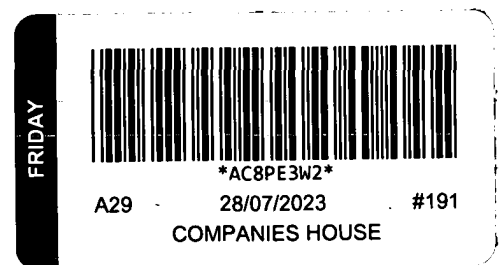


Fuse Universal Limited

Annual Report and Financial Statements

For the year ended 31 December 2022



Company Registration No. 06636622 (England and Wales)

Fuse Universal Limited

Company Information

Directors	S P Dineen J K Wehnes M Treskow
Company number	06636622
Registered office	6th Floor, Charlotte Building 17 Gresse Street London United Kingdom W1T 1QL
Auditor	Moore Kingston Smith LLP Charlotte Building 17 Gresse Street London W1T 1QL

Fuse Universal Limited

Contents

	Page
Strategic report	1 - 2
Directors' report	3
Directors' responsibilities statement	4
Independent auditor's report	5 - 8
Group statement of comprehensive income	9
Group balance sheet	10
Company balance sheet	11 - 12
Group statement of changes in equity	13
Company statement of changes in equity	14
Group statement of cash flows	15
Notes to the financial statements	16 - 35

Fuse Universal Limited

Strategic Report

For the year ended 31 December 2022

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

Company Summary

Fuse is a cutting-edge AI-powered platform delivering learning, knowledge and communications into the workflow to build workforce capability, keep employees engaged & updated and help get critical tasks done efficiently and effectively. Fuse is designed for Leaders who are building a learning culture in their businesses that support everyday learning to drive business performance, innovation and sustainable competitive advantage.

Fuse is currently used globally by over 150 renowned enterprise customers and has over 2.7m. registered users on the platform. Typical use cases include on-boarding, sales enablement and customer training.

Fuse employs 110 employees distributed throughout the UK, Europe, South Africa, India, Singapore, the US and Costa Rica.

The business is funded by Eight Roads Ventures, EdGrowth Partners, EdenRed Capital Partners & Octopus Ventures.

Business Performance

2022 focused on driving operational efficiencies, improvements in financial fundamentals, cash utilization and a major reduction in losses. While the business remained flat year on year, in line with expectations, the company significantly reduced losses from a £5.3m loss in 2021 to £1.9m in 2022. The one objective missed in 2022, albeit simply a matter of timing, was a shortfall in ending Cash that was the result of three customers paying 15 days later relative to contracted terms, that is in mid-January 2023 vs the end of December 2022. Had those payments arrived according to contracted terms, year-end Cash balance would have been in excess of £1.0m as opposed to the recorded £93K year-end cash balance, and all business objectives would have been met or exceeded in 2022.

As previous years had seen significant investment in several areas of the business, in particular R&D, including development of market leading Search/AI functionality, enhanced Security, Recurrent Learning, Reporting, ongoing reduction of Tech Debt as well as major improvements in development efficiencies and product release, 2022 was focused on beginning to reap the benefits of these transformative investments to drive growth in 2023 and beyond. The business is now poised for sustainable long-term growth with improved margins, profitability in 2023 and strong financial fundamentals.

The Board is currently in the process of securing additional funding for the business' short-term financing requirements. Additionally, in January of 2023, the Board signed an agreement with a US-based investment banker to assist in raising a substantial round of funding by the end of the year to support scaling and the business' on-going growth ambitions.

Finally, 2023 is off to a promising start with all revenue lines showing strong year on year growth and customer retention.

Fuse Universal Limited

Strategic Report (Continued)

For the year ended 31 December 2022

Principal risks and uncertainties

Highly competitive market

The market opportunity for the business is tremendous as our Learning and Knowledge Platform continues to replace traditional LMSs (Learning Management System) within multinational companies. However, Learning and Development continues to be a very fractured market with a number of competitors offering alternative updated digital solutions. The key to mitigating this is differentiating the product through its advanced social features and focus around unlocking tacit knowledge to provide tangible business value for the customer. As highlighted before, Fuse has invested in getting knowledge at the point of need through significant differentiation in its search engine capabilities and performance support software.

Liquidity risk

The company monitors its working capital closely and looks to maximise the level of cash on deposit at any one time. Clear KPI's are set for the business around billing and approval levels required on any non-standard payment terms. Overdue debtors are managed weekly and reported to the board on a monthly basis.

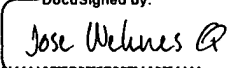
Foreign Exchange

The majority of the company's revenue is in GBP Sterling or US Dollar, this is matched by its cost base which provides a natural hedge. The company holds a number of foreign exchange bank accounts and all overseas suppliers are paid from the relevant account wherever possible. An Irish entity has been set up in September 2021 in order to hedge risk against Euro currency fluctuations and to allow easier contracting with existing and future EU customers.

COVID-19

Management has considered the consequences of COVID-19 and it has determined that they do not create a material uncertainty that casts significant doubt upon the entity's ability to continue as a going concern. Client retention has not been impacted by COVID-19 and, coupled with a leaner cost base, the directors are confident that the group is well positioned to mitigate any potential future economic uncertainties. Finally, the impact of the pandemic has accelerated the need for businesses to use digital onboarding, training and learning - all of these areas are where Fuse and its platform excels.

On behalf of the board

DocuSigned by:

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J K Wehnes
Director
26.07.23

Fuse Universal Limited

Directors' Report

For the year ended 31 December 2022

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

Principal activities

The principal activity of the company and group continued to be the development of learning and communications technology for the corporate market.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

S P Dineen
J K Wehnes
M Treskow
L A Oubridge

(Resigned 31 December 2022)

Results and dividends

The results for the year are set out on page 9.

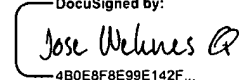
Auditor

The auditor, Moore Kingston Smith LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board

DocuSigned by:

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J K Wehnes

Director 26-07-2023

Date:

Fuse Universal Limited

Directors' Responsibilities Statement

For the year ended 31 December 2022

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Fuse Universal Limited

Independent Auditor's Report

To the Members of Fuse Universal Limited

Opinion

We have audited the financial statements of Fuse Universal Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the Group Statement of Comprehensive Income, the Group Balance Sheet, the Company Balance Sheet, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Group Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2022 and of its loss 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 group 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

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

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

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

Other information

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

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

We have nothing to report in this regard.

Fuse Universal Limited

Independent Auditor's Report (Continued)

To the Members of Fuse Universal Limited

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Fuse Universal Limited

Independent Auditor's Report (Continued)

To the Members of Fuse Universal Limited

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.

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Fuse Universal Limited

Independent Auditor's Report (Continued)

To the Members of Fuse Universal Limited

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

The objectives of our audit in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the company.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the company and considered that the most significant are the Companies Act 2006, UK financial reporting standards as issued by the Financial Reporting Council, and UK taxation legislation.
- We obtained an understanding of how the company complies with these requirements by discussions with management and those charged with governance.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.
- We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.
- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 for no purpose other than to draw to the attention of the company's members those matters we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party 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.

Moore Kingston Smith LLP

Ian Graham (Senior Statutory Auditor)
for and on behalf of Moore Kingston Smith LLP

26 July 2023
Date:

Chartered Accountants
Statutory Auditor

Charlotte Building
17 Gresse Street
London
W1T 1QL

Fuse Universal Limited

Group Statement of Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 £	2021 £
Turnover	3	9,337,554	9,912,278
Cost of sales		(2,847,118)	(3,137,966)
Gross profit		6,490,436	6,774,312
Administrative expenses		(9,177,014)	(12,847,991)
Operating loss	4	(2,686,578)	(6,073,679)
Interest payable and similar expenses	8	(129,713)	(127,081)
Loss before taxation		(2,816,291)	(6,200,760)
Tax on loss	9	863,338	888,346
Loss for the financial year		(1,952,953)	(5,312,414)

Loss for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

Fuse Universal Limited

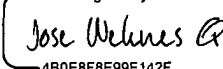
Group Balance Sheet

As at 31 December 2022

	Notes	2022		2021	
		£	£	£	£
Fixed assets					
Intangible assets	10		290,297		600,827
Tangible assets	11		28,822		118,849
			<u>319,119</u>		<u>719,676</u>
Current assets					
Debtors	14	3,776,185		3,661,143	
Cash at bank and in hand		92,780		924,042	
		<u>3,868,965</u>		<u>4,585,185</u>	
Creditors: amounts falling due within one year	15	(6,469,382)		(6,490,422)	
Net current liabilities			<u>(2,600,417)</u>		<u>(1,905,237)</u>
Total assets less current liabilities			<u>(2,281,298)</u>		<u>(1,185,561)</u>
Creditors: amounts falling due after more than one year	16		(1,389,086)		(1,259,374)
Provisions for liabilities	17	(11,733)		(33,692)	
Net liabilities			<u>(3,682,117)</u>		<u>(2,478,627)</u>
Capital and reserves					
Called up share capital	21		31		30
Share premium account			24,391,279		23,641,817
Other reserves			4,398		4,398
Profit and loss reserves			(28,077,825)		(26,124,872)
Total equity			<u>(3,682,117)</u>		<u>(2,478,627)</u>

The £93k year-end cash balance was the result of three customers paying 15 days later relative to contracted terms, in mid-January 2023 vs the end of December 2022. Had those payments arrived according to contracted terms, year-end Cash balance would have been in excess of £1.0m.

The financial statements were approved by the board of directors and authorised for issue on 26.07.23 and are signed on its behalf by:

DocuSigned by:

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J K Wehnes
 Director

Fuse Universal Limited

Company Balance Sheet

As at 31 December 2022

	Notes	2022		2021	
		£	£	£	£
Fixed assets					
Intangible assets	10		290,297		600,827
Tangible assets	11		28,822		118,654
Investments	12		1,703		1,703
			<u>320,822</u>		<u>721,184</u>
Current assets					
Debtors	14	3,661,419		3,526,932	
Cash at bank and in hand		80,179		862,381	
		<u>3,741,598</u>		<u>4,389,313</u>	
Creditors: amounts falling due within one year	15	<u>(7,338,444)</u>		<u>(6,584,499)</u>	
Net current liabilities			<u>(3,596,846)</u>		<u>(2,195,186)</u>
Total assets less current liabilities			<u>(3,276,024)</u>		<u>(1,474,002)</u>
Creditors: amounts falling due after more than one year	16		(1,389,086)		(1,259,374)
Provisions for liabilities					
Deferred tax liability	17	(11,733)		(33,692)	
		<u>(11,733)</u>		<u>(33,692)</u>	
Net liabilities			<u>(4,676,843)</u>		<u>(2,767,068)</u>
Capital and reserves					
Called up share capital	21		31		30
Share premium account			24,391,279		23,641,817
Other reserves			4,398		4,398
Profit and loss reserves			(29,072,551)		(26,413,313)
Total equity			<u>(4,676,843)</u>		<u>(2,767,068)</u>

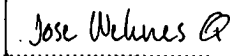
As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £2,659,238 (2021 - £5,370,519 loss).

Fuse Universal Limited

Company Balance Sheet (Continued)

As at 31 December 2022

The financial statements were approved by the board of directors and authorised for issue on 26.07.23.....
and are signed on its behalf by:

DocuSigned by:


J K Wehnes

Director

Company Registration No. 06636622

Fuse Universal Limited

Group Statement of Changes in Equity

For the year ended 31 December 2022

	Notes	Share capital £	Share premium account £	Other reserves £	Profit and loss reserves £	Total £
Balance at 1 January 2021		27	20,641,820	4,398	(20,812,458)	(166,213)
Period ended 31 December 2021:						
Loss and total comprehensive loss for the period		-	-	-	(5,312,414)	(5,312,414)
Issue of share capital	21	3	2,999,997	-	-	3,000,000
Balance at 31 December 2021		30	23,641,817	4,398	(26,124,872)	(2,478,627)
Year ended 31 December 2022:						
Loss and total comprehensive loss for the year		-	-	-	(1,952,953)	(1,952,953)
Issue of share capital	21	1	749,462	-	-	749,463
Balance at 31 December 2022		31	24,391,279	4,398	(28,077,825)	(3,682,117)

Fuse Universal Limited

Company Statement of Changes in Equity

For the year ended 31 December 2022

	Notes	Share capital £	Share premium account £	Other reserves £	Profit and loss reserves £	Total £
Balance at 1 January 2021		27	20,641,820	4,398	(21,042,794)	(396,549)
Period ended 31 December 2021:						
Loss and total comprehensive loss for the period		-	-	-	(5,370,519)	(5,370,519)
Issue of share capital	21	3	2,999,997	-	-	3,000,000
Balance at 31 December 2021		30	23,641,817	4,398	(26,413,313)	(2,767,068)
Year ended 31 December 2022:						
Loss and total comprehensive loss for the year		-	-	-	(2,659,238)	(2,659,238)
Issue of share capital	21	1	749,462	-	-	749,463
Balance at 31 December 2022		31	24,391,279	4,398	(29,072,551)	(4,676,843)

Fuse Universal Limited

Group Statement of Cash Flows

For the year ended 31 December 2022

	Notes	2022		2021	
		£	£	£	£
Cash flows from operating activities					
Cash absorbed by operations	24		(2,402,427)		(4,982,205)
Income taxes refunded			908,452		418,021
Net cash outflow from operating activities			(1,493,975)		(4,564,184)
Investing activities					
Purchase of intangible assets		(129,469)		(229,673)	
Purchase of tangible fixed assets		(3,036)		(11,714)	
Receipts arising from loans made		45,755		-	
Net cash used in investing activities			(86,750)		(241,387)
Financing activities					
Proceeds from issue of shares		749,463		3,000,000	
Net cash generated from financing activities			749,463		3,000,000
Net decrease in cash and cash equivalents			(831,262)		(1,805,571)
Cash and cash equivalents at beginning of year			924,042		2,729,613
Cash and cash equivalents at end of year			92,780		924,042

Fuse Universal Limited

Notes to the Financial Statements

For the year ended 31 December 2022

1 Accounting policies

Company information

Fuse Universal Limited ("the company") is a private limited company by shares domiciled and incorporated in England and Wales. The registered office is 6th Floor, Charlotte Building, 17 Gresse Street, London, United Kingdom, W1T 1QL.

The group consists of Fuse Universal Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

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

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Business combinations

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

1.3 Basis of consolidation

The consolidated group financial statements consist of the financial statements of the parent company Fuse Universal Limited together with all entities controlled by the parent company (its subsidiaries) and the group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 December 2022. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Entities in which the group holds an interest and which are jointly controlled by the group and one or more other venturers under a contractual arrangement are treated as joint ventures. Entities other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence, are treated as associates.

Fuse Universal Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

1 Accounting policies

(Continued)

Investments in joint ventures and associates are carried in the group balance sheet at cost plus post-acquisition changes in the group's share of the net assets of the entity, less any impairment in value. The carrying values of investments in joint ventures and associates include acquired goodwill.

If the group's share of losses in a joint venture or associate equals or exceeds its investment in the joint venture or associate, the group does not recognise further losses unless it has incurred obligations to do so or has made payments on behalf of the joint venture or associate.

Unrealised gains arising from transactions with joint ventures and associates are eliminated to the extent of the group's interest in the entity.

1.4 Going concern

The group has made a loss of £1,952,953 (period ended December 2021: £5,312,414) for the year ended 31 December 2022. The group has net liabilities of £3,682,117 (December 2021: £1,905,237) and cash of £92,780 (December 2021: £924,042) as at 31 December 2022. These losses were expected during this period of significant investment in research and development.

After the year end, on 6 April 2023, £750,245 was raised through another issue of D Preferred shares. On 20 July 2023, a further £996,676 was raised by a further issue of D Preferred shares.

The directors have prepared detailed forecasts which include this fundraising and are satisfied that, taking into account reasonably possible downside risk on revenue levels and the ability of the company to reduce its cost base, if necessary, in response to this that the group and company will be able to settle all of its liabilities, as they fall due, for at least 12 months from the date of signing of these financial statements.

1.5 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Licence revenue is billed in advance, deferred and recognised over the term of the licence. Software support and maintenance revenue is recognised evenly over the life of the contract. Turnover from professional services is recognised as the services are performed. Turnover on contracts involving a combination of products and services is recognised separately on each deliverable in accordance with the above policy, unless all deliverables are considered to be interdependent, in which case turnover is recognised over the length of the contract relating to the interdependent deliverables. All turnover is stated net of Value Added Tax and trade discounts.

1.6 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

Fuse Universal Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

1 Accounting policies

(Continued)

1.7 Intangible fixed assets other than goodwill

The Company capitalises development expenditure as an intangible asset when it is able to demonstrate all of the following:

- (a) The technical feasibility of completing the development so the intangible asset will be available for use or sale.
- (b) Its intention to complete the development and to use or sell the intangible asset.
- (c) Its ability to use or sell the intangible asset.
- (d) How the intangible asset will generate probable future economic benefits.
- (e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- (f) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalised development expenditure is initially recognised at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

All research expenditure and development expenditure that does not meet the above conditions is expensed as incurred.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	25% straight line
Development costs	33% straight line

1.8 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	Over the life of lease
Plant and equipment	25% straight line
Fixtures and fittings	25% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.9 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

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

Fuse Universal Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

1 Accounting policies

(Continued)

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the associate using the equity method. Any difference between the cost of acquisition and the share of the fair value of the net identifiable assets of the associate on acquisition is recognised as goodwill. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the company has incurred legal or constructive obligations or has made payments on behalf of the associate.

In the parent company financial statements, investments in associates are accounted for at cost less impairment.

Entities in which the group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.10 Borrowing costs related to fixed assets

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

1.11 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Fuse Universal Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

1 Accounting policies

(Continued)

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.12 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.13 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Fuse Universal Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

1 Accounting policies

(Continued)

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.14 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.15 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Fuse Universal Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

1 Accounting policies

(Continued)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.16 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.17 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.18 Share-based payments

1.19 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.20 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

Fuse Universal Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

2 Judgements and key sources of estimation uncertainty

In the application of the group'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. Actual results may differ from these estimates.

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.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Development costs

Whether the development costs can be capitalised is covered Section 18 of FRS 102 and is subject to points laid out in the intangibles accounting policies. Whether development costs can be capitalised is re-assessed annually.

The annual amortisation charge for intangible assets is sensitive to changes in the estimated lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually.

Depreciation

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 12 for the carrying amount of the property, plant and equipment and note 1.7 for the useful economic lives for each class of asset.

3 Turnover and other revenue

	2022	2021
	£	£
Turnover analysed by geographical market		
United Kingdom	3,799,999	5,115,572
Europe	2,218,819	1,940,459
USA	2,284,630	1,828,172
Rest of World	1,061,797	1,028,075
	<u>9,365,245</u>	<u>9,912,278</u>
Analysis per statutory database	9,365,245	9,912,278
Statutory database analysis does not agree to the trial balance by:	27,691	-

Fuse Universal Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

4 Operating loss

	2022	2021
	£	£
Operating loss for the year is stated after charging:		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	158,463	168,838
Depreciation of owned tangible fixed assets	93,063	106,240
Amortisation of intangible assets	439,999	727,981
Operating lease charges	8,666	94,864
	<u> </u>	<u> </u>

5 Auditor's remuneration

	2022	2021
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	52,000	32,229
	<u> </u>	<u> </u>

6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2022 Number	2021 Number	Company 2022 Number	2021 Number
	81	106	57	75
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	Group 2022 £	2021 £	Company 2022 £	2021 £
Wages and salaries	4,839,605	6,804,267	4,648,274	6,054,602
Social security costs	604,582	695,261	583,959	695,261
Pension costs	126,797	175,961	119,593	142,270
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	5,570,984	7,675,489	5,351,826	6,892,133
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Fuse Universal Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

7 Directors' remuneration

	2022 £	2021 £
Remuneration for qualifying services	498,402	532,141

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2022 £	2021 £
Remuneration for qualifying services	220,639	246,018

8 Interest payable and similar expenses

	2022 £	2021 £
Interest on financial liabilities measured at amortised cost:		
Interest on convertible loan notes	129,713	127,081

9 Taxation

	2022 £	2021 £
Current tax		
UK corporation tax on profits for the current period	(841,379)	(850,113)
Deferred tax		
Origination and reversal of timing differences	(21,959)	(38,233)
Total tax credit	(863,338)	(888,346)

Fuse Universal Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

9 Taxation

(Continued)

The actual credit for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2022 £	2021 £
Loss before taxation	(2,816,291)	(6,200,760)
<i>Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)</i>	(535,095)	(1,178,144)
Tax effect of expenses that are not deductible in determining taxable profit	7,861	23,064
Tax effect of utilisation of tax losses not previously recognised	(165,674)	(63,961)
Unutilised tax losses carried forward	191,739	679,065
Adjustments in respect of prior years	-	4,115
Permanent capital allowances in excess of depreciation	(173)	(188)
Depreciation on assets not qualifying for tax allowances	1,015	1,066
Research and development tax credit	(362,034)	(392,510)
Withholding tax	-	39,147
Foreign exchange differences	(977)	-
Taxation credit	(863,338)	(888,346)

During the year the group recognised a credit in the profit and loss account amounting to approximately £841,379 (2021: £915,452) in relation to tax credits available in respect of research & development for the current and prior periods. As at the 31 December 2022, the group had tax losses amounting to approximately £13,353,136 (December 2021: £12,358,364) to offset against future taxable profits. Deferred tax is not recognised in respect of these losses as it is not probable when they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Fuse Universal Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

10 Intangible fixed assets

Group	Software Development costs		Total
	£	£	£
Cost			
At 1 January 2022	136,034	5,711,430	5,847,464
Additions	11,509	117,960	129,469
At 31 December 2022	147,543	5,829,390	5,976,933
Amortisation and impairment			
At 1 January 2022	97,302	5,149,335	5,246,637
Amortisation charged for the year	39,415	400,584	439,999
At 31 December 2022	136,717	5,549,919	5,686,636
Carrying amount			
At 31 December 2022	10,826	279,471	290,297
At 31 December 2021	38,732	562,095	600,827
Company			
Cost			
At 1 January 2022	136,034	5,711,430	5,847,464
Additions	11,509	117,960	129,469
At 31 December 2022	147,543	5,829,390	5,976,933
Amortisation and impairment			
At 1 January 2022	97,302	5,149,335	5,246,637
Amortisation charged for the year	39,415	400,584	439,999
At 31 December 2022	136,717	5,549,919	5,686,636
Carrying amount			
At 31 December 2022	10,826	279,471	290,297
At 31 December 2021	38,732	562,095	600,827

Fuse Universal Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

11 Tangible fixed assets

Group	Leasehold improvements £	Plant and equipment £	Fixtures and fittings £	Total £
Cost				
At 1 January 2022	153,978	345,036	63,181	562,195
Additions	-	3,036	-	3,036
Disposals	(153,978)	-	-	(153,978)
At 31 December 2022	-	348,072	63,181	411,253
Depreciation and impairment				
At 1 January 2022	120,698	274,918	47,730	443,346
Depreciation charged in the year	33,280	46,020	13,763	93,063
Eliminated in respect of disposals	(153,978)	-	-	(153,978)
At 31 December 2022	-	320,938	61,493	382,431
Carrying amount				
At 31 December 2022	-	27,134	1,688	28,822
At 31 December 2021	33,280	70,118	15,451	118,849
Company				
Cost				
At 1 January 2022	153,978	345,036	62,246	561,260
Additions	-	3,036	-	3,036
Disposals	(153,978)	-	-	(153,978)
At 31 December 2022	-	348,072	62,246	410,318
Depreciation and impairment				
At 1 January 2022	120,698	274,918	46,990	442,606
Depreciation charged in the year	33,280	46,020	13,568	92,868
Eliminated in respect of disposals	(153,978)	-	-	(153,978)
At 31 December 2022	-	320,938	60,558	381,496
Carrying amount				
At 31 December 2022	-	27,134	1,688	28,822
At 31 December 2021	33,280	70,118	15,256	118,654

Fuse Universal Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

12 Fixed asset investments

	Notes	Group 2022 £	2021 £	Company 2022 £	2021 £
Investments in subsidiaries	13	-	-	1,703	1,703

Movements in fixed asset investments Company

	Shares in subsidiaries £
Cost or valuation	
At 1 January 2022 and 31 December 2022	1,703
Carrying amount	
At 31 December 2022	1,703
At 31 December 2021	1,703

13 Subsidiaries

Details of the company's subsidiaries at 31 December 2022 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Fuse Universal APAC PTE Ltd	Singapore	Development of learning and communications technology	Ordinary	100.00	-
Fuse Universal China	China	Development of learning and communications technology	Ordinary	100.00	-
Fuse Universal Pty Ltd	Australia	Development of learning and communications technology	Ordinary	100.00	-
Fuse Universal LLC	USA	Development of learning and communications technology	Ordinary	100.00	-
Fuse Universal IE Ltd	Ireland	Development of learning and communications technology	Ordinary	100.00	-

Fuse Universal Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

14 Debtors

	Group 2022	2021	Company 2022	2021
Amounts falling due within one year:	£	£	£	£
Trade debtors	2,586,489	2,217,357	2,477,753	2,084,701
Corporation tax recoverable	846,984	914,058	846,984	914,058
Other debtors	27,789	75,331	27,789	73,776
Prepayments and accrued income	314,923	454,397	308,893	454,397
	<u>3,776,185</u>	<u>3,661,143</u>	<u>3,661,419</u>	<u>3,526,932</u>

15 Creditors: amounts falling due within one year

	Group 2022	2021	Company 2022	2021
Notes	£	£	£	£
Trade creditors	804,725	759,928	802,829	757,878
Amounts owed to group undertakings	-	-	1,404,204	649,218
Other taxation and social security	685,659	268,674	645,002	235,543
Deferred income	18 4,531,752	4,729,876	4,051,339	4,228,593
Other creditors	2,105	278,828	1,606	278,828
Accruals and deferred income	445,141	453,116	433,464	434,439
	<u>6,469,382</u>	<u>6,490,422</u>	<u>7,338,444</u>	<u>6,584,499</u>

S P Dineen has provided a limited guarantee on the Fuse Universal Limited Barclays bank accounts for £40,000.

16 Creditors: amounts falling due after more than one year

	Group 2022	2021	Company 2022	2021
Notes	£	£	£	£
Other borrowings	<u>1,389,086</u>	<u>1,259,374</u>	<u>1,389,086</u>	<u>1,259,374</u>

The other loan is an unsecured loan.

The other loan of £1,000,000 was issued on 23 August 2019 at an interest rate of LIBOR plus 9.5% per annum. Interest of £130,739 has been accrued at the year end. The loan and accrued interest is due to be paid in full within 5 years from the utilisation date.

Fuse Universal Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

17 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

	Liabilities 2022	Liabilities 2021
Group	£	£
Accelerated capital allowances	7,747	33,692
	<u>7,747</u>	<u>33,692</u>
Statutory database figures differ from the trial balance:		
Deferred tax balances	11,733	33,692
Difference	(3,986)	-
	<u>11,733</u>	<u>33,692</u>
	<u>(3,986)</u>	<u>-</u>
	Liabilities 2022	Liabilities 2021
Company	£	£
Accelerated capital allowances	7,747	33,692
	<u>7,747</u>	<u>33,692</u>
Statutory database figures differ from the trial balance:		
Deferred tax balances	11,733	33,692
Difference	(3,986)	-
	<u>11,733</u>	<u>33,692</u>
	<u>(3,986)</u>	<u>-</u>
	Group 2022	Company 2022
Movements in the year:	£	£
Liability at 1 January 2022	33,692	33,692
Credit to profit or loss	(25,945)	(25,945)
	<u>7,747</u>	<u>7,747</u>
Liability at 31 December 2022	7,747	7,747
	<u>7,747</u>	<u>7,747</u>
Balance per TB	11,733	11,733
Warning - Difference exists; check stat db entries	3,986	3,986

18 Deferred income

	Group 2022	2021	Company 2022	2021
	£	£	£	£
Other deferred income	4,531,752	4,729,876	4,051,339	4,228,593
	<u>4,531,752</u>	<u>4,729,876</u>	<u>4,051,339</u>	<u>4,228,593</u>

Fuse Universal Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

18 Deferred income

(Continued)

Deferred revenue relates to licence revenue that is paid in full in advance. As detailed in note 1.5, the company's accounting policy is to defer revenue that is received in advance and recognised over the term of the licence.

19 Retirement benefit schemes

	2022	2021
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	126,797	175,961

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

20 Share-based payment transactions

Certain employees of the Company hold options to subscribe for shares in the Company. If options remain unexercised after a period of 10 years from the date of grant, the options expire.

The weighted average fair value of options granted in the year was determined using the Black-Scholes option pricing model. The Black-Scholes model is considered to apply the most appropriate valuation method due to the relatively short contractual lives of the options and the requirement to exercise within a short period after the employee becomes entitled to the shares (the "vesting date").

The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

The calculated charge to the Profit and Loss account in respect of the vested options is not material and has therefore not been included in these financial statements.

Group	Number of share options		Weighted average exercise price	
	2022	2021	2022	2021
	Number	Number	£	£
Outstanding at 1 January 2022	1,840	1,929	294.55	1,091.00
Granted	383	353	147.20	147.20
Forfeited	(112)	(442)	147.20	1,005.31
Outstanding at 31 December 2022	<u>2,111</u>	<u>1,840</u>	<u>274.31</u>	<u>294.55</u>
Exercisable at 31 December 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The options outstanding at 31 December 2022 had an exercise price of £1,091 and £147.

Fuse Universal Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

21 Share capital

Group and company	2022	2021	2022	2021
Ordinary share capital	Number	Number	£	£
Issued and fully paid				
A Ordinary shares of 0.1p each	13,066	13,066	13	13
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	2022	2021	2022	2021
Preference share capital	Number	Number	£	£
Issued and fully paid				
C Preferred shares of 0.1p each	3,650	3,650	4	4
B Preferred shares of 0.1p each	6,481	6,481	6	6
A Preferred shares of 0.0001p each	4,000,000	4,000,000	4	4
B Preferred Ordinary shares of 0.0001p each	3,000,000	3,000,000	3	3
D Preferred shares of 0.1p each	958	-	1	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	7,011,089	7,010,131	18	17
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Preference shares classified as equity			18	17
			<u> </u>	<u> </u>
Total equity share capital			31	30
			<u> </u>	<u> </u>

Each A Ordinary shareholder is entitled to one vote. The distribution of profits is in accordance with article 4.2 of the articles of association. The return of capital is in accordance with article 5 and 6.1 of the articles of association.

The A Preferred shareholders are not entitled to vote. The distribution of profits is in accordance with article 4.2 of the articles of association. The return of capital is in accordance with article 5 and 6.1 of the articles of association.

During the prior year the company issued 3,000,000 B Preferred Ordinary shares for consideration of £3,000,000. The B Preferred Ordinary shareholders are not entitled to vote. The distribution of profits is in accordance with article 4.2 of the articles of association. The return of capital is in accordance with article 5 and 6.1 of the articles of association.

Each Irredeemable B Preferred share is entitled to one vote. The distribution of profits is in accordance with article 4.2 of the articles of association. The return of capital is in accordance with article 5 and 6.1 of the articles of association.

Each Irredeemable C Preferred share is entitled to one vote. The distribution of profits is in accordance with article 4.2 of the articles of association. The return of capital is in accordance with article 5 and 6.1 of the articles of association.

During the year the company issued 958 D Preferred shares for consideration of £749,463. Each D Preferred share is entitled to one vote. The distribution of profits is in accordance with article 4.2 of the articles of association. The return of capital is in accordance with article 5 and 6.1 of the articles of association.

Fuse Universal Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

22 Related party transactions

As permitted by FRS 102 Section 33 "related party disclosures", the financial statements do not disclose transactions with the parent company and fellow subsidiaries on the basis that group financial statements are prepared.

At the balance sheet date, an amount of £18,750 (2021: £18,750) was due to a director of the company. During the period, consultancy fees of £74,000 (2021: £45,000) were charged by the director to the company.

At the balance sheet date an amount of £1,606 (2021: £45,755 due from) was due to a director of the company.

At the balance sheet date, £107 (2021: nil) was due from Fuse Foundation, a charity under common directorship.

During the period, accountancy fees of £4,075 (2021: £6,575) were paid to Mark Dineen & Co Ltd, a company owned by a brother of a director and shareholder of the company. At the balance sheet date, an amount of £nil (2021: £500) was due to Mark Dineen & Co Ltd.

At the year end, the directors were the key management personnel as stated in the director's remuneration note.

S P Dineen has provided a limited guarantee on the Fuse Universal Limited Barclays bank accounts for £40,000.

23 Events after the reporting date

On 6 April 2023, the company raised £750,245 through the issue of 959 D Preferred Shares and on 20 July 2023, the company raised £996,676 through the issue of 1,274 D Preferred Shares.

24 Cash absorbed by group operations

	2022	2021
	£	£
Loss for the year after tax	(1,952,953)	(5,312,414)
Adjustments for:		
Taxation credited	(863,338)	(888,346)
Finance costs	129,713	127,081
Amortisation and impairment of intangible assets	439,999	727,981
Depreciation and impairment of tangible fixed assets	93,063	106,240
Movements in working capital:		
Increase in debtors	(227,871)	(143,279)
Increase in creditors	177,084	139,824
(Decrease)/increase in deferred income	(198,124)	260,708
Cash absorbed by operations	(2,402,427)	(4,982,205)

Fuse Universal Limited

Notes to the Financial Statements (Continued)

For the year ended 31 December 2022

25 Analysis of changes in net debt - group

	1 January 2022 £	Cash flows £	31 December 2022 £
Cash at bank and in hand	924,042	(831,262)	92,780
Borrowings excluding overdrafts	(1,259,374)	(129,712)	(1,389,086)
	<u>(335,332)</u>	<u>(960,974)</u>	<u>(1,296,306)</u>