

Registered number: 03929602

DISPLAYDATA LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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DISPLAYDATA LIMITED**COMPANY INFORMATION**

Directors	PJ Coelewij A J Dark M A Bego
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
Trading Address	Unit 12 Headley Park 10 Headley Road East Woodley Reading Berkshire RG5 4SW
Bankers	Barclays Bank Plc 54 High Street Worcester WR1 2QQ Clydesdale Bank Plc 1st Floor, 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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GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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 Board is pleased to report that 2022 performance continued on from the strong revenue growth of 2021. The result of which was not only a significant increase in revenues and another year of positive EBITDA, but also Displaydata's first full year of profitability.

The market demand for Displaydata solutions grew strongly as evidenced by a 32% increase in revenue year-on-year at \$41.3m (2021: \$31.1m). This performance was driven by a combination of new customer wins in both Europe and North America, alongside continued product roll-out in existing retail estates. As the impact of the Covid pandemic on our customer base subsided, focus returned to investment in ESL solutions to enhance the end customer experience, whilst improving cost efficiencies allowing more effective, in-store, labour utilisation.

Order intake in 2022 was \$28.8m generating a 2023 opening order cover of \$14.4m, of which \$1.2m is attributable to annual recurring licence revenue. Displaydata's core markets of grocery, DIY and petrol forecourts continue to expand with new entrants looking to benefit from our ESL solution. Another positive factor for future revenue is the quality of the customer base and the scope for revenue expansion through existing customer roll-outs either by complete store or by department. Of note, the existing customer base has a potential for future orders to complete store wide roll outs which, provides a platform for Displaydata to exceed \$100m+ annual revenue.

Global events in the year led to a period of inflation and component supply volatility, the impact of which, manifested itself through significant increases in both component and manufacturing costs. Displaydata worked closely with the supply chain to mitigate cost increases through product development and improved manufacturing processes, and when combined with the benefit of economies of scale, gross profit percentage achieved in 2022 was 25.6% (2021:27.5%).

Similarly, overheads were closely scrutinised and managed and despite the prevailing global trend of inflation, operating expenses for the group were held at a consistent level year on year at \$9.4m (2021: \$9.3m). This effective control of overheads significantly reduced the operating expense percentage of revenue to 22.6% from 30% in 2021.

The Board is pleased to report that in 2022 Displaydata achieved its second consecutive, positive Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of \$1.7m (2021: \$0.3m), a significant increase on the prior year, detailed as follows:

	2022	2021
	\$	\$
Gross Profit	10,584,574	8,559,493
Other Income	0	550,484
Administrative Expenses	(9,368,439)	(9,314,745)
Profit/(loss) from operations	<u>1,216,135</u>	<u>(204,768)</u>
Depreciation and amortisation	515,895	464,281
EBITDA	<u><u>1,732,030</u></u>	<u><u>259,513</u></u>

This achievement not only illustrates the potential of our customer base, it is a continuing endorsement of the hard work and perseverance of all Displaydata's employees.

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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 32% increase at \$41.2m in 2022 (year ended 2021: \$31.1m) in another year of Covid related challenges combined with unexpected global events and the resultant impacts thereof on inflation;
- Gross margin percentage – at 25.6% only a minor reduction on the prior year (2021: 27.4%). Further erosion of the gross margin was restricted through the close working relationship of the Group and its supply chain in managing component pricing and availability volatility through alternative sourcing and product development;
- Administrative expenses – through stringent control expenses as a percentage of revenue improved to 22.6% of revenue (2021: 30%) and the absolute cost remained stable at \$9.4m (2021: \$9.3m);
- Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) – at \$1.7m (2021: \$0.3m) this was a \$1.4m improvement year on year resultant from both the increased revenue and the improved overhead run- rate as a percentage of revenue; and
- Cash and cash equivalents – the year end cash position was an improvement of \$0.3m at \$1.2m (2021: \$0.9m). At the same time, drawdown of the CID facility was reduced by \$0.6m at \$3.5m (2021: - \$4.1m).

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 manage 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, illustrated by the development and release of the Chroma Aeon;
- Loss of business to competitors – the market is highly competitive and comprises sophisticated customers in all geographies. To mitigate this risk Displaydata remains focused, 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 31 December 2024. It is expected that if the loan is not repaid by that date it will be converted to equity. The company has a further \$1m shareholder non-convertible loan also repayable 31 December 2024 with an interest rate of 20% p.a.; and
- Global events and Covid-19: The Board has reviewed the ongoing risks facing the Group. In 2022 the impact of Covid 19 receded throughout the year but new challenges arose from the wide-ranging impact of the Russian- Ukrainian crisis. This crisis led to increased volatility in component availability in the supply chain and due to fuel price increases, inflationary pressure was seen in manufacturing costs, the Group's cost base and the general cost of living. The impact of inflation on consumers also created uncertainty for retailers, which has in turn led to delays in forecast ESL deployment decisions. To counter these external pressures which have manifested themselves through order intake, manufacturing costs and Group expenses, the Group remains vigilant and agile.

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

Post year end events

Following the robust performance of 2022, 2023 order intake has been affected by cost of living and general inflationary increases. Retailers are focusing on managing these issues for their end customers and it has diverted attention in the short term from the ongoing roll out of ESLs.

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

To further encourage customer orders, we have brought forward the release of a new Chroma product range, the Chroma Aeon. Amongst the several enhancements in the newly developed range is the extension of the ESL battery life performance. This has a hugely positive impact on the ROI for our product, effectively removing the requirement and associated cost of a mid-life battery change and is an enticing proposition for both new and existing customers.

The current order cover for 2023 is \$20m, with an order pipeline potential of \$28m through European DIY and general retail roll outs, providing the potential to deliver significant revenue and a continued positive EBITDA forecast based on the Group's current cost base.

In March 2023, the Group's confidential invoice discounting facility (CID) at \$6.5m was extended for a further 15 months, from 30 September 2023, with the next renewal now due on 31 December 2024.

A transfer of shares for consideration has been completed between Collier International Partners and Kline Hill Partners IV SPV LLC resulting in a change of control. Kline Hill Partners IV SPV LLC has acquired ~60% of the share capital and is considered the ultimate controlling party by the directors. As part of the transaction, Z-shares previously held by management have also been disposed of to Kline Hill Partners IV SPV LLC.

This transaction signifies a change in the financial landscape and brings about a new chapter in the strategic direction of the company. With the transfer of shares, the new controlling party assumes a pivotal role in shaping the future trajectory of the business, a fresh era of opportunities and collaborations, with a reinvigorated vision for the business.

Alongside the change of ownership, the Board approved the extension of the Shareholder Loan Agreement termination date from 31 March 2024 to 31 December 2024.

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 statement.

This report was approved by the Board and signed on its behalf.

Andrew Dark

A J Dark

Director

Date: 28 June 2023

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

Principal activity

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.

Results

The consolidated profit for the year, after taxation, amounted to \$1,644,382 (2021 - loss \$500,663).

The consolidated profit for the year before interest, tax, depreciation and amortisation (EBITDA) was \$1.7m (year ended 31 December 2021: \$0.3m).

Directors

There were no changes to the directors in office during 2022, however, due to changes in shareholders S M Chapman and F E Morgan resigned and left the Board on 28 February 2023 and 15 June 2023 respectively and M A Bego joined the Board on 15 June 2023.

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.

Events after the reporting date

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

Following a Board recommendation to extend the termination date of the Shareholder Loan Agreement, approval was sought and obtained on 15 June 2023 from the Lenders and Borrower to extend the termination date of 31 March 2024 to 31 December 2024. All other provisions of the Shareholder Loan Agreement 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 2022 the Group's available cash was \$1.2m (2021: \$0.9m). The drawn down invoice discounting was \$3.5m (2021: \$4.1m), secured against trade receivables of \$6.9m (2021: \$12.6m). Trade payables at \$3.9m was \$3.8m lower than the prior year (2021: \$7.7m).

The Group's confidential invoice discounting facility (CID) was renewed at the end of March 2023 for a further 15 months from 30 September 2023 to 31 December 2024. The renewal facility was maintained at \$6.5m (2021: \$6.5m), reflecting the trading requirement as the Group revenues grow. The next renewal is due on 31 December 2024 and hence, the CID facility post March 2023 has been included as available within the cashflow forecasts for the period under review.

The Group also has a \$8m shareholder loan, comprising a convertible \$7.0m, interest free, shareholder loan and a non-convertible \$1m shareholder loan at 20% interest per annum; the present value of the combined principal of the shareholder loan is \$7.4m, with the \$7.0m convertible loan discounted at the market interest rate (7.54%) (2021: \$6.9m). Post year end, the term of the shareholder loan has been extended to 31 December 2024.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

As at 31 December 2022 both the Group and Company net assets had improved to a net liability position of \$2.0m and \$1.4m, respectively (2021: \$3.7m and \$2.3m respectively). The Group and Company net current asset position is \$4.9m and \$5.5m respectively (2021: net current liabilities of \$4.3m and \$2.8m respectively). However, it should be noted that the net liabilities (and for the prior year, the current net liabilities) are after the deduction of the \$8.0m shareholder loan noted above; repayment of which has been extended to 31 December 2024. The underlying net assets for the Group and the Company excluding the discounted shareholder loan of \$7.4m are a positive \$5.4m and \$6.0m respectively.

The supply of semiconductors and other components was challenging throughout 2022 and continues to be so in 2023. However, through the allocation of significant management resources, continuity of supply has been maintained and is expected to be manageable for the foreseeable future. To ameliorate the associated risk to working capital volatility a further \$3m, non-convertible shareholder loan facility was agreed with \$2m drawn down in June 2022. Of this \$2m draw down, \$1m was repaid in December 2022 and that value of the facility cancelled. Hence, of the remaining \$2m facility, \$1m has been drawn down and a further \$1m shareholder loan facility remains undrawn and available.

The Group constantly monitors both global economic conditions and geopolitical changes to assess the potential effects on the Group and its supply chain and customer base. The impact of the Russian-Ukrainian crisis has been far reaching, from increased volatility in the supply chain evidenced by an increase in manufacturing costs and component shortages to the rise in inflation on both the general cost of living and the Group's overall cost base. The impact of inflation on consumers has also created uncertainty for retailers, which has in turn led to delays in forecast ESL deployment decisions. As a result, there has been a notable slowdown of customer decisions to place orders, however, the potential to surpass 2022 revenues in 2023 remains. That said, the Group has focused on managing its cost base to reflect the uncertainty in the marketplace and cost control remains stringent.

From an operational perspective the majority of the Group's employees continue to work from home as remote working practices remain in place. The Group relocated to a smaller, more appropriately sized head office in Q4 2022, to reflect the new working practices. The Group's supply chain continues to be closely managed as global issues affect component supply, component cost and create challenges in logistics and costs of shipping products internationally. Disruption to customers has been minimised but industry lead times remain extended.

Overall, the Group continues to see expansion of investment in the bricks and mortar, retail market but pace has slowed in the first half of 2023 due to the downturn in economic conditions in the core markets of Europe and North America. Direct customer engagement remains positive with both existing customers and potential new customers. Our distributors and resellers also remain positive for medium term growth with significant new opportunities in their sales order pipelines. Public statements made by the other major ESL vendors, support the view that 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 2024. These financial scenarios included sensitivity analyses on sales, gross margins, overheads and working capital, with specific reference to CID availability.

The financial projections for 2023 based on the existing 2023 orderbook and sales pipeline together with the benefit of the stringently managed cost base, and the strong shareholder support lead the Board to conclude that the Group will have sufficient resources to meet its liabilities for the foreseeable future and therefore the Group remains a going concern.

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, Directors' Report and the consolidated financial statements, in accordance with applicable law.

Company law requires the directors to prepare consolidated financial statements for each financial year. Under that law they have elected to prepare the consolidated financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including International Financial Reporting Standards (IFRS) as adopted by the UK.

Under company law the directors must not approve the consolidated financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing the consolidated financial statements, the directors are required to:

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the UK, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent 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.

Disclosure of information to auditors

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

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

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

The main financial risks faced by the Group and Company, and the management of these risks are set out below.

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.

Price Risk

The risk is that inflationary pressures and the increasing cost of living result in a deterioration of gross margin and profitability. To mitigate the exposures to product prices, management have worked closely with the supply chain to improve product design leading to manufacturing efficiency cost savings and also some component price reductions through alternate suppliers. Similarly, management retains stringent control over the administrative cost base as a whole to mitigate general inflation such as the implementation of hybrid working reducing office costs.

Liquidity and Cashflow 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 2023 to 31 December 2024 at the existing 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. Cashflow forecasts are prepared and the availability of adequate borrowing facilities and the utilisation thereof is monitored on a regular basis.

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

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.

Interest Rate Risk

The risk is that changes to market interest rates can have a negative impact on the income statement, balance sheet and associated cashflows is managed using a low risk profile. To mitigate interest rate exposure the Group has secured a \$7m interest free, convertible shareholder loan, reducing the Group's exposure to interest rate rises. The Group does not hedge against interest rate rises.

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 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 auditors 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.

Andrew Dark

A J Dark

Director

Date: 28 June 2023

Malvern Hills Science Park
Geraldine Road
Malvern
Worcestershire
WR14 3SZ

INDEPENDENT AUDITORS' 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 2022, which the consolidated statement of profit or loss and other comprehensive income; the consolidated and Company statement of financial position; the consolidated and Company statement of changes in equity; the consolidated statement of cashflows and the notes to the financial statements which include a summary of 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 2022 and of the group'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 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 the ongoing macro-economic uncertainties both globally and in the UK such as COVID-19, the war in Ukraine, and the cost of living crisis including inflation, 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.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DISPLAYDATA LIMITED

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 their environment obtained in the course of the audit, we have not identified 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 in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, 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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DISPLAYDATA LIMITED

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We enquired of management and those charged with governance, concerning 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; and
 - The establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of 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.
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and parent company and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the financial reporting frameworks, (UK-adopted international accounting standards, United Kingdom Generally Accepted Accounting Practice and the Companies Act 2006), and the relevant taxation legislation.
- In addition, we concluded that there are certain regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to health and safety, employee matters, data protection, bribery and corruption practices.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We have considered the impact of the sanctions against Russia on the group and company'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 and company have been adversely affected directly by the current political and economic situation other than the negative impact on capital markets and inflation.
- We completed audit procedures to conclude on the compliance of disclosures in the annual report and accounts with applicable financial reporting requirements.
- In assessing the potential risks of material misstatement, we obtained an understanding of;
 - The group's operations, including the nature of its revenue sources, products, and services to understand the classes of transactions, account balances, expected financial disclosures and business risks that may result in material misstatement; and
 - The group's knowledge of the control environment, including:
 - Management's knowledge of relevant laws and regulations and how the group and parent company is complying with those laws and regulations,
 - The adequacy of procedures for authorisation of transactions, and
 - Procedures to ensure that possible breaches of law and regulations are appropriately resolved.
- We assessed the susceptibility of the parent company's and the group's financial statements to material misstatement, including how fraud might occur, by evaluating 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 the principal risks were in relation to:
 - Potential management bias in determining accounting estimates and judgements, especially in relation receivables and inventory provisions
 - Manual journal entries.
- Our audit procedures involved:
 - Evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
 - Journal entry testing, with a focus on profit impacting journals,
 - Challenging assumptions and judgements made by management in its significant accounting estimates, specifically in relation to provisions.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DISPLAYDATA LIMITED

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.

- The Engagement Lead has assessed the appropriateness of the collective competence and capabilities of the engagement team, including 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 client operates; and
 - Understanding of the legal and regulatory requirements specific to the entity, including the provisions of the applicable legislation, the regulator's rules and related guidance, and guidance issued by relevant authorities that interprets those rules and the applicable statutory provisions.

We did not identify any matters relating to non-compliance with laws and regulations or relating to fraud.

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.

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: 28 June 2023

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 \$	2021 \$
Revenue	5	41,271,921	31,147,065
Cost of sales	14	(30,687,347)	(22,587,572)
Gross profit		<u>10,584,574</u>	<u>8,559,493</u>
Administrative expenses		(9,368,439)	(9,314,745)
Other Income	6	-	550,484
Operating profit/(loss)	8	<u>1,216,135</u>	<u>(204,768)</u>
Finance expense	9	113,079	(652,232)
Finance income	9	842	98
Profit/(loss) before taxes		<u>1,330,056</u>	<u>(856,902)</u>
Tax income	10	314,326	356,239
Profit/(loss) for the year and total comprehensive income		<u><u>1,644,382</u></u>	<u><u>(500,663)</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 on pages 20 to 47 form part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

	Note	2022 \$	2021 \$
Assets			
Non-current assets			
Property, plant and equipment	12	851,721	881,600
Intangible assets	11	91,174	118,712
Non-current assets		<u>942,895</u>	<u>1,000,312</u>
Current assets			
Inventories	14	4,041,632	2,372,522
Trade and other receivables	15	8,572,882	13,881,841
Cash and cash equivalents	23	1,206,847	894,082
Current assets		<u>13,821,361</u>	<u>17,148,446</u>
Total assets		<u>14,764,256</u>	<u>18,148,758</u>
Liabilities			
Non-current liabilities			
Loans and borrowings	17	7,816,334	321,595
Non-Current liabilities		<u>7,816,334</u>	<u>321,595</u>
Current liabilities			
Trade and other liabilities	16	5,258,906	10,043,709
Loans and overdrafts	17	3,488,969	10,986,822
Lease liabilities	21	83,867	248,058
Provisions	18	139,621	216,407
Current liabilities		<u>8,971,363</u>	<u>21,494,995</u>
Total liabilities		<u>16,787,697</u>	<u>21,816,590</u>
Net liabilities		<u>(2,023,441)</u>	<u>(3,667,832)</u>
Issued capital and reserves attributable to owners of the parent			
Share capital	19	5,991,403	5,991,403
Share premium reserve		126,606,533	126,606,533
Capital contribution reserve		4,073,480	4,073,480
Retained earnings		<u>(138,694,857)</u>	<u>(140,339,249)</u>
TOTAL EQUITY		<u>(2,023,441)</u>	<u>(3,667,832)</u>

The financial statements were approved and authorised for issue by the board of directors and were signed on its behalf on 28 June 2023

Andrew Dark

A J Dark
Director

The notes on pages 20 to 47 form part of these financial statements.

**COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

	Note	2022 \$	2021 \$
Assets			
Non-current assets			
Property, plant and equipment	12	485,299	399,865
Intangible assets	11	91,174	118,711
Trade investments		1,000	1,000
Non-current assets		577,473	519,576
Current assets			
Inventories	14	3,962,406	2,266,525
Trade and other receivables	15	9,529,989	16,374,479
Cash and cash equivalents	23	1,103,836	833,596
Current assets		14,596,230	19,474,600
Total assets		15,173,702	19,994,176
Liabilities			
Non-current liabilities			
Loans and borrowings	17	7,543,435	18,682
Non-Current liabilities		7,543,435	18,682
Current liabilities			
Trade and other liabilities	16	5,402,245	10,925,778
Loans and overdrafts	17	3,488,969	10,986,822
Lease liabilities	21	31,594	168,246
Provisions	18	132,372	209,116
Current liabilities		9,055,177	22,289,962
Total liabilities		16,589,613	22,308,644
Net liabilities		(1,415,909)	(2,314,467)
Issued capital and reserves attributable to owners of the parent			
Share capital	19	5,991,403	5,991,403
Share premium reserve		126,606,533	126,606,533
Capital contribution reserve		4,073,480	4,073,480
Retained earnings		(138,087,325)	(138,985,884)
TOTAL EQUITY		(1,415,909)	(2,314,467)

The Company's profit for the year was \$898,592 (2021: \$19,877).

The financial statements were approved and authorised for issue by the board of directors and were signed on its behalf on 28 June 2023

Andrew Dark

A J Dark
Director

The notes on pages 20 to 47 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

Consolidated statement of changes in equity for 2022

	Share capital \$	Share premium \$	Capital contribution \$	Retained earnings \$	Total equity \$
Balance at 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 and 1 January 2022	5,991,403	126,606,533	4,073,480	(140,339,249)	(3,667,832)
Adjustment for present value of interest-free loan	-	-	-	9	9
Profit for the year and total comprehensive income	-	-	-	1,644,382	1,644,382
Balance at 31 December 2022	5,991,403	126,606,533	4,073,480	(138,694,857)	(2,023,441)

Company statement of changes in equity for 2022

	Share capital \$	Share premium \$	Capital contribution \$	Retained earnings \$	Total equity \$
Balance at 1 January 2021	5,991,403	126,606,533	4,073,480	(139,005,761)	(2,334,345)
Loss for the year and total comprehensive income	-	-	-	19,877	19,877
Balance at 31 December 2021 and 1 January 2022	5,991,403	126,606,533	4,073,480	(138,985,884)	(2,314,467)
Adjustment for present value of interest-free loan	-	-	-	(32)	(32)
Profit for the year and total comprehensive income	-	-	-	898,592	898,592
Balance at 31 December 2022	5,991,403	126,606,533	4,073,480	(138,087,325)	(1,415,909)

The notes on pages 20 to 47 form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

Cash flows from operating activities	Note	2022 \$	2021 \$
Profit/(loss) for the year		1,644,382	(500,663)
Adjustments for			
Depreciation of property, plant and equipment	12	469,348	453,974
Amortisation of intangible fixed assets	11	46,547	10,307
Finance income	9	(842)	(98)
Finance expense	9	(92,417)	704,552
Net foreign exchange gain	9	(20,662)	(52,320)
Income tax expense	10	(314,326)	(356,239)
Movements in working capital:		1,732,030	259,513
Decrease/(increase) in trade and other receivables		5,637,694	(10,612,765)
Increase in inventories		(1,669,109)	(836,863)
(Decrease)/increase in trade and other payables		(4,814,387)	7,229,074
Decrease in provisions		(76,786)	(110,417)
Cash generated from operations		809,442	(4,071,458)
Income taxes received		15,177	502,841
Net cash from/(used in) operating activities		824,619	(3,568,617)
Cash flows from investing activities			
Purchases of property, plant and equipment	12	(255,970)	(45,062)
Proceeds from sale of property, plant and equipment		3,239	-
Purchase of intangibles	11	(19,008)	(127,884)
Interest received	9	842	98
Net cash used in investing activities		(270,897)	(172,848)
Cash flows from financing activities			
Proceeds from shareholder loan	24	2,000,006	-
Repayment of shareholder loan		(1,000,003)	-
Repayment of bank borrowings		(622,206)	3,988,505
Interest paid		(353,209)	(187,677)
Payment of lease liabilities		(286,206)	(436,309)
Net cash (used in)/from financing activities		(261,618)	3,364,519
Net increase/(decrease) in cash and cash equivalents		292,103	(376,946)
Cash and cash equivalents at the beginning of year		894,082	1,218,708
Exchange gains on cash and cash equivalents		20,662	52,320
Cash and cash equivalents at the end of the year	23	1,206,847	894,082

The notes on pages 20 to 47 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

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 'Company') is a limited company incorporated in England and Wales. The Company's registered office is at Malvern Hills Science Park, Geraldine Road, Malvern, Worcestershire, WR14 3SZ. These consolidated financial statements comprise the Company and its subsidiaries (collectively the 'Group' and individually 'Group companies'). The Group is primarily involved in provision of digital display solutions to the retail market.

The financial statements of the group and company have been prepared under the historical cost convention in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with the Companies Act 2006.

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

The Company has taken advantage of the exemption available under section 408 of the Companies Act 2006 and elected not to present its own Statement of Comprehensive Income in these financial statements.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's and the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.22.

3. New standards and amendments

Standards and amendments that are not yet effective and have not been adopted early by the Group include:

- IFRS 17 'Insurance Contracts'
- Amendments to IFRS 17 'Insurance Contracts' (Amendments to IFRS 17 and IFRS 4)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS12)
- Disclosure of Accounting Policies (Amendments to IAS 1)
- Definition of Accounting Estimates (Amendments to IAS 8)

These amendments are not expected to have a significant impact on the financial statements in the period of initial application and therefore no disclosures have been made.

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 2022. 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

NOTES FOR THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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.

4.3 Going concern

On 31 December 2022 the Group's available cash was \$1.2m (2021: \$0.9m). The drawn down invoice discounting was \$3.5m (2021: \$4.1m), secured against trade receivables of \$6.9m (2021: \$12.6m). Trade payables at \$3.9m was \$3.8m lower than the prior year (2021: \$7.7m).

The Group's confidential invoice discounting facility (CID) was renewed at the end of March 2023 for a further 15 months from 30 September 2023 to 31 December 2024. The renewal facility was maintained at \$6.5m (2021: \$6.5m), reflecting the trading requirement as the Group revenues grow. The next renewal is due on 31 December 2025 and hence, the CID facility post March 2023 has been included as available within the cashflow forecasts for the period under review.

The Group also has a \$8m shareholder loan, comprising a convertible \$7.0m, interest free, shareholder loan and a non-convertible \$1m shareholder loan at 20% interest per annum; the present value of the combined principal of the shareholder loan is \$7.4m, with the \$7.0m convertible loan discounted at the market interest rate (7.54%) (2021: \$6.9m). Post year end, the term of the shareholder loan has been extended to 31 December 2024.

As at 31 December 2022 both the Group and Company net assets had improved to a net liability position of \$2.0m and \$1.4m, respectively (2021: \$3.7m and \$2.3m respectively). The Group and Company net current asset position is \$4.9m and \$5.5m respectively (2021: net current liabilities of \$4.3m and \$2.8m respectively). However, it should be noted that the net liabilities (and for the prior year, the current net liabilities) are after the deduction of the \$8.0m shareholder loan noted above; repayment of which has been extended to 31 December 2024. The underlying net assets for the Group and the Company excluding the discounted shareholder loan of \$7.4m are a positive \$5.4m and \$6.0m respectively.

The supply of semiconductors and other components was challenging throughout 2022 and continues to be so in 2023. However, through the allocation of significant management resources, continuity of supply has been maintained and is expected to be manageable for the foreseeable future. To ameliorate the associated risk to working capital volatility a further \$3m, non-convertible shareholder loan facility was agreed with \$2m drawn down in June 2022. Of this \$2m draw down, \$1m was repaid in December 2022 and that value of the facility cancelled. Hence, of the remaining \$2m facility, \$1m has been drawn down and a further \$1m shareholder loan facility remains undrawn and available.

The Group constantly monitors both global economic conditions and geopolitical changes to assess the potential effects on the Group and its supply chain and customer base. The impact of the Russian-Ukrainian crisis has been far reaching, from increased volatility in the supply chain evidenced by an increase in manufacturing costs and component shortages to the rise in inflation on both the general cost of living and the Group's overall cost base. The impact of inflation on consumers has also created uncertainty for retailers, which has in turn led to delays in forecast ESL deployment decisions. As a result, there has been a notable slowdown of customer decisions to place orders, however, the potential to surpass 2022 revenues in 2023 remains. That said, the Group has focused on managing its cost base to reflect the uncertainty in the marketplace and cost control remains stringent.

From an operational perspective the majority of the Group's employees continue to work from home as remote working practices remain in place. The Group relocated to a smaller, more appropriately sized head office in Q4 2022, to reflect the new working practices. The Group's supply chain continues to be closely managed as global issues affect component supply, component cost and create challenges in logistics and costs of shipping products internationally. Disruption to customers has been minimised but industry lead times remain extended.

Overall, the Group continues to see expansion of investment in the bricks and mortar, retail market but pace has slowed in the first half of 2023 due to the downturn in economic conditions in the core markets of Europe and North America. Direct customer engagement remains positive with both existing customers

NOTES FOR THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

and potential new customers. Our distributors and resellers also remain positive for medium term growth with significant new opportunities in their sales order pipelines. Public statements made by the other major ESL vendors, support the view that 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 2024. These financial scenarios included sensitivity analyses on sales, gross margins, overheads and working capital, with specific reference to CID availability.

The financial projections for 2023 based on the existing 2023 orderbook and sales pipeline together with the benefit of the stringently managed cost base, and the strong shareholder support lead the Board to conclude 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 both the Group and Company 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.

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.

NOTES FOR THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Service revenue, for example, installation or training, is recognised as services are provided using stage of completion.

Software licences and 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.

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 convertible element of 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.

NOTES FOR THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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.

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

NOTES FOR THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

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

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.

NOTES FOR THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4.16 Short-term employee benefits

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

4.17 Share-based payments

Equity-settled share-based payments to employees and others are measured at the fair value of the equity instruments at the grant date. This fair value excludes the effect of non-market vesting conditions. All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to retained earnings. 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 pension 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 loan 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 17, Loans and borrowings).

Estimation uncertainty

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

**NOTES FOR THE CONSOLIDATED FINANCIAL STATEMENTS
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Amounts owed by Group undertakings

The recoverability of the net amounts owed by Group undertakings, specifically Displaydata Inc. of \$3.3m (year ended 31 December 2021: \$1.6m) has been reviewed, and in management's judgement, assessed as fully recoverable in the medium term. As at 1 June 2023, the net amount owed by Displaydata Inc. to Displaydata Limited was reduced to \$1.0m, following \$2.3m of customer receipts remitted to Displaydata Limited in the current year. Displaydata Inc. made a pre-tax profit of \$0.8m for the year ended 31 December 2022 (December 2021: loss -\$0.5m). 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 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. For example, the warranty provision is calculated using the average percentage of warranty cost for the previous 3 years versus hardware revenue over the same period.

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.

5. Revenue

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

For the year ended 31 December 2022

	Electronic Shelf Labels	Other products and services	Total
	\$	\$	\$
Europe	33,660,872	1,220,491	34,881,364
N America	5,392,431	998,126	6,390,557
Total	<u>39,053,304</u>	<u>2,218,617</u>	<u>41,271,921</u>

For the year ended 31 December 2021

	Electronic Shelf Labels	products and	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>

**NOTES FOR THE CONSOLIDATED FINANCIAL STATEMENTS
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The Group's revenue disaggregated by pattern of revenue recognition is as follows:

For the year ended 31 December 2022

	Electronic Shelf Labels	Other products and services	Total
	\$	\$	\$
Goods and services transferred at a point in time	39,053,304	1,100,548	40,153,851
Services transferred over time	-	1,118,069	1,118,069
Total	<u>39,053,304</u>	<u>2,218,617</u>	<u>41,271,921</u>

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>

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 was an incentive created within the Coronavirus Aid, Relief, and Economic Security Act (CARES), intended to encourage employers to keep employees on payroll.

	2022	2021
	\$	\$
Paycheck Protection Program	-	377,831
Employee Retention Tax Credit	-	172,653
	<u>-</u>	<u>550,484</u>

7. Employee Remuneration

	2022	2021
	\$	\$
Group Employee (including directors) benefit expenses comprise:		
Wages and salaries	4,967,644	5,387,408
National insurance	458,717	474,193
Defined contribution pension cost	311,725	361,935
	<u>5,738,086</u>	<u>6,223,536</u>

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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 2021: nil).

The monthly average number of persons, including the directors, employed by the Group during the year was as follows:

	2022	2021
	No.	No.
Average number of employees	45	47

Directors' remuneration

	2022	2021
	\$	\$
Remuneration	625,327	545,615
	625,327	545,615

During the period retirement benefits were accruing to no directors (year ended 31 December 2021: nil) in respect of defined contribution pension schemes.

The highest paid director received remuneration of \$591,645 (year ended 31 December 2021: \$425,491).

8. Operating Profit/(Loss)

Operating profit/(loss) is stated after charging:

	2022	2021
	\$	\$
Amortisation of intangible fixed assets	46,547	10,307
Depreciation of tangible fixed assets	469,348	453,974
Auditors remuneration for audit services	74,905	72,947
Auditors remuneration for non audit services	1,200	-
Tax advisory services	17,451	13,800
Research costs	1,259,030	1,326,068
Defined contribution pension costs	311,725	361,935

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9. Finance income and expense

Finance income and expense for the reporting period consisted of the following:

Finance income	2022	2021
	\$	\$
Interest on:		
Bank deposits	842	98
Finance expense		
Finance leases (interest portion)	21 37,820	34,703
Net foreign exchange (gain)/loss on financial instruments	(20,662)	(52,320)
Other loan interest (receivable)/payable	(475,226)	482,172
Other interest payable	344,989	187,677
Total Finance Expense	(113,079)	652,232
Net finance income/(expense) recognised in profit or loss	(113,921)	652,134

Other loan interest receivable relates to the change on 14 February 2022 to the termination date of the \$7.0m convertible shareholder loan from 31 March 2022 to 31 March 2024. The resultant effect on the discounted principal valuation is a receivable of \$0.7m, leading to a finance expense receivable of \$475,226 as shown above.

10. Tax Income

The major components of tax income and expense and the reconciliation of the expected tax income and expense based on the effective tax rate of Displaydata Limited at 19% (2021@ 19%) and the reported tax expense in profit and loss are as follows:

	2022	2021
	\$	\$
Profit/(loss) before tax	1,330,056	(856,902)
Domestic tax rate for Displaydata Limited	19.00%	19.00%
Expected tax income	(252,711)	162,811
Expenses not deductible for tax purposes	(153,423)	(343,769)
Income not taxable	559,430	582,060
Losses surrendered for R&D tax credit	(459,496)	(469,737)
Amounts not recognised	157,594	167,111
Foreign taxation	(36,342)	(2,245)
Adjustments to tax charge in respect of prior periods	-	-
R&D tax claim	350,668	358,484
Overseas profit - adjustment	148,606	(98,476)
	314,326	356,239
	2022	2021
	\$	\$
Current R&D claim	350,668	358,484
Adjustments in respect of prior year	-	-
Foreign taxation	(36,342)	(2,245)
Tax Income	314,326	356,239

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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.

The main rate of Corporation Tax will be 25% for Companies with profits of £250,000 or more – this applies to all profits. A Small Profits Rate of 19% will exist for Companies with profits of £50,000 or less.

11. Intangible assets

Group and Company intangible assets

	Trademarks	Software	Total
	\$	\$	\$
Cost			
At 1 January 2022	17,238	249,195	266,433
Additions in the year	-	19,008	19,008
At 31 December 2022	<u>17,238</u>	<u>268,203</u>	<u>285,441</u>
Amortisation			
At 1 January 2022	17,238	130,483	147,721
Charge in the year	-	46,547	46,547
Disposals in the year	-	-	-
At 31 December 2022	<u>17,238</u>	<u>177,030</u>	<u>194,268</u>
Net book value			
At 31 December 2022	<u>-</u>	<u>91,174</u>	<u>91,174</u>
At 1 January 2021	<u>-</u>	<u>118,711</u>	<u>118,711</u>

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12. Property, plant and equipment

Group property, plant and equipment

Group	Right-of use asset \$	Leasehold improvements \$	Laboratory equipment \$	Fixtures & Fittings \$	Office equipment \$	Total \$
Cost						
At 1 January 2021	1,643,370	236,970	1,051,515	90,954	521,097	3,543,905
Additions in the year	186,738	77,273	114,077	3,680	60,940	442,708
Disposals	(982,034)	(153,234)	(5,310)	(29,281)	(137,142)	(1,307,001)
Transfer between classes	-	-	-	2,476	(2,476)	-
At 31 December 2021	848,074	161,010	1,160,282	67,829	442,419	2,679,613
Depreciation						
At 1 January 2021	1,084,820	168,681	884,037	69,084	455,684	2,662,306
Charge in the year	277,411	40,352	105,171	12,050	34,363	469,348
Disposals	(982,034)	(153,234)	(3,106)	(28,246)	(137,142)	(1,303,761)
At 31 December 2021	380,197	55,799	986,102	52,889	352,905	1,827,892
Net book value						
At 31 December 2022	467,877	105,210	174,180	14,940	89,514	851,721
At 1 January 2021	558,550	68,289	167,478	21,870	65,413	881,599

Company property, plant and equipment

Company	Right-of use asset \$	Leasehold improvements \$	Laboratory equipment \$	Fixtures & Fittings \$	Office equipment \$	Total \$
Cost						
At 1 January 2021	1,025,546	153,234	1,051,515	47,389	415,100	2,692,783
Additions in the year	186,738	77,273	114,077	3,680	49,714	431,482
Disposals	(982,034)	(153,233)	(5,310)	(29,281)	(137,142)	(1,307,000)
Transfer between classes	-	-	-	2,476	(7,513)	(5,037)
At 31 December 2021	230,250	77,274	1,160,282	24,264	320,159	1,812,229
Depreciation						
At 1 January 2021	854,309	127,695	884,037	41,527	385,353	2,292,920
Charge in the year	177,786	31,978	105,171	5,827	17,010	337,772
Disposals	(982,034)	(153,234)	(3,106)	(28,246)	(137,142)	(1,303,761)
At 31 December 2021	50,060	6,440	986,102	19,108	265,220	1,326,930
Net book value						
At 31 December 2022	180,189	70,834	174,180	5,156	54,939	485,299
At 1 January 2021	171,237	25,539	167,479	5,862	29,748	399,865

**NOTES FOR THE CONSOLIDATED FINANCIAL STATEMENTS
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13. Interests in subsidiaries

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

Shares held by Displaydata Limited:

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

Displaydata Nominee Limited (company number 11226563) is exempt from the requirements under the Companies Act 2006 relating to the audit of financial statements under section 479A of that Act.

Displaydata Limited has provided a parent company guarantee over the liabilities of Displaydata Nominee Limited, pursuant to section 479C of the Companies Act 2006.

Company	Investments in subsidiary companies
	\$
Cost or valuation	
At 1 January and 31 December 2022	1,000
Net book value	
At 31 December 2022	<u>1,000</u>
At 31 December 2021	<u>1,000</u>

14. Inventories

Group inventories

	2022	2021
	\$	\$
Raw materials	3,900,081	2,306,321
Finished goods and goods for resale	141,551	66,202
	<u>4,041,632</u>	<u>2,372,523</u>

The cost of inventories recognised as an expense during 2022 was \$30,687,347 (2021: \$22,587,572).

At the reporting date, there is a provision against inventory amounting to \$155,620. (31 December 2021: \$215,463).

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Company inventories

	2022	2021
	\$	\$
Raw materials	3,895,818	2,076,011
Finished goods and goods for resale	66,588	190,513
	3,962,406	2,266,525

The cost of inventories recognised as an expense during 2022 was \$30,660,786 (2021: \$22,603,648).

15. Trade and other

receivables

Group trade and other receivables

	2022	2021
	\$	\$
Trade receivables	6,931,687	12,555,111
Total financial assets other than cash and cash equivalents classified as loans and receivables	6,931,687	12,555,111
Prepayments and accrued income	744,836	689,932
Corporation tax repayable	709,152	380,420
VAT repayable	94,541	183,654
Other receivables	52,442	30,312
Loans receivable	40,224	42,414
Total trade and other receivables	8,572,882	13,881,841

The carrying value of trade and other receivables classified as loans and receivables approximates fair value. All amounts are due within one year.

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 \$752 (2021: \$732).

Movements in the impairment allowance for trade receivables are as follows:

	2022	2021
	\$	\$
At 1 January	732	8,055
Movements in the year	20	-
Unused amounts reversed	-	(7,323)
	752	732

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Company trade and other receivables

	2022	2021
	\$	\$
Trade receivables	4,199,905	12,308,954
Receivables from related parties	3,770,010	2,872,268
Total financial assets other than cash and cash equivalents classified as loans and receivables	7,969,915	15,181,222
Prepayments and accrued income	731,358	684,616
Corporation tax repayable	709,152	380,419
VAT repayable	57,656	72,605
Staff loans	16,199	18,156
Other receivables	45,709	37,461
Total trade and other receivables	9,529,989	16,374,479

The carrying value of trade and other receivables classified as loans and receivables approximates fair value. All amounts are due within one year.

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 \$383 (2021: \$564)

Movements in the impairment allowance for trade receivables are as follows:

	2022	2021
	\$	\$
At 1 January	564	682
Unused amounts reversed	(181)	(118)
	383	564

**NOTES FOR THE CONSOLIDATED FINANCIAL STATEMENTS
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16. Trade and other payables

Group trade and other payables

Current

	\$	\$
Trade payables	3,911,570	7,730,894
Employee obligations	72,083	58,416
Accruals	<u>975,680</u>	<u>1,754,138</u>
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	4,959,333	9,543,448
Corporation tax payable	29,583	-
Other payables – tax and social security payments	167,531	420,112
Deferred income	<u>102,460</u>	<u>80,149</u>
Total current trade and other payables	<u>5,258,906</u>	<u>10,043,709</u>

All trade and other payable 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.

Company trade and other payables

Current

	\$	\$
Trade payables	3,911,751	7,735,264
Payables to related parties	430,689	1,276,496
Employee Obligations	55,408	50,787
Accruals	<u>848,262</u>	<u>1,675,661</u>
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	5,246,110	10,738,210
Other payables - tax and social security payments	106,980	118,255
Deferred income	<u>49,155</u>	<u>69,315</u>
Total current trade and other payables	<u>5,402,245</u>	<u>10,925,778</u>

All trade and other payable 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 FOR THE CONSOLIDATED FINANCIAL STATEMENTS
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17. Loans and borrowings

Group loans and borrowings

	Note	2022 \$	2021 \$
Non-current			
Shareholder loan		7,392,204	-
Lease liabilities	21	<u>424,130</u>	<u>321,595</u>
		7,816,334	321,595
Current			
CID Invoice Discounting		3,488,969	4,111,175
Shareholder loan		-	6,875,647
Lease liabilities	21	<u>83,867</u>	<u>248,058</u>
		3,572,836	11,234,880
Total loans and borrowings		<u>11,389,170</u>	<u>11,556,475</u>

Company loans and borrowings

	Note	2022 \$	2021 \$
Non-current			
Shareholder loan		7,392,204	-
Lease liabilities	21	<u>142,231</u>	<u>18,682</u>
		7,534,435	18,682
Current			
CID Invoice Discounting		3,488,969	4,111,175
Bank loans - unsecured		-	6,875,647
Lease liabilities	21	<u>31,594</u>	<u>168,246</u>
		3,520,563	11,155,068
Total loans and borrowings		<u>11,054,998</u>	<u>11,173,750</u>

The Confidential Invoice Discounting (CID) is secured against trade receivables and expires on 30 September 2023 with a limit of \$6.5m. Subsequent to year end, the CID facility was renewed for a further 15 months with a new expiry date of 31 December 2024.

The unsecured shareholder loan amount consists of the initial interest free loan of \$7m and an additional \$1m loan, both repayable 31 March 2024. Interest on the \$1m loan is charged at 20% per annum on any unpaid balance. The interest free shareholder loan has been discounted to its present value at the Group's incremental borrowing rate. In the year a total \$475,226 (2021: \$482,172) of interest was credited to the income statement following a recalculation of the present value based on the extended loan term. Subsequent to the year end, the shareholder loan was extended to 31 December 2024.

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18. Provisions

Group provisions

Provisions comprise the Warranty provision and the Dilapidations provision. 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 \$132,372 (2021: \$194,046) and dilapidation provision of \$7,248 (2021: \$22,360)

	Provision \$
At 1 January 2022	216,407
Utilised during the year	(95,973)
Other increases	139,621
Released during the year	(120,434)
At 31 December 2022	<u>139,621</u>
Due within one year or less	<u>139,621</u>

Company provisions

	Provision \$
At 1 January 2022	209,116
Utilised during the year	(95,973)
Other increases	132,372
Released during the year	(113,143)
At 31 December 2022	<u>132,372</u>
Due within one year or less	<u>132,372</u>

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19. Share capital

Authorised, issued and fully paid

	2022 Number	2022 \$	2021 Number	2021 \$
Shares treated as equity				
Ordinary shares of £0.100 each	2,642,552	413,893	2,642,552	413,893
'X' Preferred shares of £0.020 each	16,127,223	519,153	16,127,223	519,153
'Y' Preferred shares of £0.020 each	2,229,228	80,032	2,229,228	80,032
'E' Preferred shares of £0.100 each	4,598,741	711,673	4,598,741	711,673
'E1' Preferred shares of £0.100 each	3,007,541	481,592	3,007,541	481,592
'F' Preferred shares of £0.100 each	5,366,724	697,674	5,366,724	697,674
'Z' Ordinary shares of £0.100 each	1,414,083	231,878	1,414,083	231,878
'W' Ordinary shares of £0.001 each	6,645,548	9,274	7,090,925	9,896
'A' Ordinary shares of £0.100 each	1,749,269	298,998	1,749,269	298,998
'X' Deferred shares of £0.020 each	73,503,319	2,530,993	73,503,319	2,530,993
Deferred shares of £0.100 each	78,560	12,882	78,560	12,882
'W' Deferred shares of £0.001 each	2,418,882	3,361	1,973,505	2,739
	<u>119,781,670</u>	<u>5,991,403</u>	<u>119,781,670</u>	<u>5,991,403</u>

During the year 445,377 'W' ordinary shares were designated as 'W' deferred shares.

The preferred shares have preferential rights over other classes of shares, other than 'Z' ordinary shares, on liquidation of the group. The shareholder rights 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.

20. Reserves

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

Share premium

Share capital represents the nominal value of shares that have been issued. Share premium includes any premiums received on the issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Retained earnings

Retained earnings includes all current and prior period retained profits.

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

**NOTES FOR THE CONSOLIDATED FINANCIAL STATEMENTS
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21. Leases

Group leases as a lessee

The Group enters into leases with third party landlords for commercial office space both in the UK and United States of America. Currently the Group has leases for three commercial spaces (the Company has two) that the Group recognises as right of use assets. The Group uses the incremental borrowing rate as the discount rate for determining its lease liabilities at the lease commencement date.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non- cancellable or may only be cancelled by incurring a substantive termination fee.

Lease liabilities are due as follows:

	2022 \$	2021 \$
Contractual cash flows due		
Not later than one year	83,867	248,058
Between one year and five years	<u>424,130</u>	<u>321,595</u>
	<u>507,997</u>	<u>569,653</u>
Lease liabilities included in the Consolidated Statement of Financial Position at 31 December	<u>507,997</u>	<u>569,653</u>
Non-current	424,130	321,595
Current	<u>83,867</u>	<u>248,058</u>
The following amounts in respect of leases have been recognised in profit or loss:		
Interest expense on lease liabilities	<u>37,820</u>	<u>34,703</u>

Company leases as a lessee

Lease liabilities are due as follows:

	2022 \$	2021 \$
Contractual cash flows due		
Not later than one year	31,594	168,246
Between one year and five years	<u>142,231</u>	<u>18,682</u>
	<u>173,825</u>	<u>186,928</u>
Lease liabilities included in the Company Statement of Financial Position at 31 December	<u>73,825</u>	<u>186,928</u>
The following amounts in respect of leases have been recognised in profit or loss:		
Interest expense on lease liabilities	<u>12,661</u>	<u>29,194</u>

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22. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Loan from shareholders

	Maximum loan in the year \$	31 December 2022 \$	31 December 2021 \$
Coller International Partners	4,066,060	3,342,946	2,619,832
Esprit Nominees Limited	2,441,966	2,441,966	2,441,966
Peter Davies	1,538,731	1,367,761	1,196,791
Zebra Diamond Holdings	953,273	847,354	741,435
	<u>9,000,030</u>	<u>8,000,027</u>	<u>7,000,024</u>

23. Notes supporting statement of cash flows

Group cash at bank available on demand

	Note	2022 \$	2021 \$
Cash at bank available on demand		<u>1,206,847</u>	<u>894,082</u>
Cash and cash equivalents in the statement of cash flows	24	<u>1,206,847</u>	<u>894,082</u>

Company cash at bank available on demand

	2022 \$	2021 \$
Cash at bank available on demand	<u>1,103,836</u>	<u>833,596</u>
Cash and cash equivalents in the statement of cash flows	<u>1,103,836</u>	<u>833,596</u>

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24. Net debt reconciliation

	31 December 2022	31 December 2021
	\$	\$
Cash and Cash Equivalents	1,206,847	894,082
Borrowings (CID)	(3,488,969)	(4,111,175)
Shareholder Loan	(7,392,204)	(6,875,647)
Lease liabilities	(507,997)	(569,653)
Net Debt	(10,182,323)	(10,662,393)

	Borrowings (CID)	Borrowings Shareholder Loan	Leases	Sub-total	Cash	Total
Net debt as at 1 January 2021	(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 and other 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)
Financing cash inflows	-	(2,000,006)	-	(2,000,006)	-	(2,000,006)
Financing cash outflows	622,206	1,000,003	286,206	1,908,415	292,103	2,200,518
New leases	-	-	(186,738)	(186,738)	-	(186,738)
Foreign exchange and other adjustments	-	-	8	8	20,662	20,670
Interest expense	(344,989)	475,226	(37,820)	92,417	-	92,417
Interest payments (presented as operating cash flows)	344,989	8,220	-	353,209	-	353,209
Net debt as at 31 December 2022	(3,488,969)	(7,392,204)	(507,997)	(11,389,170)	1,206,847	(10,182,323)

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25. Financial instruments risk

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 detailed above. 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.

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.

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 2022			
Financial assets	127,741	521,211	107,872
Financial Liabilities	(198,078)	(1,276,832)	-
Total exposure	<u>(70,337)</u>	<u>(755,621)</u>	<u>107,872</u>
	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>(1,288,303)</u>	<u>546,171</u>

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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 2022 (year ended 31 December 2021: 5%). A +/-5% change is considered for the USD/GBP exchange rate (year ended 31 December 2021: 5%). Management consider a 5% change to be an appropriate sensitivity level based on the average market volatility in exchange rates since the reporting date. 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 2021: 5%) and GBP by 5% (year ended 31 December 2021: 5%) respectively then this would have had the following impact:

	Gain/(Loss) for Period			Equity		
	EUR	GBP	Total	EUR	GBP	Total
31 December 2022	3,517	37,781	41,298	3,517	37,781	41,298
31 December 2021	(71,824)	64,415	(7,408)	(71,824)	64,415	(7,408)

If the USD had weakened against the EUR by 5% (year ended 31 December 2021: 5%) and GBP by 5% (year ended 31 December 2021: 5%) respectively then this would have had the following impact:

	Gain/(Loss) for Period			Equity		
	EUR	GBP	Total	EUR	GBP	Total
31 December 2022	(3,693)	(39,670)	(43,363)	(3,693)	(39,670)	(43,363)
31 December 2021	75,415	(67,636)	7,779	75,415	(67,636)	7,779

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.

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 2022, as summarised below:

Classes of financial assets	31-Dec-22	31-Dec-21
- carrying amounts	\$	\$
Cash and cash equivalents	1,206,847	894,082
Trade and other receivables	7,024,351	12,627,836
	<u>8,231,199</u>	<u>13,521,918</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

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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 2022 and 31 December 2021 was determined as follows for trade receivables:

31 December 2022	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%	1%	0%	
Gross carrying amount - trade receivables	5,481,601	1,422,225	27,803	57	6,931,687
Loss allowance	333	122	297	-	752

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		1,701	3,042	12,555,111
Loss allowance	73	-	-	659	732

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

	31-Dec-22	31-Dec-21
	\$	\$
Opening loss allowance at 1 January	732	8,055
Increase in loan loss allowance recognised in profit or loss during the year	20	-
Receivables written off during the year as uncollectible	20	807
Unused amount reversed	(20)	(8,130)
Closing loss allowance at 31 December	752	732

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.

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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 2022, the Group has the following contracted non-derivative financial liabilities.

	Current	
	Within 6 months	6 to 12 months
	\$	\$
Trade and other payables	4,959,331	-
Borrowings	3,488,969	-
	8,448,300	-

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	9,543,448	-
Borrowings	10,986,822	-
	20,530,270	-

In the table above relating to the prior year, \$7,392,204 of the Group's short-term borrowings relates to the Shareholder Loan for which the Termination Date had, subsequent to the year end and prior to approval of the financial statements, been extended from 31 March 2022 to 31 December 2024.

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 2022, the Group had no derivative financial liabilities and therefore no related contractual cash flows.

26. Events after the reporting period

As at 31 December 2022 Collier International Partners V-A, L.P were considered the ultimate controlling party by the directors. On 15 June 2023 a transfer of shares for consideration was completed between Collier International Partners, and Kline Hill Partners IV SPV LLC. This transfer resulted in a change of control, whereby Kline Hill Partners IV SPV LLC acquired ~60% of the share capital and is considered the ultimate controlling party by the directors. As part of the transaction, Z-shares previously held by management have also been transferred to Kline Hill Partners IV SPV LLC.

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Following Board approval on 15 June 2023 to extend the Termination Date of the Shareholder Loan Agreement, approval was sought and obtained from the Lenders and Borrower to extend the termination date of 31 March 2024 to 31 December 2024. All other provisions of the Shareholder Loan continue to be in full force and effect. In March 2023 the Group's confidential invoice discounting facility (CID) at \$6.5m was extended for a further 15 months from 30 September 2023, with the next renewal now due on 31 December 2024.

27. Capital management

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern;
and
- 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 2022 (31 December 2021: \$nil).