

Frontier Smart Technologies Limited

Annual Report and Financial Statements For the year ended 31 December 2023

Registered Number: 04213838



Frontier Smart Technologies Limited
Annual Report and Financial Statements 2023

Directors

S Cole

J Brett

R Heads (resigned 30 June 2023)

Registered Office

Harston Mill

Royston Road

Harston

Cambridge

CB22 7GG

Independent Auditors

Grant Thornton UK LLP

30 Finsbury Square

London

EC2A 1AG

Frontier Smart Technologies Limited
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Strategic Report

The Directors present their Strategic Report for Frontier Smart Technologies Limited (the 'Company') for the year ended 31 December 2023.

Business Review

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

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

Key metrics for the year ended 31 December 2023 are summarized below:

	2023	2022
	\$000	\$000
Revenue	12,370	31,701
Operating (Loss)/profit	(3,145)	4,327
(Loss)/profit for the year	(4,136)	4,060

In line with the broader consumer electronics market, the economic downturn impacted the Frontier business in 2023. As a result, revenue reduced to \$12.4 million (2022: \$31.7 million) with a small operating loss, although this included significant investment in new product development, all of which was expensed in the year. Lower revenue led to the Company holding lower levels of inventory (note 15). Despite the challenging market conditions, Frontier is believed to have retained its substantial market share.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In addition, the Company has received a letter of support from Science Group plc which evidences the intent of the parent to continue to provide financial support.

Principal opportunities and risks

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

Delays in development and testing may occur

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

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Strategic Report (continued)

Principal opportunities and risks (continued)

Losing market share to competitors

The risk from potential new competitors remains. Management works hard to promote the reliability and quality of Frontier's solutions and emphasises the Company's best-in-class customer support.

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

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

Erosion of margins

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

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

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

Dependence on key personnel

The Company's business relies on recruiting and retaining highly qualified technical experts on whom the business depends to deliver its services and products. Failure to recruit and retain key staff could threaten the business' ability to deliver projects to its clients or to win new work or to maintain market competitiveness.

The Company seeks to mitigate this risk by encouraging staff retention through both competitive remuneration packages and a stimulating work environment. In addition to base salary, remuneration can include profit share/annual bonus, pension, health benefits, life assurance and share option schemes. The remuneration components are reviewed regularly.

Efforts are made to foster a vibrant, dynamic and supportive environment for employees, which offers a diversity of technically challenging work for large and small customers across a range of industries and specialist market, science & technology areas. The Company also provides career development paths and training support.

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Strategic Report (continued)

Principal opportunities and risks (continued)

Financial circumstances of customers

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

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

Inflationary pressures

Increasing inflation in the global economy is a risk across the Group. Increasing costs from suppliers may impact all divisions and the Group may or may not be able to pass on supply chain price increases to its customers.

Higher inflation affects the Group's employees who are impacted by increases in living costs including fuel, energy and food costs. Associated wage inflation is also a risk within the Group with pressure on salaries and remuneration packages for both specialist skills in technology and science as well as more generalist skills such as HR, marketing and finance. Higher employee costs may or may not be able to be passed onto customers.

Geopolitical considerations

As the Company is an international business, global political events have the potential to impact normal business operations.

The conflict in Ukraine and its impact on energy prices has resulted in significant operational cost increases for the Company's properties and this may continue throughout 2024. The Company seeks to mitigate this by monitoring energy prices, fixing prices where appropriate and seeking to reduce energy usage. Global energy and fuel prices also impact materials costs, employee remuneration and other costs, and increases may not be able to be passed onto customers.

In addition to its engineering base in Harston, UK, Frontier is located in Shenzhen (China). During the year the Company also had a geographical presence in Hong Kong and Taiwan. The overseas employees fulfil sales, product development and manufacturing of Frontier products. Political instability in this region may impact the normal business operations of Frontier.

The Company seeks to mitigate the risk of interruption to usual business activity by ensuring that product knowledge, documentation, systems and data are backed up and replicated in the UK offices on a daily basis. Manufacturing of Frontier products is outsourced in Shenzhen and could be replicated in other locations.

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Strategic Report (continued)

Principal opportunities and risks (continued)

Climate related risks

The Company is currently exposed to physical risks that continue to persist into the long term. Adequate mitigation strategies including, where practicable, considering climate factors when choosing sites and diversifying suppliers will assist the Company to withstand these potential physical risks.

The Company will continue to develop its analysis as new data becomes available, both internally and externally, and will continue to monitor climate exposures and action plans through the Company's risk management framework.

Currency exchange rates

A significant proportion of the Group's revenues are invoiced in currencies other than Pounds Sterling, including but not limited to the US Dollar and Euro, whilst the majority of the Group's employee-based costs are incurred in Pounds Sterling. Materials related to Frontier products are typically priced in US Dollars and end products are generally sold priced on US Dollars. As a result, variations in currency exchange rates may have a material impact, either positive and negative, on Group revenue and profit performance.

Additional considerations

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

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

This Report was approved by the Board on 6 June 2024 and signed on its behalf by:

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Jon Brett
Director
Harston Mill
Harston
Cambridge
CB22 7GG

Frontier Smart Technologies Limited
Annual Report and Financial Statements 2022

Directors' report and directors' responsibilities statement

The Directors present their Report and the audited Financial Statements of the Company for the year ended 31 December 2023.

Strategic Report

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

Directors

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

S Cole

J Brett

R Heads (resigned 30 June 2023)

Dividends

No dividend was paid during the year (2022: \$6.0m paid to Science Group plc). The Directors do not propose the payment of a final dividend (2022: \$nil).

Political contributions

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

Financial instrument and risk management

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

Research and development

Cash expenditure on research and development excluding amortisation, depreciation and impairment during the year amounted to \$2,605,000 all of which has been charged to the statement of comprehensive income (2022: \$3,192,000). During the year \$nil (2022: \$nil) was capitalised.

Directors' Indemnities

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

Post balance sheet events

There were no post balance sheet events.

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Directors' report and directors' responsibilities statement (continued)

Employees, training and development

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

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

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

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

Diversity and inclusion

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

Directors' responsibilities statement

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

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

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

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Directors' report and directors' responsibilities statement (continued)

Directors' responsibilities statement (continued)

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

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

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

Statement as to disclosure of information to auditor

The Directors who held office at the date of approval of this Report confirm that:

- so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

This Report was approved by the Board on 6 June 2024 and signed on its behalf by:

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Jon Brett
Director
Harston Mill
Harston
Cambridge
CB22 7GG.

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

Opinion

We have audited the financial statements of Frontier Smart Technologies Limited (the 'company') for the year ended 31 December 2023, which comprise the income statement, the statement of changes in equity, the balance sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

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

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 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.

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

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

Responsibilities of directors

As explained more fully in the directors' report and directors' responsibilities statement set out on pages 8 and 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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.

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

- We obtained an understanding of the legal and regulatory frameworks applicable to the company and industry in which they operate. We determined that the following laws and regulations were most significant: FRS 101, the Companies Act 2006, the UK Corporate Governance Code 2018 and the relevant tax compliance regulations in the jurisdictions in which the group operates;
- We inquired of management, the finance team, legal counsel and the board of directors about the company's policies and procedures relating to:
 - The identification, evaluation and compliance with laws and regulations;
 - The detection and response to risks of fraud; and
 - The establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We obtained an understanding of the policies and procedures implemented to prevent and detect non-compliance with laws and regulations by inquiry of management, those responsible for legal and compliance procedures including the company secretary. We corroborated our inquiries through our reading of board meeting minutes;

We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the group engagement team and component auditors included;

- identifying and assessing the design and implementation of controls management has in place to prevent and detect fraud and the adequacy of procedures for authorisation of transactions and internal review procedures;
 - challenging assumptions and judgements made by management in its significant accounting estimates, including utilisation of valuation specialists to review management's impairment calculation; and
 - identifying and testing journal entries, in particular large or unusual journals.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
 - It is the engagement partner's assessment that the audit team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations based on understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;

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

- We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Nicholas Page
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London, UK
Date: 6/6/2024

Frontier Smart Technologies Limited
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Income Statement

For the year ended 31 December 2023

		2023	2022
	Note	\$000	\$000
Revenue	3	12,370	31,701
Cost of Sales		(9,363)	(16,051)
Gross Profit		3,007	15,650
Operating expenses	4	(6,152)	(11,323)
Operating (loss)/profit		(3,145)	4,327
Finance costs	7	(15)	(78)
(Loss)/profit before income tax		(3,160)	4,249
Income tax charge	8	(976)	(189)
(Loss)/profit for the year		(4,136)	4,060

All results are from continuing activities. The accompanying Notes 1 to 25 are an integral part of this Income Statement.

Statement of Comprehensive Income

For the year ended 31 December 2023

There are no items of other comprehensive income in the year other than the profit after taxation for that year, and therefore a Statement of Comprehensive Income has not been included in these Financial Statements.

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Statement of Changes in Equity

For the year ended 31 December 2023

	Share capital \$000	Share premium \$000	Capital contribution reserve \$000	Foreign exchange reserve \$000	Retained earnings \$000	Total equity \$000
Balance at 1 January 2022	-	-	71,679	9,723	(70,147)	11,255
Capital contribution from parent	-	-	95	-	-	95
Deferred tax credit on share-based payment transactions	-	-	-	-	(114)	(114)
Dividend paid	-	-	-	-	(6,000)	(6,000)
Transactions with owners	-	-	95	-	(6,114)	(6,019)
Profit for the year	-	-	-	-	4,060	4,060
Total comprehensive income for the year	-	-	-	-	4,060	4,060
Balance at 31 December 2022	-	-	71,774	9,723	(72,201)	9,296
Balance at 1 January 2023	-	-	71,774	9,723	(72,201)	9,296
Capital contribution from parent	-	-	3	-	-	3
Deferred tax charge on share-based payment transactions	-	-	-	-	1	1
Transactions with owners	-	-	3	-	1	4
Loss for the year	-	-	-	-	(4,136)	(4,136)
Total comprehensive income for the year	-	-	-	-	(4,136)	(4,136)
Balance at 31 December 2023	-	-	71,777	9,723	(76,336)	5,164

The accompanying Notes 1 to 25 are an integral part of these Financial Statements.

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Balance Sheet

As at 31 December 2023

	Note	2023 \$000	2022 \$000
Non-current assets			
Intangible assets	11	3,000	4,200
Tangible assets	12	170	277
Right-of-use assets	13	231	363
Investments	14	3,257	4,010
Deferred tax assets	9	1,843	2,817
		8,501	11,667
Current assets			
Inventories	15	1,592	2,998
Trade and other receivables	16	507	982
Current tax assets		104	103
Cash and cash equivalents		2,564	922
		4,767	5,005
Total assets		13,268	16,672
Current liabilities			
Trade and other payables	17	7,793	6,657
Provisions	18	59	305
Lease liabilities	19	138	168
		7,990	7,130
Non-current liabilities			
Provisions	18	6	-
Lease liabilities	19	108	246
		114	246
Total liabilities		8,104	7,376
Net assets		5,164	9,296
Equity			
Share capital	20	-	-
Capital contribution reserve		71,777	71,774
Foreign exchange reserve		9,723	9,723
Retained earnings		(76,336)	(72,201)
Total equity		5,164	9,296

The accompanying Notes 1 to 25 are an integral part of these Financial Statements.

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

Jon Brett
Director

DocuSigned by:
Jon Brett
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6 June 2024

The Company's registered number is 04213838

Frontier Smart Technologies Limited
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Notes to the Financial Statements

1. General information

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

The Financial Statements of the Company for the year ended 31 December 2023 were authorised for issue by the Board of Directors on 6 June 2024.

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

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

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The Financial Statements of the Company have been prepared in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework ('FRS 101'). In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards in conformity with the requirements of the Companies Act 2006 which also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 2.24.

Going concern

The Company is a fully owned subsidiary of Science Group plc, and the cash resources of Science Group plc and its subsidiaries (the 'Group') are shared across all subsidiaries enabling each company to be able to meet its financial obligations as they fall due.

The Directors of Science Group plc undertook a comprehensive going concern review in adopting the going concern basis for preparing the Group Consolidated Financial Statements. This included a review of the Group's cash flows forecasts and available liquidity, along with consideration of the principal risks and uncertainties over an 18-month period to June 2025. The review was carried out in January 2024 and there have been no changes since that date that would affect the assumptions underlying the forecast. Recognising the challenges of reliably estimating and forecasting the impact of external factors on the Group, the Directors have considered two forecasts in the assessment of going concern, along with a likelihood assessment of these forecasts being:

- Base case, which reflects the Directors' current expectations of future trading; and
- Severe but plausible downside forecast which envisages a 'stress' or 'downside' situation.

Frontier Smart Technologies Limited
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Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Going concern (continued)

After reviewing the current liquidity position and the cash flow forecasts modelled under both the base case and stressed downside, the Directors consider that the Group has sufficient liquidity to continue in operational existence for a period of at least 18 months from 1 January 2024.

In reaching these conclusions the Directors noted that the Group had a cash balance at 31 December 2023 of £30.9 million (excluding client registration funds) and net funds of £18.0 million, together with the undrawn Revolving Credit Facility of £25.0 million.

Given the above the Directors are satisfied that the Company has adequate cash and financing resources to continue in operational existence for the foreseeable future, being a period of at least a year following the approval of the accounts and therefore continue to adopt the going concern basis of accounting in preparing the annual Financial Statements.

The Company has also received a letter of support from Science Group plc which evidences the intent of the parent to continue to provide financial support.

Exemptions taken in Financial Statements

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

- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of Financial Statements' comparative information requirements in respect of:
 - paragraph 79(a)(iv) of IAS 1;
- The following paragraphs of IAS 1, 'Presentation of Financial Statements':
 - 10(d), (statement of cash flows)
 - 16 (statement of compliance with all IFRS),
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 38B-D (additional comparative information),
 - 40A-D (requirements for a third statement of financial position)
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group
- The requirement of paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based Payment'

Frontier Smart Technologies Limited
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Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies

The accounting pronouncements which have become effective from 1 January 2023 and have therefore been adopted do not have a significant impact on the Company's financial results or position.

2.3 Standards, IFRICs and other guidance applicable

Standards and IFRICs newly applicable for companies with 31 December 2023 year ends are set out below, together with any noted impact on the Company.

Number	Title	Impact in year
IAS 1 & IFRS Practice Statement 2 (amendments)	Disclosure of Accounting Policies	No material impact
IAS 8 (amendments)	Definition of Accounting Estimates	No material impact
IAS 12 (amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	No material impact
IAS 12 (amendments)	International tax reform - pillar two model rules	No material impact
IFRS 17	Insurance Contracts	No material impact
Amendments to IFRS 4 (deferral of IFRS 9)	Insurance Contracts	No material impact

2.4 Standards issued but not yet effective

At the date of authorisation of these Financial Statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards nor amendments to existing Standards have been adopted early by the Company.

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

Number	Title	Effective
IAS 1 (amendments)	Non-current Liabilities with covenants	1-Jan-24
IFRS 16 (amendments)	Lease Liability in a Sale and Leaseback	1-Jan-24
IAS 7 & IFRS 7 (amendments)	Supplier Finance Arrangements	1-Jan-24
IAS 21 (amendments)	Lack of exchangeability	1-Jan-25

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Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.5 Basis of consolidation

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

2.6 Research and development expenditure

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

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

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

2.7 Intangible assets

The costs of creating and protecting internally generated intellectual property, patents and know-how are written-off to the Statement of Comprehensive Income in the period in which they are incurred if they do not meet all of the following criteria as defined in IAS38:

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

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

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

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Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.8 Property, plant and equipment

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

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

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

2.9 Cash and cash equivalents

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

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs includes all cost incurred in bringing each product to its present location and condition, which comprises the cost of direct materials and third-party charges. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

2.11 Trade and other receivables

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

2.12 Trade and other payables

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

Frontier Smart Technologies Limited
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Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.13 Provisions

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

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

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

2.14 Financial instruments

(a) Classification

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

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

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

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

(b) Measurement

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

Frontier Smart Technologies Limited
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Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.14 Financial instruments (continued)

Debt instruments

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

- (i) **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired.
- (ii) **Fair value through other comprehensive income (FVOCI):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses and interest revenue which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method.
- (iii) **Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within other gains/(losses) in the period in which it arises.

Equity instruments

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

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

Frontier Smart Technologies Limited
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Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.14 Financial instruments (continued)

(c) Impairment

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

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

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

Measurement of ECLs

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

Credit-impaired financial assets

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

Write-offs

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

2.15 Share capital

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

Frontier Smart Technologies Limited
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Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.16 Revenue recognition

To determine whether to recognise revenue, the Company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Product and associated revenue

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

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

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

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

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

Frontier Smart Technologies Limited
Annual Report and Financial Statements 2023

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.17 Foreign currency

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

2.18 Employee benefits

(a) Pension obligations

The Company provides post-employment benefits through various defined contribution plans.

Defined contribution plans

The Company pays fixed contributions into independent entities in relation to several retirement plans and insurances for individual employees. The Company has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that related employee services are received.

(b) Share-based compensation

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

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

Frontier Smart Technologies Limited
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Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.18 Employee benefits (continued)

(c) Profit-sharing and bonus plans

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

2.19 Taxation

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

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

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

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

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

2.20 Leases

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

Frontier Smart Technologies Limited
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Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.20 Leases (continued)

i. As a lessee

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

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

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

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

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

Lease payments included in the measurement of the lease liability comprise the following:

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

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

Frontier Smart Technologies Limited
Annual Report and Financial Statements 2023

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.20 Leases (continued)

i. As a lessee (continued)

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

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

Short-term leases and leases of low-value assets

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

2.21 Dividends paid

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

2.22 Investment in subsidiaries and other investments

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

2.23 Interest receivable and interest payable

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

2.24. Critical accounting estimates and judgements

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

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

Frontier Smart Technologies Limited
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Notes to the Financial Statements (continued)

3. Revenue

3.1 Revenue by geographical area

Year ended 31 December	2023	2022
	\$000	\$000
Asia	11,323	30,363
Europe	1,047	1,311
North America	-	27
Revenue	12,370	31,701

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

3.2 Contract balances

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

	2023	2022
	\$000	\$000
Contract liabilities which are included in 'Trade and other payables'	(436)	(844)

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

Frontier Smart Technologies Limited
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Notes to the Financial Statements (continued)

4. Operating expenses

Operating profit is stated after (crediting)/charging:

Year ended 31 December		2023	20212
	Note	\$000	\$000
Amortisation of intangible assets	11	1,200	1,378
Depreciation of plant and equipment	12	125	114
Depreciation of right-of-use assets	13	132	132
Research and development		2,605	3,192
Foreign currency gains		(16)	(14)
Auditor's remuneration: fees payable to the auditor for the audit of Financial Statements		57	83
		4,103	4,885

5. Employee benefit expenses

Employment costs are shown below:

Year ended 31 December	2023	2022
	\$000	\$000
Wages and salaries (including bonuses)	2,524	2,374
Social security costs	252	222
Pension costs	141	107
	2,917	2,703
Share-based payments	3	95
	2,920	2,798

Staff Numbers

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

Year ended 31 December	2023	2022
	Number	Number
Research and development	20	16
Marketing, support and administration	5	5
The average number	25	21

Frontier Smart Technologies Limited
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Notes to the Financial Statements (continued)

6. Directors' remuneration

Directors of the Company received the following remuneration:

Year ended 31 December	2023	2022
	\$000	\$000
Emoluments	124	331
Company contributions to money purchase pension schemes	7	16
	131	347

Highest paid Director:

Year ended 31 December	2023	2022
	\$000	\$000
Emoluments	113	292
Company contributions to money purchase pension schemes	7	14
	120	306

S Cole and J Brett were remunerated by another company in the Group. An element of their remuneration costs are recharged into this Company and are based on the Director's time allocation to the management of this Company. The table above includes the amount recharged in the year. One of the Directors are included in the Company's money purchase pension scheme (2022: 1). In addition to the above, a share-based payment credit of \$78,000 was recognised in the income statement relating to share options held by the Directors (2022: charge \$55,000).

7. Finance income and finance costs

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

Year ended 31 December	2023	2022
	\$000	\$000
Finance costs		
Interest payables to group undertakings	-	(41)
Interest payables on lease liabilities	(15)	(37)
Total finance costs	(15)	(78)

Frontier Smart Technologies Limited
Annual Report and Financial Statements 2023

Notes to the Financial Statements (continued)

8. Income tax

The tax credit comprises:

Year ended 31 December	Note	2023 \$000	2022 \$000
Deferred taxation	9	(977)	(308)
Deferred taxation – Adjustment in respect of prior years	9	1	119
Tax (charge)/credit		(976)	(189)

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

Year ended 31 December	Note	2023 \$000	2022 \$000
(Loss)/profit before tax		(3,160)	4,249
Tax calculated at 23.5% (2022: 19%)		743	(807)
Expenses not deductible for tax purposes		(163)	(26)
Share scheme movements		-	(39)
Adjustment in respect of prior years – deferred tax	9	1	119
Recognition/(derecognition) of tax losses as deferred tax asset	9	2	(236)
Prior year losses used in current year		(1,559)	800
Tax charge		(976)	(189)

There are accumulated tax losses, before R&D tax relief or surrender of losses for a tax credit for 2023, of approximately \$24.6m (2022: \$20.7m) available to carry forward.

Frontier Smart Technologies Limited
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Notes to the Financial Statements (continued)

9. Deferred income tax

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

	Tax losses	Share-based payment	Other temporary differences	Total
	\$000	\$000	\$000	\$000
At 1 January 2022	2,982	138	-	3,120
Recognised in the income statement	(236)	(52)	(20)	(308)
Recognised in the income statement (prior year adjustment)	(112)	112	119	119
Recognised in equity	-	(131)	-	(131)
Recognised in equity (prior year adjustment)	-	17	-	17
At 31 December 2022	2,634	84	99	2,817
At 1 January 2023	2,634	84	99	2,817
Recognised in the income statement	(873)	(13)	(91)	(977)
Recognised in the income statement (prior year adjustment)	-	-	1	1
Recognised in equity	-	2	-	2
At 31 December 2023	1,761	73	9	1,843

Factors affecting future tax charges

Deferred tax assets and liabilities were calculated at the substantively enacted corporation tax rates in the respective jurisdictions, taking into account the impact of any known future changes.

10. Dividends

Year ended 31 December	2023 \$000	2022 \$000
Interim dividend declared and paid	-	6,000

The Directors do not propose the payment of a final dividend (2022: £nil).

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Notes to the Financial Statements (continued)

11. Intangible assets

	Technology	Total
Cost	\$000	\$000
At 1 January 2022	9,311	9,311
Additions	-	-
At 1 January 2023	9,311	9,311
Additions	-	-
At 31 December 2023	9,311	9,311
Accumulated depreciation		
At 1 January 2022	3,733	3,733
Amortisation charge	1,378	1,378
At 1 January 2023	5,111	5,111
Amortisation charge	1,200	1,200
At 31 December 2023	6,311	6,311
Carrying amount		
At 31 December 2022	4,200	4,200
At 31 December 2023	3,000	3,000

Capital commitments at 31 December 2023 were £nil (2022: £nil).

12. Property, plant and equipment

	Fixtures & fittings	Plant & machinery	Total
Cost	\$000	\$000	\$000
At 1 January 2022	303	642	945
Additions	-	292	292
At 1 January 2023	303	934	1,237
Additions	18	-	18
At 31 December 2023	321	934	1,255
Accumulated depreciation			
At 1 January 2022	303	543	846
Depreciation charge	-	114	114
At 1 January 2023	303	657	960
Depreciation charge	4	121	125
At 31 December 2023	307	778	1,085
Carrying amount			
At 31 December 2022	-	277	277
At 31 December 2023	14	156	170

Capital commitments at 31 December 2023 were £nil (2022: £nil).

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Notes to the Financial Statements (continued)

13. Right-of-use assets

	Land and buildings	Total
Cost	\$000	\$000
At 31 December 2022, 1 January 2022 and 31 December 2022	1,436	1,436
Accumulated depreciation		
At 1 January 2022	941	941
Depreciation charge	132	132
At 31 December 2022	1,073	1,073
Depreciation charge	132	132
At 31 December 2023	1,205	1,205
Carrying amount		
At 31 December 2022	363	363
At 31 December 2023	231	231

14. Investments

	Subsidiary undertakings	Total
Cost	\$000	\$000
At 1 January 2022 and 1 January 2023	4,010	4,010
Capital restructure of subsidiary	(753)	(753)
At 31 December 2023	3,257	3,257
Carrying amount		
At 31 December 2022	4,010	4,010
At 31 December 2023	3,257	3,257

Frontier Smart Technologies Limited had investments in the following companies at 31 December 2023:

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

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Notes to the Financial Statements (continued)

15. Inventories

Year ended 31 December	2023	2022
	\$000	\$000
Raw materials	118	319
Work in progress	946	587
Finished goods	528	2,092
	1,592	2,998

In 2023, a total of \$5.4 million (2022: \$14.7 million) of inventories was expensed in the Statement of Comprehensive Income in cost of sales.

16. Trade and other receivables

Year ended 31 December	2023	2022
	\$000	\$000
Trade receivables	342	811
Other debtors	48	36
Prepayments	117	135
	507	982

No provisions have been recorded with respect to the above balances (2022: nil).

17. Trade and other payables

Year ended 31 December	2023	2022
	\$000	\$000
Trade payables	221	482
Amounts owed to group undertakings*	6,718	4,134
Other taxes and social security	65	162
Other creditors	73	59
Accruals	280	976
Contract liabilities	436	844
	7,793	6,657

*The amounts are unsecured, repayable on demand and charged interest at 3.5%.

Frontier Smart Technologies Limited
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Notes to the Financial Statements (continued)

18. Provisions

	Dilapidation	Other	Total
	\$000	\$000	\$000
At January 2022	243	65	308
Provisions used in the year	-	(3)	(3)
At 1 January 2023	243	62	305
Provisions used during the year	(243)	(37)	(280)
Provisions made during the year	-	40	40
At 31 December 2023	-	65	65

Year ended 31 December	2023	2022
	\$000	\$000
Current liabilities	59	305
Non-current liabilities	6	-
	65	305

The other provision relates to professional fees made in respect to restructuring subsidiary companies. It also includes a provision for the employer's NIC liability on share options that have vested (or the proportion that have vested). As the employee is contractually responsible for the employer's NIC on any share options exercised and is required to remit this sum to the Company prior to the share options being exercised, a corresponding asset is recognised in current assets.

Frontier Smart Technologies Limited
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Notes to the Financial Statements (continued)

19. Leases

Leases as lessee (IFRS 16)

The Company leases office facilities from a related company. At 31 December 2023, the lease has a remaining period of 1.75 years.

Right-of-use assets

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

	2023	2022
	\$000	\$000
Balance at 1 January	363	495
Additions in the year	-	-
Depreciation charge for the year	(132)	(132)
Balance at 31 December	231	363

Lease liabilities

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

	2023	2022
	\$000	\$000
Balance at 1 January	414	782
Additions	-	-
Interest payables on lease liabilities	15	37
Repayment during the year	(183)	(405)
Balance at 31 December	246	414

Lease liabilities are payable as follows:

31 December 2023	Within 1 year \$000	1-2 years \$000	2-3 years \$000	3-4 years \$000	4-5 years \$000	Total \$000
Lease payments	145	109	-	-	-	254
Finance charges	(7)	(1)	-	-	-	(8)
Net present values	138	108	-	-	-	246

31 December 2022	Within 1 year \$000	1-2 years \$000	2-3 years \$000	3-4 years \$000	4-5 years \$000	Total \$000
Lease payments	180	145	109	-	-	434
Finance charges	(12)	(7)	(1)	-	-	(20)
Net present values	168	138	108	-	-	414

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Notes to the Financial Statements (continued)

20. Called-up share capital

	2023	2022
	£	£
<i>Allotted, called-up and fully paid</i>		
Ordinary shares of £0.10 each	0.1	0.1
	Number	Number
<i>Allotted, called-up and fully paid</i>		
Ordinary shares of £0.10 each	1	1

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

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

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

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

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

21. Contingent liabilities

At 31 December 2023, there were no contingent liabilities (2022: £nil).

22. Contingent commitments

At 31 December 2023, there were no contingent commitments (2022: £nil).

23. Related party transactions

The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 from disclosing transactions with other members of the group headed by Science Group Plc.

During the year the Company did not enter into transactions, in the ordinary course of business, with other related parties.

24. Controlling parties

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

25. Post balance sheet events

There are no post balance sheet events to disclose.