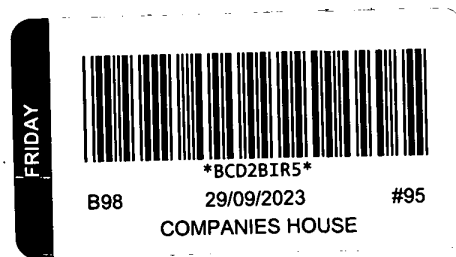


Registration number: 06855929

Blu Wireless Technology Limited

Annual Report and Unaudited Consolidated Financial Statements

for the Year Ended 31 December 2022



Blu Wireless Technology Limited

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Blu Wireless Technology Limited

Company Information

Directors T F De Vere Green
A M C Crawford
A E Jones
H K Mardia

Registered office One Castle Park
Tower Hill
Bristol
BS2 0JA

Registered number 06855929

Accountants Corrigan Accountants Limited
1st Floor
25 King Street
Bristol
BS1 4PB

Blu Wireless Technology Limited

Strategic Report for the Year Ended 31 December 2022

The directors present their strategic report for the year ended 31 December 2022.

Principal activity

The principal activity of the company is the provision of products for carrier grade mmWave Gbit communications to the semiconductor and systems market.

The company formed a US subsidiary in the previous year and this Report and the attached financial statements include the activities of that subsidiary as well as the total business.

Fair review of the business and future developments

Blu Wireless Technology Limited ("Blu Wireless") is a market leading developer of millimetre wave wireless technology ("mmWave"). During the year Blu Wireless has continued to strengthen relationships within key vertical markets; High Speed Transport, Defence & Public Safety, and Private Networks.

Revenues in 2022 from High Speed Transport amounted to £1.3m (2021: £1.3m), Defence & Public Safety revenues saw an increase of 77% to £0.64m, while revenues from Public Networks jumped 258% to £1.5m (2021: £0.4m). During the year the decision was taken to divest the silicon design consultancy business, with revenues subsequently falling to £0.5m (2021: £2.8m)

Administrative expenses fell by 24% year on year, driven largely by the decision to divest the silicon design consultancy business, and a carefully managed decrease in headcount.

During the year, Blu Wireless completed an investment round raising £2.4m by way of Convertible Loan Notes. The monies being used to manage working capital. An additional round of funding is expected to be completed early in 2023.

The Company has continued to invest heavily in research and development throughout the year.

Financial and other key performance indicators

The financial performance is summarised in the Profit and Loss Account. No other KPIs are material to an understanding of the company's performance in the year.

Blu Wireless Technology Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Principal risks and uncertainties

The COVID-19 outbreak was declared a pandemic in March 2020 by the World Health Organisation and is still significantly impacting the social and economic landscape. Blu Wireless has continued to employ a number of temporary social measures such as remote working and changes to how we work in the office (regular testing, PPE, social distancing, and increased cleaning) to ensure that employees are protected whilst ensuring the business operates as normal as possible.

The impact to the business was predominantly felt during 2021, with delays hampering the first commercial deployment of Blu Wireless technology with First Group, while restrictions to international travel complicated the Company's ability to showcase its test sites. The worst of the impact appears to be over, we are now seeing a strong demand to demonstrate our technology, however any new variants risk further uncertainties.

Market Risks

The exposure to market risk is minimal. The 5G mmWave market is expected to grow into a multi billion dollar industry over the coming 5-10 years, and Blu Wireless occupies a very strong position within both the unlicensed and licensed frequency spectrum.

Operational Risk

This relates to the risk of financial loss resulting from internal process, people, and systems. The Company manages the risk through appropriate internal controls, continuous process improvements and management review.

Liquidity Risk

This relates to the risk that the Company is unable to fund its requirements when looking at liquid assets and short term liabilities. The Company continues to monitor its cashflows using regular cash flow forecasting, and it retains the support of its internal investors. The Board's going concern assessment is explained in Note 2 to the financial statements.

Foreign Currency Risk

Exposures to foreign currency exchange rate movements are monitored regularly and appropriate actions to minimize the risk will be considered when appropriate.

Approved by the Board on 19.04.2023 and signed on its behalf by:

DocuSigned by:

Alan Jones

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A E Jones
Director

Blu Wireless Technology Limited

Directors' Report for the Year Ended 31 December 2022

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

Directors of the group

The directors who held office during the year were as follows:

N F Hurley (ceased 31 March 2022)

T F De Vere Green

A M C Crawford

A E Jones

H K Mardia


Financial instruments, and financial risk management objectives and policies

The management of the company and the execution of its strategy are subject to a number of risks which are discussed in the strategic report above.

Small companies provision statement

This report has been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

Approved by the Board on 19.04.2023 and signed on its behalf by:

DocuSigned by:

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A E Jones

Director

Blu Wireless Technology Limited

Consolidated Profit and Loss Account for the Year Ended 31 December 2022

	Note	2022 £ 000	2021 £ 000
Turnover	4	4,422	5,208
Cost of sales		<u>(805)</u>	<u>(571)</u>
Gross profit		3,617	4,637
Administrative expenses		(9,260)	(12,914)
Other operating income		<u>761</u>	<u>838</u>
Operating loss		(4,882)	(7,439)
Interest payable and similar expenses	7	<u>(418)</u>	<u>(145)</u>
Loss before tax		(5,300)	(7,584)
Taxation	10	<u>1,068</u>	<u>1,521</u>
Loss for the financial year		<u><u>(4,232)</u></u>	<u><u>(6,063)</u></u>

The notes on pages 15 to 34 form an integral part of these financial statements.

Blu Wireless Technology Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2022

	2022 £ 000	2021 £ 000
Loss for the year	(4,232)	(6,063)
Foreign currency translation gains/(losses)	<u>(8)</u>	<u>-</u>
Total comprehensive income for the year	<u><u>(4,240)</u></u>	<u><u>(6,063)</u></u>

The notes on pages 15 to 34 form an integral part of these financial statements.

Blu Wireless Technology Limited
(Registration number: 06855929)
Consolidated Balance Sheet as at 31 December 2022

	Note	2022 £ 000	2021 £ 000
Fixed assets			
Tangible assets	11	119	226
Current assets			
Stocks	13	649	956
Debtors	14	3,148	2,949
Cash at bank and in hand		733	622
		<u>4,530</u>	<u>4,527</u>
Creditors: Amounts falling due within one year	15	<u>(3,560)</u>	<u>(2,030)</u>
Net current assets		<u>970</u>	<u>2,497</u>
Total assets less current liabilities		1,089	2,723
Creditors: Amounts falling due after more than one year	15	<u>(4,833)</u>	<u>(2,312)</u>
Net (liabilities)/assets		<u>(3,744)</u>	<u>411</u>
Capital and reserves			
Called up share capital	17	845	844
Share premium reserve		35,098	35,087
Other reserves		1,073	1,223
Profit and loss account		<u>(40,760)</u>	<u>(36,743)</u>
Total equity		<u>(3,744)</u>	<u>411</u>

Approved and authorised for issue by the Board on 19.04.2023 and signed on its behalf by:

DocuSigned by:

Alan Jones

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A E Jones
Director

The notes on pages 15 to 34 form an integral part of these financial statements.

Blu Wireless Technology Limited
(Registration number: 06855929)
Company Balance Sheet as at 31 December 2022

	Note	2022 £ 000	2021 £ 000
Fixed assets			
Tangible assets	11	119	226
Investments	12	-	-
		<u>119</u>	<u>226</u>
Current assets			
Stocks	13	649	956
Debtors	14	3,420	2,963
Cash at bank and in hand		711	607
		<u>4,780</u>	<u>4,526</u>
Creditors: Amounts falling due within one year	15	<u>(3,548)</u>	<u>(2,007)</u>
Net current assets		<u>1,232</u>	<u>2,519</u>
Total assets less current liabilities		1,351	2,745
Creditors: Amounts falling due after more than one year	15	<u>(4,833)</u>	<u>(2,312)</u>
Net (liabilities)/assets		<u>(3,482)</u>	<u>433</u>
Capital and reserves			
Called up share capital	17	845	844
Share premium reserve		35,098	35,087
Other reserves		1,081	1,223
Profit and loss account		<u>(40,506)</u>	<u>(36,721)</u>
Total equity		<u>(3,482)</u>	<u>433</u>

The notes on pages 15 to 34 form an integral part of these financial statements.

Blu Wireless Technology Limited

(Registration number: 06855929)

Company Balance Sheet as at 31 December 2022 (continued)


For the financial year ending 31 December 2022 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

Directors' responsibilities:

- The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476; and
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

Approved and authorised for issue by the Board on ~~19.04.2023~~ and signed on its behalf by:

DocuSigned by:

EB4059E4A273444...

A E Jones
Director

The notes on pages 15 to 34 form an integral part of these financial statements.

Blu Wireless Technology Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2022

	Share capital £ 000	Share premium £ 000	Foreign exchange reserve £ 000	Own shares £ 000	Equity component of convertible debt £ 000	Share options and warrants reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2022	844	35,087	-	(220)	87	1,356	(36,743)	411
Loss for the year	-	-	-	-	-	-	(4,232)	(4,232)
Other comprehensive income	-	-	(8)	-	-	-	-	(8)
Total comprehensive income	-	-	(8)	-	-	-	(4,232)	(4,240)
New share capital subscribed	1	11	-	-	-	-	-	12
Share based payment transactions	-	-	-	-	-	(228)	215	(13)
Other movements on reserves	-	-	-	-	86	-	-	86
At 31 December 2022	<u>845</u>	<u>35,098</u>	<u>(8)</u>	<u>(220)</u>	<u>173</u>	<u>1,128</u>	<u>(40,760)</u>	<u>(3,744)</u>

The notes on pages 15 to 34 form an integral part of these financial statements.

Blu Wireless Technology Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2022
(continued)

	Share capital £ 000	Share premium £ 000	Own shares £ 000	Equity component of convertible debt £ 000	Share options and warrants reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2021	766	32,207	(220)	45	766	(30,680)	2,884
Loss for the period	-	-	-	-	-	(6,063)	(6,063)
New share capital subscribed	78	2,880	-	-	-	-	2,958
Share based payment transactions	-	-	-	-	590	-	590
Other movements in reserves	-	-	-	42	-	-	42
At 31 December 2021	<u>844</u>	<u>35,087</u>	<u>(220)</u>	<u>87</u>	<u>1,356</u>	<u>(36,743)</u>	<u>411</u>

The notes on pages 15 to 34 form an integral part of these financial statements.

Blu Wireless Technology Limited

Company Statement of Changes in Equity for the Year Ended 31 December 2022

	Share capital £ 000	Share premium £ 000	Own shares £ 000	Equity component of convertible debt £ 000	Share options and warrants reserve £ 000	Profit and loss account £ 000	Total £
At 1 January 2022	844	35,087	(220)	87	1,356	(36,721)	433
Loss for the year	-	-	-	-	-	(4,000)	(4,000)
New share capital subscribed	1	11	-	-	-	-	12
Share based payment transaction	-	-	-	-	(228)	215	(13)
Other movements on reserves	-	-	-	86	-	-	86
At 31 December 2022	<u>845</u>	<u>35,098</u>	<u>(220)</u>	<u>173</u>	<u>1,128</u>	<u>(40,506)</u>	<u>(3,482)</u>

The notes on pages 15 to 34 form an integral part of these financial statements.

Blu Wireless Technology Limited

Company Statement of Changes in Equity for the Year Ended 31 December 2022 (continued)

	Share capital £ 000	Share premium £ 000	Own shares £ 000	Equity component of convertible debt £ 000	Share options and warrants reserve £ 000	Profit and loss account £ 000	Total £
At 1 January 2021	766	32,207	(220)	45	766	(30,680)	2,884
Loss for the year	-	-	-	-	-	(6,041)	(6,041)
New share capital subscribed	78	2,880	-	-	-	-	2,958
Share based payment transaction	-	-	-	-	590	-	590
Other movements on reserves	-	-	-	42	-	-	42
At 31 December 2021	<u>844</u>	<u>35,087</u>	<u>(220)</u>	<u>87</u>	<u>1,356</u>	<u>(36,721)</u>	<u>433</u>

The notes on pages 15 to 34 form an integral part of these financial statements.

Blu Wireless Technology Limited

Consolidated Statement of Cash Flows for the Year Ended 31 December 2022

	Note	2022 £ 000	2021 £ 000
Cash flows from operating activities			
Loss for the year		(4,232)	(6,063)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation		128	139
Finance costs	7	418	145
Share based payment expense		(13)	590
Income tax expense/(credit)		(1,068)	(1,521)
Foreign exchange gains/losses		9	42
		<u>(4,758)</u>	<u>(6,668)</u>
Working capital adjustments			
Decrease/(increase) in stocks	13	307	(513)
(Increase)/decrease in debtors	14	(698)	1,569
Increase/(decrease) in creditors	15	1,530	(1,265)
Cash generated from operations		(3,619)	(6,877)
Income taxes received		1,652	1,532
Net cash flow from operating activities		<u>(1,967)</u>	<u>(5,345)</u>
Cash flows from investing activities			
Acquisitions of tangible assets		(20)	(133)
Net cash flows from investing activities		<u>(20)</u>	<u>(133)</u>
Cash flows from financing activities			
Interest paid	7	(418)	(145)
Proceeds from issue of ordinary shares, net of issue costs		12	2,958
Proceeds from new loans		2,504	1,147
Net cash flows from financing activities		<u>2,098</u>	<u>3,960</u>
Net increase/(decrease) in cash and cash equivalents		111	(1,518)
Cash and cash equivalents at 1 January		622	2,140
Cash and cash equivalents at 31 December		<u>733</u>	<u>622</u>

The notes on pages 15 to 34 form an integral part of these financial statements.

Blu Wireless Technology Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:

One Castle Park
Tower Hill
Bristol
BS2 0JA

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to both years presented.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act. While the company is exempt from the requirement to prepare consolidated financial statements, the directors have chosen to not take advantage of that exemption.

Basis of preparation

These financial statements have been prepared using the historical cost convention.

The financial statements are prepared in pounds sterling which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

Blu Wireless Technology Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Going concern

The parent company's financial statements have been prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the group's and the parent company's needs. The Group incurred a loss of £4,232,000 after taxation (2021: loss after tax - £6,063,000) and the balance sheet reports net liabilities of £3,744,000 at the year-end (2021: £411,000 net assets). In completing their going concern assessment, the Board has prepared cashflow projections covering the period of twelve months from the approval of these financial statements.

The Board's projections take into account funds subscribed for from investors since the year end but, nevertheless, the parent company's ability to continue to meet its liabilities as they fall due is dependent on the group achieving the projected level of sales growth, or on a further fundraising. There is inherent uncertainty in either of these outcomes and therefore, until such time as the sales growth is realised or there is a binding commitment for further funds, a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

However, the directors believe that should the projected sales growth not be achieved, any future fundraising will be successful and would provide adequate resources for the group and the parent company to be able to continue in operational existence for the foreseeable future. Therefore the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2022.

No Profit and Loss Account is presented for the company as permitted by section 408 of the Companies Act 2006. The company made a loss after tax from the financial year of £3,999,745 (2021 - loss of £6,042,218).

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Blu Wireless Technology Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and value added tax. Revenues consist of sales of evaluation modules, licences, development projects and consulting.

Revenue from the sale of goods such as evaluation models is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch, the amount of revenue can be reliably measured and when it is probable that an economic inflow will arise from the transaction.

Revenue from services delivered such as work on projects and consultancy is recognised to the extent that the company obtains the right to consideration in exchange for its performance, by reference to the *stage of completion*. *Stage of completion* is measured by an assessment of costs incurred to date as a percentage of total estimated future costs. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Revenue from the sale of licences is recognised in full when there are no significant remaining obligations to perform after delivery.

Revenue earned from the supply of subcontractor services is recognised as the services are provided.

Government grants

Government grants are recognised based on the performance against the conditions in the grant taking due consideration of the time expected to complete the work.

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

On consolidation, assets and liabilities of overseas subsidiaries are translated at the rate ruling at the balance sheet date. Results for the year are translated at the average rate over the respective year. Exchange differences arising are recognised in other comprehensive income.

Blu Wireless Technology Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Tax

The tax expense or credit for the period comprises current tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Tangible assets

Tangible fixed assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation.

The cost of tangible fixed assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, as follows:

Leasehold improvements	Straight line over 2 years
Computer equipment	Straight line over 3 years

The carrying value of intangible fixed assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

Subsidiaries are measured at cost.

One of the company's wholly owned subsidiaries, Blu Wireless Technology (EBT) Limited, is an employee benefit trust. The company, as sponsoring entity, controls the subsidiary and therefore when the company makes payments (or transfers assets) to the subsidiary, there is a rebuttable presumption that the company has exchanged one asset for another and that the payment itself does not represent an immediate expense. Where a payment to the subsidiary is an exchange by the company of one asset for another, any assets that the subsidiary acquires in a subsequent exchange transaction will also be under the control of the company. Accordingly, assets and liabilities of the subsidiary are accounted for by the company as an extension of its own business and recognised in its own individual financial statements.

Details regarding the investment in Blu Wireless Technology Inc. are disclosed in note 12.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits.

Blu Wireless Technology Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Trade debtors

Trade debtors are recognised initially at the transaction price. They are subsequently measured less any provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods comprises direct materials and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Trade creditors

Trade creditors are recognised at the transaction price for instruments due less than a year.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the profit and loss account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Blu Wireless Technology Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease. Leases, including hire purchase contracts, are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the Profit and Loss Account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

Convertible debt

The net proceeds received from the issue of convertible debt instruments are split between a liability element and an equity component at the date of issue. The fair value of the liability component is estimated using the prevailing market interest rate for similar nonconvertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the company, is included in equity and is not remeasured. The liability component is carried at amortised cost.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the group has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Employee benefits

The costs of short-term employee benefits, including the cost of any unused holiday entitlement, is recognised in the period in which the employee's services are received.

Blu Wireless Technology Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Share based payments

The company has granted options over its shares to employees. The cost of equity-settled transactions is measured by reference to the fair value of the equity instruments granted at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which a party becomes fully entitled to the award. Fair value is determined using the Black Scholes model as detailed in the notes to the accounts.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the profit and loss account, with a corresponding entry in equity.

A number of the brought forward unvested share options were modified in the year. The incremental fair value granted is therefore included in the measurement of the amount recognised for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognised over the remainder of the original vesting period.

For options issued in previous years with an exercise price of £0.56 or £0.70, these have been modified to have an exercise price of £0.20. The modification date was 12 April 2022.

Blu Wireless Technology Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

3 Estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods. The estimates, assumptions and judgement areas that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are commented on below:

Corporation tax asset:

The company claims research and development tax credits in respect of its development expenditure. The year-end asset is estimated before the final claim is submitted to HMRC and the related cash received, and that estimate involves assessing the proportion of staff time spent on eligible development projects. The tax asset is disclosed in note 14.

Government grants:

Government grants are recognised based on the performance against the conditions in the grant taking due consideration of the time expected to complete the work. Judgement is exercised in assessing the stage of completion and the expected level of work required to complete the project.

Blu Wireless Technology Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

4 Revenue

The analysis of the group's turnover for the year from continuing operations is as follows:

	2022	2021
	£ 000	£ 000
Sale of goods	2,468	2,384
Rendering of services	1,954	2,824
	<u>4,422</u>	<u>5,208</u>

The analysis of the group's turnover for the year by geographical market is as follows:

	2022	2021
	£ 000	£ 000
UK	3,353	4,323
EU	112	103
ROW	957	782
	<u>4,422</u>	<u>5,208</u>

5 Other operating income

The analysis of the group's other operating income for the year is as follows:

	2022	2021
	£ 000	£ 000
Government grants	631	625
Other operating income	44	3
R&D tax credit	86	210
	<u>761</u>	<u>838</u>

Blu Wireless Technology Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

6 Operating loss

Arrived at after charging/(crediting)

	2022	2021
	£ 000	£ 000
Depreciation expense	128	139
Auditor's remuneration for the audit of the financial statements	-	11
Foreign exchange losses	8	41
Operating lease expense - plant and machinery	24	38
Share based payment expense / (credit)	(13)	590
Research and development	2,905	5,687
	2,905	5,687

7 Interest payable and similar expenses

	2022	2021
	£ 000	£ 000
Finance leases and hire purchase contracts	3	5
Loan interest	398	131
Other	17	9
	418	145

8 Employees and directors

The aggregate payroll costs (including directors' remuneration) were as follows:

	2022	2021
	£ 000	£ 000
Wages and salaries	4,284	5,329
Social security costs	528	662
Pension costs, defined contribution scheme	654	787
	5,466	6,778

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2022	2021
	No.	No.
Administration, sales and marketing	72	91
	72	91

Blu Wireless Technology Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2022 £ 000	2021 £ 000
Remuneration	256	373
Contributions paid to money purchase schemes	12	29
	268	402

Benefits under money purchase schemes are accruing for 3 directors (2021: 3).

In respect of the highest paid director:

	2022 £ 000	2021 £ 000
Remuneration	170	185
Contributions paid to money purchase schemes	10	13

10 Taxation

Tax charged/(credited) in the profit and loss account:

	2022 £ 000	2021 £ 000
Current taxation		
UK corporation tax	(882)	(1,289)
UK corporation tax adjustment relating to prior periods	(202)	(281)
	(1,084)	(1,570)
Notional tax charge on R&D	16	49
Tax credit in the profit and loss account	(1,068)	(1,521)

Blu Wireless Technology Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

11 Tangible assets

Company & Group

	Leasehold improvements £ 000	Fixtures & fittings £ 000	Total £ 000
Cost			
At 1 January 2022	83	1,055	1,138
Additions	-	20	20
At 31 December 2022	<u>83</u>	<u>1,075</u>	<u>1,158</u>
Depreciation			
At 1 January 2022	47	865	912
Charge for the year	19	108	127
At 31 December 2022	<u>66</u>	<u>973</u>	<u>1,039</u>
Carrying amount			
At 31 December 2022	<u>17</u>	<u>102</u>	<u>119</u>
At 31 December 2021	<u>36</u>	<u>190</u>	<u>226</u>

The net book value of tangible fixed assets includes an amount of £11,328 (2021: £23,000) in respect of assets held under hire purchase contracts.

Blu Wireless Technology Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

12 Investments

	2022 £ 000	2021 £ 000
Investments in subsidiaries	-	-

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2022	2021
Blu Wireless Technology (EBT) Limited	One Castle Park, Tower Hill, Bristol, England, BS2 0JA	Ordinary	100%	100%
Blu Wireless Technology Inc	10447 Sorrento Rd Suite 100, #1007 Pensacola, FL 32507 USA	Ordinary	100%	100%

13 Stocks

	Group		Company	
	2022 £ 000	2021 £ 000	2022 £ 000	2021 £ 000
Finished goods	485	778	485	778
Component stock	164	178	164	178
	649	956	649	956

Blu Wireless Technology Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

14 Debtors

	Group		Company	
	2022	2021	2022	2021
	£ 000	£ 000	£ 000	£ 000
Trade debtors	1,211	640	1,211	640
Amounts owed by group undertakings	-	-	273	14
Prepayments and accrued income	491	443	490	443
Other debtors	495	416	495	416
Tax	951	1,450	951	1,450
	<u>3,148</u>	<u>2,949</u>	<u>3,420</u>	<u>2,963</u>

The balances above for trade and other debtors represent the total of the company's financial assets which are debt instruments measured at transaction price less impairment.

Blu Wireless Technology Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

15 Creditors

	Group		Company	
	2022	2021	2022	2021
	£ 000	£ 000	£ 000	£ 000
Due within one year				
Hire purchase and finance lease liabilities	16	29	16	29
Trade creditors	450	688	450	684
Social security and other taxes	670	392	664	375
Other creditors	215	64	215	64
Accruals and deferred income	2,209	857	2,203	855
	<u>3,560</u>	<u>2,030</u>	<u>3,548</u>	<u>2,007</u>
Due after one year				
Convertible loans	<u>4,833</u>	<u>2,312</u>	<u>4,833</u>	<u>2,312</u>

The above balances for trade creditors and other creditors represent the total of the company's financial liabilities which are debt instruments measured at transaction price. Included in the above are liabilities for pension contributions and deductions totalling £56,047 (2021 - £62,924).

Convertible debt instruments totalling £2,210,000 were issued in the year, bringing the total convertible debt instruments to £4,541,000 before accrued but unpaid interest. £2,139,947 was recognised as a liability in the current year increasing the total to £4,452,133, with the remainder in equity. To arise at the liability shown above, interest of £397,502 (2021: £67,905) has been charged together with an adjustment between equity and liabilities as a result of amending the maturity date of convertible loans in the prior year of £16,370. The convertible loans have a maturity date of 31 December 2024 and a coupon rate of 8%. Conversion of the loan capital, and any accrued but unpaid interest, into equity will occur either at the maturity date or earlier should conditions be met in respect of fundraising or exit events.

16 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £653,480 (2021 - £786,803).

Blu Wireless Technology Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

17 Share capital

Allotted, called up and fully paid shares

	2022		2021	
	No. 000	£ 000	No. 000	£ 000
Ordinary of £0.01 each	35,495	355	35,398	354
A Preferred of £0.01 each	28,348	283	28,339	283
B Ordinary of £0.01 each	18,853	189	18,853	189
C Ordinary of £0.01 each	1,804	18	1,804	18
	<u>84,500</u>	<u>845</u>	<u>84,394</u>	<u>844</u>

New shares allotted

During the year the following shares were issued for the consideration shown.

Share type	No.	Aggregate consideration £
A Preferred	9,439	94
A Ordinary	96,635	18,515

18 Obligations under leases and hire purchase contracts

Company

Operating leases

The total of future minimum lease payments is as follows:

	2022	2021
	£ 000	£ 000
Not later than one year	719	719
Later than one year and not later than five years	359	1,077
	<u>1,078</u>	<u>1,796</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £598,753 (2021 - £598,753).

Blu Wireless Technology Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

19 Share-based payments

EMI Share option scheme

Scheme details and movements

The company has issued options over its unissued shares to employees and other parties. The options vest at quarterly intervals ranging from 1 to 6 years from the date of grant, and vesting may also be conditional upon other criteria such as the option holder's continuing employment by the company.

The term of the options are 10 years from the date of grant.

The movements in the number of share options during the year were as follows:

	2022	2021
	Number	Number
Outstanding, start of period	16,833,284	11,629,694
Granted during the period	4,446,382	6,745,380
Forfeited during the period	(14,524,395)	(444,942)
Outstanding, end of period	6,755,271	17,930,132
Exercisable, end of period	<u>6,544,026</u>	<u>16,833,284</u>

The movements in the weighted average exercise price of share options during the year were as follows:

	2022	2021
	£	£
Outstanding, start of period	0.33	0.12
Granted during the period	0.05	0.70
Forfeited during the period	0.39	0.17
Outstanding, end of period	0.17	0.33
Exercisable, end of period	<u>0.17</u>	<u>0.36</u>

Blu Wireless Technology Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

19 Share-based payments (continued)

Unapproved share options scheme

Scheme details and movements

The company has issued options over its unissued shares to employees and other parties. The options vest at quarterly intervals ranging from 1 to 6 years from the date of grant, and vesting may also be conditional upon other criteria such as the option holder's continuing employment by the company.

The term of the options are 10 years from the date of grant.

The movements in the number of share options during the year were as follows:

	2022 Number	2021 Number
Outstanding, start of period	548,190	548,190
Granted during the period	695,750	-
Forfeited during the period	(120,000)	-
Outstanding, end of period	1,123,940	548,190
Exercisable, end of period	<u>1,123,940</u>	<u>548,190</u>

The movements in the weighted average exercise price of share options during the year were as follows:

	2022 £	2021 £
Outstanding, start of period	0.06	0.06
Granted during the period	0.06	-
Forfeited during the period	0.06	-
Outstanding, end of period	0.06	0.06
Exercisable, end of period	<u>0.06</u>	<u>0.06</u>

Blu Wireless Technology Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

19 Share-based payments (continued)

Warrants

Scheme details and movements

Warrants were granted in 2016 as part of agreeing new loan facilities. These warrants have been accounted for as equity-settled share-based payment transactions. The warrants vested immediately on draw down of the loan from the warrant holder. The exercise price of the warrants is equal to the estimated market value of the shares on the date of grant (being £0.50 per share or £0.70 per share at the issue of further equity in the business). The contractual life of the warrants granted is twenty years and the contract preserves a fixed equity percentage at the point of exercise. There is no cash settlement alternatives.

The movements in the number of warrants during the year were as follows:

	2022	2021
	Number	Number
Outstanding, start of period	586,667	586,667
Outstanding, end of period	586,667	586,667
Exercisable, end of period	<u>586,667</u>	<u>586,667</u>

The movements in the weighted average exercise price of warrants during the year were as follows:

	2022	2021
	£	£
Outstanding, start of period	0.60	0.60
Outstanding, end of period	0.60	0.60
Exercisable, end of period	<u>0.60</u>	<u>0.60</u>

20 Analysis of changes in net debt

	At 1 Jan 22	Cash flows	Other non-cash changes	At 31 Dec 22
	£	£	£	£
Cash and cash equivalents	622	111	-	733
	<u>622</u>	<u>111</u>	<u>-</u>	<u>733</u>
Lease liabilities	(29)	13	-	(16)
Debt due within 1 year	-	-	-	-
Debt due after 1 year	(2,312)	(2,521)	-	(4,833)
	<u>(1,719)</u>	<u>(2,397)</u>	<u>-</u>	<u>(4,116)</u>

Blu Wireless Technology Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

21 Related party transactions

Details of the company's convertible debt are disclosed in note 15. Of the debt issued in the year, £1,000,000 (2021 - £750,000) was issued to equity shareholders with significant influence over the company.

Transactions with Key Management Personnel

Compensation was paid to 4 (2021: 5) members of key management personnel in the year totalling £468,574 (2021: £706,104).