liquidity risk. The directors monitor and maintain a level of bank and cash balances deemed adequate to mitigate the effects of fluctuations in cash flows.

d) Market risk

The following market factors represent a competitive threat to us: Early-stage market, competition from large global competitors, ability to continue to innovate and launch new products, litigation risk, dependence on key personnel, the distribution channels' ability to execute, changes in the general economy and managing growth.

AVA SECURITY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

These risks are described more fully in the Strategic report.

The Company's overall risk management programme focuses on the unpredictability of the markets and seeks to minimise potential adverse effects on the Company's financial performance.

e) Interest rate risk

Cash and cash equivalents are the only financial instruments exposed to interest rate risk.

f) Foreign currency risk

The Company does not currently utilise derivative financial instruments. However, the risk associated with foreign currency movements is monitored by the directors and appropriate arrangements will be entered into when it is considered necessary to combat the risk.