Frontier Smart Technologies Limited

Annual Report and Financial Statements
For the year ended 31 December 2021

Registered Number: 04213838

Directors
S Cole
R Heads
R Archer (resigned 9 April 2021)
S Vohra (appointed 11 January 2021, resigned 30 July 2021)
J Brett (appointed 23 July 2021)

Registered Office
Harston Mill
Royston Road
Harston
Cambridge
CB22 7GG

Independent Auditors
Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

Contents

Strategic Report

The Directors present their Strategic Report for Frontier Smart Technologies Limited (the 'Company') for the year ended 31 December 2021.

Business Review

The Company is a wholly owned subsidiary of Science Group plc. A detailed review of the Group's strategy, results for the financial year and prospects are included in the Group's annual report and accounts.

The profit for the year, after taxation, is $7,101,000 (2020: $5,222,000).

The principal activity of the Company is the development, manufacture and sale of Digital Radio technologies (DAB).

Expenditure was incurred by the Company during the year on research and development towards bringing products to market.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In addition, the Company has received a letter of support from Science Group plc which evidences the intent of the parent to continue to provide financial support. The Covid-19 pandemic is not considered to pose a significant risk to the operational existence of the Company thus the Directors continue to adopt the going concern basis in preparing the annual Financial Statements.

Principal opportunities and risks

The management of the business and execution of the Company's strategy are subject to a number of risks, the most significant of which are managed on a Group basis. Risks are reviewed by the Group's Board and appropriate processes are in place to monitor and mitigate them. The key business risks for the Company, are set out as below:

Covid-19

The Covid-19 pandemic has provided and continues to provide both risks and opportunities for the Company. Risks include the potential for an adverse impact on the Company's ability to undertake its usual business operations. The Company has sought to mitigate this risk by adapting its ways of working and investing in additional software and communications tools.

The Company saw high demand for its products in 2021 as consumer behaviours changed during the pandemic and its associated restrictions. The company mitigates the risk of a fall in product demand through the close management of its supply chain and inventory in order to avoid excess product in the channel.

Strategic Report (continued)

Principal opportunities and risks (continued)

Delays in development and testing may occur

Designing and introducing new and revised products which are at the cutting edge of the technology can result in operating failures when first introduced and tested. Delays in this can adversely impact our ability to supply products in a timely manner. Continued improvement in management of the software development team will mitigate these risks.

Losing market share to competitors

In Digital Radio, as the DAB market grows, the risk from potential competitors increases. Management works hard to promote the reliability and quality of Frontier's solutions and emphasises the Company's best-in-class customer support.

Availability and pricing of components; failure of suppliers causing a disruption in supply

We are dependent on third parties to manufacture our components and, in some cases, assemble our products. Failure of any of our major suppliers could lead to delays in designing and testing new products or in supplying products on time and at the agreed costs to our customers. Management continues to monitor global trends in supply and demand and is prepared to pre-purchase components if deemed necessary. We manage the potential risk of being dependent on certain suppliers by ensuring we have a choice of suppliers wherever possible.

Erosion of margins

Pressure on pricing and costs is a constant issue in the Company's business. A key focus of our supply chain and logistics operations is to continually seek lower cost components and cost reductions where possible.

Failure to adequately protect the Company's intellectual property and challenges for infringement by third parties

We face the risk that others may seek to copy and/or infringe certain aspects of our intellectual property ('IP'). Defence of our claims may prove unsuccessful and expensive. We might face challenges to our use of IP that others could claim belongs to them. The consequences of this could be a complete withdrawal/redesign of the offending product or costly delays in proving our right to exploit the disputed intellectual property. We seek to protect our intellectual property through a well-structured and controlled process of patent applications, maintenance and other tools.

Dependency on senior management and staff for commercial relationships and product development

If we fail to retain key management and employees, our ability to complete our development programmes and commitments to customers on time and to budget could lead to delays in achieving strategic goals. We constantly monitor the competitive nature of our salary and rewards package (including the share option scheme) for key employees. We regularly update staff on the Group's goals, strategy and progress through company meetings and individual briefings. We provide training and development for staff (especially those with higher potential) to help with future succession planning.

Strategic Report (continued)

Principal opportunities and risks (continued)

Economic conditions or other factors affecting the financial circumstances of customers of the Company
The profitability of the Company could be adversely affected by the general economic conditions in the United Kingdom, Continental Europe, United States, Asia and/or other key markets by virtue of the impact of a deterioration in the economic climate and/or financial failure of customers or potential customers of the Company. It may also involve customers defaulting on the payment of invoices issued by the Company or delaying payment of invoices which may have a significant impact on the income and the business of the Company.

The Company seeks to mitigate this risk by actively managing customer relationships including credit limits which, if appropriate, may require payment in advance; regular reviews of debtors and overdue payments; and proactive credit control procedures.

Additional considerations
In addition to the principal risks and uncertainties above, the Company faces other risks that include but are not limited to:

- increased competition;
- failure to retain, or loss of, customer contracts;
- customer concentration;
- technology leadership;
- product or other professional liability claims or other warranty and indemnity claims in respect of contractual obligations;
- failure of licensees to successfully exploit licensed technology;
- counterparty risk;
- changes in legislation or regulations relating to trading, taxation or accounting practices.

This Report was approved by the Board on 30 May 2022 and signed on its behalf by:

Jon Brett
Director
Harston Mill
Harston
Cambridge
CB22 7GG

Directors' report and Statement of directors' responsibilities in respect of the annual report and the financial statements

The Directors present their Report and the audited Financial Statements of the Company for the year ended 31 December 2021.

Strategic Report

The reporting requirements on principal activities, financial risk management and objectives, comments on the financial performance and position of the Company, principal risks and uncertainties are contained in the Strategic Report.

Directors

The Directors who served during the year or up to the date of this report are as shown below:

S Cole
R Heads
R Archer (resigned 9 April 2021)
S Vohra (appointed 11 January 2021, resigned 30 July 2021)
J Brett (appointed 23 July 2021)

Dividends

The Directors do not recommend the payment of a dividend (2020: $nil).

Political contributions

The Company made no political donations or incurred any political expenditure during the year.

Financial instrument and risk management

Disclosures regarding risk and financial instruments are provided within the Strategic Report and Note 2 to the Financial Statements.

Research and development

Cash expenditure on research and development excluding amortisation, depreciation and impairment during the year amounted to $2,733,000 all of which has been charged to the statement of comprehensive income (2020: $2,028,000). During the year $nil (2020: $nil) was capitalised.

Directors' Indemnities

The Directors have the benefit of an indemnity provision contained in the Articles. The Directors have also been granted a qualifying third-party indemnity provision which was in force throughout the financial year and remains in force. In addition, throughout the year the Company purchased and maintained Directors' and Officers' liability insurance in respect of itself and for its Directors and Officers.

Post balance sheet events

There were no post balance sheet events.

Directors' report and Statement of directors' responsibilities in respect of the annual report and the financial statements (continued)

Employees, training and development

The Company's employees are the business' primary asset, and the Group Board and Executive Team are committed to their career development and rewarding exceptional performance. The Company makes a focused effort to offer training and mentorship to allow ambitious individuals to thrive within their environment and realise their personal potential. Formal training and career development are offered to staff of all levels through internal and external programmes that cover technical, business and managerial advancement opportunity. Beyond formal training, employees also hold informal lunchtime sessions on a regular basis to enable knowledge and skills transfer amongst teams.

Employee performance is aligned to the Company's objectives through an annual performance review process and ongoing project management, line management and mentorship feedback. Employees are kept up to date with information about the Company's activities through regular briefings and other media.

The Company also invests in and rewards its workforce through the operation of its bonus and profit share schemes for qualifying employees; and its share option scheme which is at the discretion of the Remuneration Committee and other discretionary incentives.

The Board regularly monitors the Group's culture and practices, including the review of recruitment, retention and turnover data, health & safety reports, and reports from senior managers within the Group.

Diversity and inclusion

The Company is committed to encouraging diversity, equity and inclusion among its employees. The Company's employment policies are non-discriminatory on the grounds of age, gender, nationality, ethnic or racial origin, disability, religion or belief, pregnancy and maternity, sexual orientation or marital or civil partnership status. The Company gives due consideration to all applications and provides training and the opportunity for career development wherever possible. The Board does not support discrimination of any form, positive or negative, and all appointments are based on merit.

Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice and applicable law, including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

Directors' report and Statement of directors' responsibilities in respect of the annual report and the financial statements (continued)

Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements (continued)

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

Statement as to disclosure of information to auditor

The Directors who held office at the date of approval of this Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The auditor, Grant Thornton UK LLP, has been reappointed in accordance with section 485 of the Companies Act 2006.

This Report was approved by the Board on 30 May 2022 and signed on its behalf by:

Jon Brett
Director
Harston Mill
Harston
Cambridge
CB22 7GG

Independent auditor's report to the members of Frontier Smart Technologies Limited

Opinion

We have audited the financial statements of Frontier Smart Technologies Limited (the 'company') for the year ended 31 December 2021, which comprise Income Statement, Statement of Changes in Equity, Balance Sheet, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation 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 company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 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 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 company to cease to continue as a going concern.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

Independent auditor's report to the members of Frontier Smart Technologies Limited (continued)

Conclusions relating to going concern (continued)

- review of the overall group and parent company's ability to continue as a going concern;
- audit of group cash as at 31 December 2021 and assessment of cash position subsequent to the year-end;
- assessing the accuracy of forecasting by comparing management's forecast of the current period to current year performance;
- checking the inputs into management's forecasts and projections and related sensitivity analysis for the period until 30 June 2023;
- challenging the reasonableness of key assumptions used in preparing the cashflow forecasts and projections; and
- consideration of post balance sheet events and checking if any of these events have an impact on cashflow forecasts and projections.

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of Frontier Smart Technologies Limited (continued)

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

Responsibilities of directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the 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 company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Frontier Smart Technologies Limited (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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

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

- We obtained an understanding of the legal and regulatory frameworks applicable to the company and industry in which they operate. We determined that the following laws and regulations were most significant: FRS 101, Companies Act 2006 and the relevant tax compliance regulations in the UK;
- We obtained an understanding of the company's policies and procedures implemented to prevent and detect non-compliance with laws and regulations by inquiry with management, those responsible for legal and compliance procedures including the company secretary. We corroborated our inquiries through our reading of board meeting minutes;
- 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 assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
    - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud and the adequacy of procedures for authorisation of transactions and internal review procedures;
    - challenging assumptions and judgements made by management in its significant accounting estimates; and
    - identifying and testing journal entries, in particular large and unusual journals.

Independent auditor's report to the members of Frontier Smart Technologies Limited (Continued)

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

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- It is the engagement partner's assessment that the audit team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations based on understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation.
- Management have not communicated to the audit team any matters of non-compliance with laws and regulations or fraud and no such matters were identified by the audit team.

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.

Nicholas Page
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London, UK

1 June 2022

Income Statement

For the year ended 31 December 2021

	Note	**2021** $000	2020 $000
Revenue	4	**34,097**	26,492
Cost of Sales		**(18,309)**	(14,669)
Gross Profit		**15,788**	11,823
Operating expenses	5	**(9,941)**	(8,005)
Operating profit		**5,847**	3,818
Finance income	8	**-**	1
Finance costs	8	**(172)**	(173)
Dividend received		**-**	239
Profit before income tax		**5,675**	3,885
Income tax credit	9	**1,426**	1,337
Profit for the year/ Total comprehensive income for the year		**7,101**	5,222

All results are from continuing activities. The accompanying Notes 1 to 23 are an integral part of this Income Statement.

Statement of Changes in Equity
For the year ended 31 December 2021

	Issued capital $000	Share premium $000	Capital contribution $000	Foreign exchange $000	Retained earnings $000	Total equity $000
Balance at 1 January 2020	-	**4,895**	**71,161**	**8,032**	**(85,812)**	**(1,724)**
Capital contribution from parent	-	-	222	-	-	**222**
Transactions with owners	-	-	**222**	-	-	**222**
Profit for the year	-	-	-	-	5,222	**5,222**
Total comprehensive income for the year	-	-	-	-	**5,222**	**5,222**
Balance at 31 December 2020	-	**4,895**	**71,383**	**8,032**	**(80,590)**	**3,720**

	Issued capital $000	Share premium $000	Capital contribution $000	Foreign exchange $000	Retained earnings $000	Total equity $000
Balance at 1 January 2021	-	**4,895**	**71,383**	**8,032**	**(80,590)**	**3,720**
Capital contribution from parent	-	-	296	-	-	**296**
Deferred tax credit on share-based payment transactions	-	-		-	138	**138**
Cancel share premium (note 20)	-	(4,895)	-	1,285	3,610	-
Bonus shares issued (note 20)	1,242	-	-	406	(1,648)	-
Bonus shares cancelled (note 20)	(1,242)	-	-	-	1,242	-
Transactions with owners	-	**(4,895)**	**296**	**1,691**	**3,342**	**434**
Profit for the year					7,101	**7,101**
Total comprehensive income for the year	-	-	-	-	**7,101**	**7,101**
Balance at 31 December 2021	-	-	**71,679**	**9,723**	**(70,147)**	**11,255**

The accompanying Notes 1 to 23 are an integral part of these Financial Statements.

Balance Sheet
As at 31 December 2021

	Note	2021 $000	2020 $000
Non-current assets			
Intangible assets	11	**5,578**	533
Tangible assets	12	**99**	168
Right-of-use assets	13	**495**	-
Investments	14	**4,010**	10
Deferred tax assets	10	**3,120**	1,337
		13,302	2,048
Current assets			
Inventories	15	**3,163**	1,725
Trade and other receivables	16	**1,495**	6,730
Current tax assets		**144**	362
Cash and cash equivalents		**3,100**	4,436
		7,902	13,253
Total assets		**21,204**	15,301
Current liabilities			
Trade and other payables	17	**8,859**	10,856
Provisions	18	**65**	78
Lease liabilities	19	**318**	129
		9,242	11,063
Non-current liabilities			
Provisions	18	**243**	229
Lease liabilities	19	**464**	289
		707	518
Total liabilities		**9,949**	11,581
Net assets		**11,255**	3,720
Equity			
Share capital	20	**-**	-
Share premium	20	**-**	4,895
Capital contribution		**71,679**	71,383
Foreign exchange account		**9,723**	8,032
Retained earnings		**(70,147)**	(80,590)
Total equity		**11,255**	3,720

The accompanying Notes 1 to 23 are an integral part of these Financial Statements.

The Financial Statements were authorised for issue by the Board of Directors and signed on its behalf by:

Jon Brett
Director
30 May 2022

Notes to the Financial Statements

1. General information

Frontier Smart Technologies Limited (the 'Company') develops and manufactures Digital radio and Smart Radio technologies.

The Financial Statements of the Company for the year ended 31 December 2021 were authorised for issue by the Board of Directors on 30 May 2022.

The Company is a private company, incorporated, domiciled and registered in England and Wales. The registered number is 04213838 and the registered office is Harston Mill, Royston Road, Harston, Cambridge, CB22 7GG. These Financial Statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101') and in accordance with applicable accounting standards.

The Company's Financial Statements are presented in US dollars and all values are rounded to the nearest thousand dollars ($000) except when otherwise indicated.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Financial Statements of the Company have been prepared in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework ('FRS 101'). In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards in conformity with the requirements of the Companies Act 2006 which also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 2.20.

Going concern

The Company is a fully owned subsidiary of Science Group plc, and the cash resources of Science Group plc and its subsidiaries (the 'Group') are shared across all subsidiaries enabling each company to be able to meet its financial obligations as they fall due. The Company has received a letter of support from Science Group plc which evidences the intent of the parent to continue to provide financial support.

The Group had a cash balance at 31 December 2021 of £34.3 million (excluding client registration funds) and the Directors have assessed forecast future cash flows for the foreseeable future for the Group and thereby, in turn for the Company.

There are no events or conditions which cast significant doubt on the ability of the Group (and hence all subsidiaries within it) to continue as a going concern. In support, the Group revenue and operating profit grew year on year and cash generated from operations was £18.6 million during the year ended 31 December 2021.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Going concern (continued)

The Group ended the year with net funds of £19.0 million, and with the new and undrawn Revolving Credit Facility of £25.0 million. The Directors are satisfied that the Group has adequate cash and financing resources to continue in operational existence for the foreseeable future, being a period of at least a year following the approval of the accounts and therefore continue to adopt the going concern basis of accounting in preparing the annual Financial Statements.

Exemptions taken in Financial Statements

The following exemptions from the requirements of IFRS have been applied in the preparation of these Financial Statements, in accordance with FRS 101:

- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of Financial Statements' comparative information requirements in respect of:
  - paragraph 79(a)(iv) of IAS 1;
- The following paragraphs of IAS 1, 'Presentation of Financial Statements':
  - 10(d), (statement of cash flows)
  - 16 (statement of compliance with all IFRS),
  - 38A (requirement for minimum of two primary statements, including cash flow statements),
  - 38B-D (additional comparative information),
  - 40A-D (requirements for a third statement of financial position)
  - 111 (cash flow statement information), and
  - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group

2.2 Changes in accounting policies

The accounting pronouncements which have become effective from 1 January 2021 and have therefore been adopted do not have a significant impact on the Company's financial results or position.

2.3 Standards, IFRICs and other guidance applicable

Standards and IFRICs newly applicable for companies with 31 December 2021 year ends are set out below, together with any noted impact on the Company.

Number	Title	Impact in year
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest rate benchmark reform	No material impact
Amendments to IFRS16	COVID 19-related rent concessions beyond 30 June 2021	No concessions received

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.4 Standards issued but not yet effective

At the date of authorisation of these Financial Statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Company.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's Financial Statements.

Number	Title	Effective
IAS 16 (amendments)	Proceeds before Intended Use	1-Jan-22
IAS 37 (amendments)	Onerous contracts – Cost of fulfilling a contract	1-Jan-22
IFRS 1, IFRS 9, IFRS 16, IAS 41 (amendments)	Annual Improvements to IFRS Standards 2018-2020 Cycle	1-Jan-22
IAS 1 (amendments)	Classification of Liabilities as Current or Non-current	1-Jan-23
IAS 12 (amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1-Jan-23
IFRS 3 (amendments)	Reference to the Conceptual Framework – business combinations	1-Jan-22

2.5 Basis of consolidation

The Company is a wholly owned subsidiary of Science Group plc. It is included in the Consolidated Financial Statements of Science Group plc, which are publicly available. Therefore, the Company has taken exemption of Section 400 of the Companies Act 2006 from the requirement to prepare Consolidated Financial Statements.

2.6 Research and development expenditure

Expenditure on research activities is recognised in profit or loss as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Any tax credit receivable under either the R&D Expenditure Credit scheme or the Small or Medium-sized scheme is recognised within income tax.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.7 Intangible assets

The costs of creating and protecting internally generated intellectual property, patents and know-how are written-off to the Statement of Comprehensive Income in the period in which they are incurred if they do not meet all of the following criteria:

- the technical feasibility of completing the asset so that it will be available for use or sale is probable;
- it is the intention of management to complete the asset and use or sell it;
- the Company has the ability to use or sell the asset;
- it is probable the asset will generate future economic benefit for the Company;
- adequate technical, financial and other resources to complete and use or sell the asset are available; and
- the Company has the ability to measure reliably the expenditure attributable to the asset during its development.

The costs of acquiring rights to the use of third party intellectual property are capitalised and, subject to impairment reviews, amortised over the estimated economic life of the intellectual property concerned. Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value on a straight-line basis over the useful economic life of the asset as follows:

Licence and development fees	1 to 5 years
Capitalised development expenditure	3 years

2.8 Property, plant and equipment

Depreciation on all other property, plant and equipment is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives, as follows:

Right-of-use	5 years
Furniture and fittings	3 years
Equipment	3 years

Assets connected with the lease properties are written down over the remaining term of the lease. The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount when an indicator of impairment is identified. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and on demand deposits, together with short term, liquid investments that are readily convertible to a known amount of cash and that are subject to a minimal risk of changes in value.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.10 Trade and other receivables

Trade and other receivables are carried at original invoice amount and are subsequently held at amortised cost less provision for impairment. The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses. The movement in the provision is recognised in the Income Statement.

2.11 Trade and other payables

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

2.12 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Dilapidation provisions are recognised when the Company has an obligation to rectify, repair or reinstate a leased premises to a certain condition in accordance with the lease agreement. The provision is measured at the present value of the estimated cost of rectifying, repairing or reinstating the leased premises at a specified future date.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

2.13 Financial instruments

(a) Classification

The Company classifies its financial assets in the following measurement categories:

(i) those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
(ii) those to be measured at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.13 Financial instruments (continued)

(b) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

(i) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired.

(ii) Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses and interest revenue which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method.

(iii) Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within other gains/(losses) in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.13 Financial instruments (continued)

(c) Impairment

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Company recognises loss allowances for expected credit losses ('ECLs') on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECL. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.15 Revenue recognition

To determine whether to recognise revenue, the Company follows a 5-step process:
1 Identifying the contract with a customer
2 Identifying the performance obligations
3 Determining the transaction price
4 Allocating the transaction price to the performance obligations
5 Recognising revenue when/as performance obligation(s) are satisfied.

Product and associated revenue

Revenue is recognised upon the transfer of control of promised products or services and for the majority of revenue, transfer of control occurs once the product has shipped. For a few of the products, ongoing IT infrastructure services are provided over a period of time in order for the consumer to use the full functionality of the end product. When such services have been identified as both capable of being distinct and separately identifiable from the related tangible product, the associated revenue allocated to such services is recognized over time.

Where there are separate performance obligations in a contract (being the product and the ongoing IT infrastructure services), it has been determined that directly observable prices do not exist for these performance obligations, therefore the transaction price is calculated as the expected cost plus a margin. Where there is a residual balance between the calculated transaction prices and the total transaction price to the customer, the balance is allocated across the performance obligations in proportion to their relative value.

Revenue is allocated to the performance obligation based on the performance obligation's standalone selling price.

Revenue is recorded net of sales tax and relevant sales incentives when the performance conditions are met. Sales incentives are rebates offered to customers and paid based on total sales made to respective customers each year. The rebates are estimated on a regular basis by using the most likely amount method. The rebates will be accrued only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. To the extent unpaid, the rebate liability is presented under accruals.

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as trade and other payables in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises as trade and other receivables in its statement of financial position.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.16 Foreign currency

(a) Functional and presentation currency

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Financial Statements are presented in US dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

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

In respect of translation differences on non-monetary items, items held at cost are translated at the exchange rate at the date of transaction.

2.17 Employee benefits

(a) Pension obligations

The Company operates a defined contribution pension scheme. A defined contribution plan is a pension plan under which the Company pays fixed contributions into publicly or privately administered pension insurance plans. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as an employee benefit expense when they are due.

(b) Share-based compensation

The parent company operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, as calculated by using an appropriate valuation method. The Black-Scholes model excludes the impact of any non-market vesting conditions (for example profitability and sales growth targets). The Monte Carlo and Binomial Option Pricing models build in any market performance conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The share-based compensation charge in the Company accounts is based only on those option holders employed directly by the Company.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.17 Employee benefits (continued)

(c) Profit-sharing and bonus plans

The Company recognises a liability and an expense for bonuses and/or profit-sharing, based on the incentive plans approved by the Remuneration Committee. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.18 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in Other Comprehensive Income, or directly in Equity. In this case, the tax is also recognised in Other Comprehensive Income or directly in Equity, respectively.

Income tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws of the relevant countries that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from goodwill, the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

2.19 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.19 Leases (continued)

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:
— fixed payments, including in-substance fixed payments;
— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
— amounts expected to be payable under a residual value guarantee; and
— the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.19 Leases (continued)

i. As a lessee (continued)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and associated lease obligations in 'lease liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.20 Dividends paid

Dividends are recognised as a liability in the period in which the shareholders' right to receive payment has been established.

2.21 Investment in subsidiaries and other investments

In the Company accounts, investments in subsidiaries are stated at cost less any provision for impairment where appropriate.

2.22 Interest receivable and interest payable

Interest receivable and interest payable are recognised in profit or loss as it accrues, using the effective interest method.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Notes to the Financial Statements (continued)

4. Revenue

4.1 Revenue by geographical area

Year ended 31 December	2021	2020
	$000	$000
Asia	**32,057**	25,708
North America	**157**	2
Europe	**1,883**	782
Revenue	**34,097**	26,492

For the purpose of the analysis of revenue, geographical markets are defined as the country or area in which the client is based.

4.2 Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	2021	2020
	$000	$000
Receivables that are included in 'Trade and other receivables'	-	-
Contract assets that are included in 'Trade and other receivables'	-	-
Contract liabilities which are included in 'Trade and other payables'	**(1,514)**	(1,327)

The contract assets primarily relate to the Company's rights to consideration for work performed but not billed at the reporting date on Services revenue streams. The contract assets are transferred to receivables when the rights to receive cash become unconditional. This usually occurs when the Company issues an invoice to the customer.

The contract liabilities primarily relate to the advance consideration received from customers.

Notes to the Financial Statements (continued)

5. Operating expenses

Operating profit is stated after (crediting)/charging:

Year ended 31 December	Note	2021 $000	2020 $000
Amortisation of intangible assets	11	**955**	358
Depreciation of plant and equipment	12	**69**	71
Depreciation of right-of-use assets	13	**132**	-
Research and development		**2,733**	2,028
Foreign currency losses/(gains)		**103**	(261)
Auditor's remuneration: fees payable to the auditor for the audit of Financial Statements		**68**	57
		4,060	2,253

6. Employee benefit expenses

Employment costs are shown below:

Year ended 31 December	2021 $000	2020 $000
Wages and salaries (including bonuses)	**2,121**	1,939
Social security costs	**210**	222
Pension costs	**58**	110
	2,389	2,271
Share-based payments	**296**	222
	2,685	2,493

Staff Numbers

The average monthly number of persons employed by the Company during the year was:

Year ended 31 December	2021 Number	2020 Number
Research and development	**15**	15
Marketing, support and administration	**5**	7
The average number	**20**	22

Notes to the Financial Statements (continued)

7. Directors' remuneration

Directors of the Company received the following remuneration:

Year ended 31 December	2021 $000	2020 $000
Emoluments	**386**	297
Company contributions to money purchase pension schemes	**16**	14
	402	311

Highest paid Director:

Year ended 31 December	2021 $000	2020 $000
Emoluments	**363**	297
Company contributions to money purchase pension schemes	**15**	14
	378	311

S Cole was remunerated by another company in the Group. An element of the remuneration costs is recharged into this Company and are based on the Director's time allocation to the management of this Company. The table above includes the amount recharged in the year. One of the Directors is included in the Company's money purchase pension scheme (2020: 1). In addition to the above, a share-based payment charge of $71,000 was recognised in the income statement relating to share options held by the Directors (2020: $50,000).

8. Finance income and finance costs

Interest income and expenses include all interest-related income and expenses through profit or loss. The following have been included in the income statement for the reporting periods presented:

Year ended 31 December	2021 $000	2020 $000
Finance income		
Bank interest receivables and similar income	-	1
	-	1
Finance costs		
Interest payables to group undertakings	**(118)**	(132)
Interest payables on lease liabilities	**(54)**	(41)
	(172)	(173)
Net finance costs	**(172)**	(172)

Notes to the Financial Statements (continued)

9. Income tax

The tax credit comprises:

Year ended 31 December	Note	2021 $000	2020 $000
Current taxation - Adjustment in respect of prior years		**(219)**	-
Deferred taxation	10	**1,645**	1,337
Tax credit		**1,426**	1,337

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the statutory tax rate applicable to profit as follows:

Year ended 31 December	Note	2021 $000	2020 $000
Profit before tax		**5,675**	3,885
Tax calculated at 19% (2020: 19%)		**(1,078)**	(738)
Expenses not deductible for tax purposes		**(230)**	(129)
Income not taxable		**-**	45
Adjustment in respect of prior years – current tax		**(219)**	-
Additional recognition of tax losses as deferred tax asset	10	**1,645**	1,337
Prior year losses used in current year		**1,308**	822
Tax credit		**1,426**	1,337

Subject to the agreement of Her Majesty's Revenue and Customs there are accumulated tax losses, before R&D tax relief or surrender of losses for a tax credit for 2021, of approximately $23.8m (2020: $28.9m) available to carry forward.

Notes to the Financial Statements (continued)

10. Deferred income tax

The movement in deferred tax assets and liabilities during the year by each type of temporary difference is as follows:

	Share-based payment	Tax losses	**Total**
	$000	$000	**$000**
At 1 January 2020	-	-	-
Credited to the income statement	-	1,337	1,337
At 31 December 2020	**-**	**1,337**	**1,337**
At 1 January 2021	**-**	**1,337**	**1,337**
Credited to the income statement	-	1,645	1,645
Charged to equity	138	-	138
At 31 December 2021	**138**	**2,982**	**3,120**

Factors affecting future tax charges

From 1 April 2023 the UK corporation tax will increase from 19% to 25%. Deferred tax assets/(liabilities) were calculated at the substantively enacted corporation tax rates in the respective jurisdictions, taking into account the impact of any known future changes.

Notes to the Financial Statements (continued)

11. Intangible assets

Cost	Land and buildings $000	Total $000
At 1 January 2021	3,311	3,311
Additions	6,000	6,000
At 31 December 2021	**9,311**	**9,311**
Accumulated depreciation		
At 1 January 2021	2,778	2,778
Depreciation charge	955	955
At 31 December 2021	**3,733**	**3,733**
Carrying amount		
At 31 December 2020	533	533
At 31 December 2021	**5,578**	**5,578**

On 15 July 2021 the Company paid $6.0 million to acquire a licence to use technology developed by Imagination Technologies Limited.

12. Property, plant and equipment

Cost	Fixtures & fittings $000	Plant & machinery $000	Total $000
At 1 January 2021	303	642	**945**
Additions	-	-	-
Disposals	-	-	-
At 31 December 2021	**303**	**642**	**945**
Accumulated depreciation			
At 1 January 2021	302	475	**777**
Depreciation charge	1	68	**69**
Disposals	-	-	-
At 31 December 2021	**303**	**543**	**846**
Carrying amount			
At 31 December 2020	1	167	**168**
At 31 December 2021	**-**	**99**	**99**

Notes to the Financial Statements (continued)

13. Right-of-use assets

Cost	Land and buildings $000	Total $000
At 1 January 2021	809	809
Additions	627	627
At 31 December 2021	**1,436**	**1,436**
Accumulated depreciation		
At 1 January 2021	809	809
Depreciation charge	132	132
At 31 December 2021	**941**	**941**
Carrying amount		
At 31 December 2020	-	-
At 31 December 2021	**495**	**495**

14. Investments

Cost	Subsidiary undertakings $000	Total $000
At 1 January 2021	10	10
Additions	4,000	4,000
At 31 December 2021	**4,010**	**4,010**
Accumulated impairment		
At 1 January, 31 December 2020 and 31 December 2021	-	-
Carrying amount		
At 31 December 2020	10	10
At 31 December 2021	**4,010**	**4,010**

On 24 November 2021 the Company acquired Magic Systech Inc ('Magic'), a Taiwan-based company which specialises in Internet Radio technology.

Frontier Smart Technologies Limited had investments in the following companies at 31 December 2021:

	Country of incorporation	Principal activity	Shares held	%
Frontier Silicon (HK) Limited	Hong Kong	Support services	Ordinary	100
Magic Systech Inc	Taiwan	Wi-Fi based audio solutions	Ordinary	100

Notes to the Financial Statements (continued)

15. Inventories

Year ended 31 December	2021 $000	2020 $000
Raw materials	**258**	542
Work in progress	**1,074**	519
Finished goods	**1,831**	664
	3,163	1,725

In 2021, a total of $16.8 million (2020: $13.2 million) of inventories was expensed in the Statement of Comprehensive Income in cost of sales. This includes an amount of $0.19m (2020: $0.11m) resulting from a write-down of inventories.

16. Trade and other receivables

Year ended 31 December	2021 $000	2020 $000
Trade receivables	**1,389**	1,975
Other debtors	**8**	-
Prepayments	**98**	108
Amounts owed by group undertakings*	**-**	4,647
	1,495	6,730

*The amounts are unsecured, repayable on demand and charged interest at 3.4%.

17. Trade and other payables

Year ended 31 December	2021 $000	2020 $000
Trade payables	**1,292**	1,579
Amounts owed to group undertakings*	**4,313**	5,821
Other taxes and social security	**60**	53
Other creditors	**76**	14
Accruals	**1,604**	2,062
Contract liabilities	**1,514**	1,327
	8,859	10,856

*The amounts are unsecured, repayable on demand and charged interest at 3.4%.

Notes to the Financial Statements (continued)

18. Provisions

	Other $000	Dilapidations $000	Total $000
At 1 January 2021	**78**	**229**	**307**
Provisions made during the year	65	14	79
Provisions used during the year	(2)	-	(2)
Provisions released during the year	(76)	-	(76)
At 31 December 2021	**65**	**243**	**308**

Year ended 31 December	**2021 $000**	**2020 $000**
Current liabilities	**65**	78
Non-current liabilities	**243**	229
	308	307

Provisions for dilapidations have been recognised at the present value of the expected obligation; the balance is undiscounted as discounting is considered to be immaterial.

Notes to the Financial Statements (continued)

19. Leases

Leases as lessee (IFRS 16)

The Company leases office facilities from a related company. At 31 December 2021, the lease has a remaining period of 2 to 5 years.

Lease liabilities

Information about leases for which the Company is a lessee is presented below.

	2021
	$000
Balance at 1 January	**418**
Additions	**626**
Interest payables on lease liabilities	**54**
Repayment during the year	**(316)**
Balance at 31 December	**782**

Future minimum lease payments at 31 December 2021 were as follows:

	Lease payments	**Finance charges**	**Total**
	$000	**$000**	**$000**
Within one year	356	(38)	**318**
Between 1 and 2 years	233	(15)	**218**
Between 2 and 5 years	254	(8)	**246**
Over 5 years	-	-	-
	843	**(61)**	**782**

Notes to the Financial Statements (continued)

20. Called-up share capital

	2021	2020
	£	£
Allotted, called-up and fully paid		
Ordinary shares of £0.10 each (2020: £0.001 each)	**0.1**	19
	Number	Number
Allotted, called-up and fully paid		
Ordinary shares of £0.10 each (2020: £0.001 each)	**1**	19,000

Called-up share capital – represents the nominal value of shares that have been issued.

Share premium account – includes any premiums received on the issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Capital contribution reserve – represents funds injected from Frontier Smart Technologies Group Limited through balances due which have been waived and also the accounting for share-based payments.

Foreign exchange – represents the foreign exchange movement when converting the reserves from sterling to US dollars upon change in presentation currency.

Profit and loss account – includes all current and prior period retained profit and losses.

During February 2021 an equity restructure was carried out, this involved the following steps:

- The share capital was consolidated from 19,000 ordinary shares of £0.001 each to 190 ordinary shares of £0.10 each
- A share capital reduction by way of the cancellation of all but 1 of the ordinary
- Cancellation of the entire amount of the share premium account and the associated balance in the foreign exchange reserve.
- Bonus shares were issued to capitalise the non-distributable reserves, the value of bonus shares was $1,241,000.

The above transactions were cancelled against the profit and loss reserve

Notes to the Financial Statements (continued)

21. Related party transactions

The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 from disclosing transactions with other members of the group headed by Science Group Plc.
During the year the Company did not enter into transactions, in the ordinary course of business, with other related parties.

22. Controlling parties

The ultimate parent company and the smallest and largest group to consolidate these Financial Statements is Science Group plc whose registered address is Harston Mill, Royston Road, Harston, Cambridge, CB22 7GG. Copies of the Science Group plc Consolidated Financial Statements can be obtained from the Companies House.

Science Group plc became the direct parent company on 31 March 2022 by purchasing 100% shareholding in the Company from SG Bidco Limited.

23. Post balance sheet events

There are no post balance sheet events to disclose.