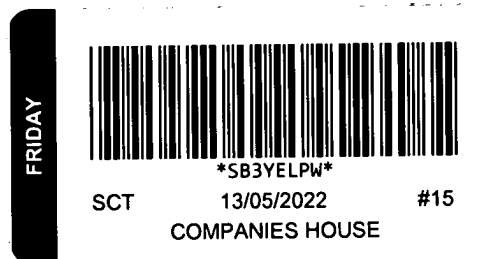


**Veripos Limited**

**Directors' Report and Financial Statements**

**For the year ended 31 December 2021**

Registered Number SC359548



**Directors' Report and Financial Statements**  
For the year ended 31 December 2021

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**Directors and Other Information**

**Executive Directors**

Sally Hutchinson  
Robert Johnson  
Richard Turner

**Registered office**

Veripos House  
1B Farburn Terrace  
Dyce  
Aberdeen  
AB21 7DT  
United Kingdom

**Solicitors**

Brodies LLP  
31-33 Union Grove  
Aberdeen  
AB10 6SD  
United Kingdom

**Independent auditor**

Anderson Anderson & Brown Audit LLP  
Four Business Park, Kingshill View  
Aberdeen  
AB15 8PU  
United Kingdom

**Directors' Report for the year ended 31 December 2021**

The Directors, as stated on page 1, present their directors' report and the audited financial statements of the Company for the year ended 31 December 2021.

**Principal activities**

The principal activity of the Company during the year was the supply of data broadcast Global Navigation Satellite Systems (GNSS) augmentation services for precise positioning applications primarily to the offshore oil and gas industry.

**Results and a dividend**

The Statement of Profit or Loss and Other Comprehensive Income for the year is set out on page 8. During the year, dividends of £5,200,000 was proposed and paid. (2020: Nil).

**Going concern**

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of these financial statements. The financial statements are prepared under the going concern basis of accounting as detailed in note 1 to the financial statements.

**Statement of Directors' responsibilities**

The directors are responsible for preparing the annual report and the group financial statements in accordance with applicable United Kingdom 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 International Financial Reporting Standards (IFRSs) in conformity with the Companies Act 2006.

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 Company and of the profit or loss for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's financial position and financial performance;
- state whether applicable IFRS in conformity with the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is appropriate to presume that the company will not 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.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, and directors' remuneration report that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

**Directors' Report for the year ended 31 December 2021 (continued)**

**Statement of Directors' responsibilities (continued)**

The directors confirm, to the best of their knowledge:

- that the financial statements, prepared in accordance with IFRSs in conformity with the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the company;
- that the annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face; and
- that they consider the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy.

**Disclosure of information to auditors**

So far as the Directors are aware, there is no relevant audit information of which the company's auditors are unaware. The Directors have taken all 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 auditors are aware of that information.

**Independent auditor**

The Company Directors have appointed Anderson Anderson & Brown Audit LLP as the independent auditors of the company following the previous auditors coming to the end of their tenure.

On behalf of the Board



S Hutchinson  
Director  
3 May 2022

**Strategic Report for the year ended 31 December 2021****Business Review**

In 2021, the Company's revenue was £8.5 million (2020: £8.6 million). Revenues have decreased compared to the prior year, primarily due to a contraction of oil and gas demand in the first half of the year due to the worldwide economic effects of the Coronavirus pandemic.

Net profit from operations for the year ended 31 December 2021 was £1.6 million (2020: £0.9 million) resulted in total comprehensive income attributable to the equity shareholders for the year of £0.5 million (2020: £7.1 million). The prior year income from the sale of an investment was the primary driver in the decrease in net operating profit and total comprehensive income attributable to the equity shareholders between the years. The depreciation and amortisation charge of £2.2 million (2020: £2.2 million) and employee benefits of £4.2 million (2020: £3.8 million) represent 29% and 55% respectively (2020: 27% and 46% respectively), of the total operating expense for the year of £7.6 million (2020: £8.3 million). Other operating expenses as a percentage of total operating expense increased by 29% (2020: 25%). Other income for the year was £0.64m (2020: £0.58). Net financial loss for the year was £0.4 million (2020: £0.2 million). The taxation charge for the year ended 31 December 2021 was £0.6 million (2020: £0.4 million).

During the year, research and development activities continued in relation to achieving more accurate positioning, faster convergence, and, the next generation of GNSS constellations.

The Directors are satisfied with the performance and results of the Company for the year.

**Principal risks and uncertainties**

The management of the business and the execution of the Company's strategy are subject to a number of risks. Key business risks and uncertainties affecting the Company are considered to relate to market pricing pressure and the potential entrance of competitors in the market place.

The Company's customer portfolio to whom it provides its services and products, is varied from large multinational companies to smaller independent companies. The smaller independent customers tend to carry a larger credit risk, however, together with the oil and gas markets seeing a slight downturn during the year, credit risk still affected all sizes of companies.

**Financial risk management policies**

The Company's operations potentially expose it to a variety of financial risks that include the effects of changes in currency exchange rates, credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects of these factors on the financial performance of the company.

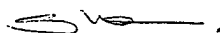
Details explaining the Company's financial risk management are described in note 2 to the financial statements.

**Future Outlook**

With the price of oil and gas increasing we have seen slight improvements in activity in the offshore markets in 2021 and we expect to see a further improvement in 2022 as economies fully open and oil prices stabilise at sustainable levels. The offshore wind market has cushioned some of the impact of the Oil and gas downturn and continues to show growth.

As the marine market starts to adopt autonomy, Veripos' technologies are well suited for this market with highly reliable products and services, we see future growth in this area.

On behalf of the Board



S Hutchinson  
Director  
3 May 2022

## **Independent Auditor's Report to the Members of Veripos Limited**

### **Opinion**

We have audited the financial statements of Veripos Limited (the 'Company') for the year ended 31 December 2021, which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, Statement of Cash Flows and the related notes 1 to 31, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; 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 Auditors' 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 United Kingdom, including the Financial Reporting Council'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 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 Auditors' 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.

## **Independent Auditor's Report to the Members of Veripos Limited (continued)**

### **Opinion 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.

### **Matters on which we are required to report by exception**

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.

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' responsibilities statement set out on page 2, 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.

### **Auditors' 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 Auditors' 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.

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:

We obtained an understanding of the legal and regulatory frameworks within which the Company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements.

The laws and regulations we considered in this context were the Companies Act 2006 and Taxation legislation.

We identified the greatest risk of material impact on the financial statements from irregularities including fraud to be:

- timing and completeness of revenue recognition;
- management judgements applied in impairment reviews of carrying values in the Company's investments;
- management judgements applied in the recognition and measurement of intangible assets;
- compliance with relevant laws and regulations which may impact on the financial statements; and
- management override of controls to manipulate the Company's key performance indicators to meet targets.

## Independent Auditor's Report to the Members of Veripos Limited (continued)

### Auditors' responsibilities for the audit of the financial statements (continued)

Our procedures to respond to these risks included:

- testing the timing and completeness of revenue;
- consideration and challenge of the assumptions applied in impairment reviews of carrying values in the Company's investments;
- challenge of the valuation and recognition of intangible assets held by the Company;
- reviewing areas of judgement and tested a sample of journal entries for indicators of management bias;
- reviewing internal documentation and correspondence for evidence of irregularities; and
- performing analytical procedures to identify any unusual or unexpected relationships which may be an indication of material misstatement due to fraud.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' 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 Auditors' 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.

*Anderson Anderson & Brown Audit LLP*

James Pirrie (Senior statutory auditor)  
for and on behalf of  
Anderson Anderson & Brown Audit LLP  
Statutory Auditor

Kingshill View  
Prime Four Business Park  
Kingswells  
Aberdeen  
AB15 8PU

Date:

*4<sup>th</sup> May 2022*

**Statement of Profit or Loss and Other Comprehensive Income**

For the year ended 31 December 2021

	Note	2021 £	2020 £
Rendering of services	4	7,098,244	7,701,379
Sale of goods	4	1,445,897	944,947
<b>Revenue</b>		<b>8,544,141</b>	<b>8,646,326</b>
Depreciation and amortisation	14,15	(2,222,491)	(2,234,011)
Depreciation – Lease Assets	16	(18,407)	(20,888)
Employee benefits	6	(4,205,837)	(3,824,323)
Other operating expenses		(2,238,490)	(2,037,489)
Administrative expenses		1,081,711	(198,017)
<b>Total operating expenses</b>		<b>(7,603,514)</b>	<b>(8,314,728)</b>
Other income from ordinary activities	10	638,993	581,192
<b>Net operating profit from ordinary activities</b>		<b>1,579,620</b>	<b>912,790</b>
Other income from sale of investments	19	-	6,717,310
<b>Net operating profit after sale of investments</b>		<b>1,579,620</b>	<b>7,630,100</b>
Net currency (loss)		(2,699,841)	(204,111)
Finance income	9	125,428	1,968
Investment income		2,176,642	-
<b>Net financial (loss)</b>		<b>(397,771)</b>	<b>(202,143)</b>
<b>Profit before tax</b>		<b>1,181,849</b>	<b>7,427,957</b>
Taxation expense	11	(646,012)	(365,208)
<b>Net income for the year, net of tax, attributable to equity shareholders</b>		<b>535,837</b>	<b>7,062,749</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year, net of tax, attributable to the equity shareholder</b>		<b>535,837</b>	<b>7,062,749</b>

All of the above activities relate to continuing operations.

**Statement of Financial Position**  
As at 31 December 2021

	Note	2021 £	2020 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	12	17,029,787	17,029,787
Investments	13	30,276,130	30,276,130
Other intangible assets	14	4,787,771	4,780,110
Property, plant and equipment	15	5,377,303	5,233,760
Right of Use Assets	16	22,087	37,537
		<b>57,493,078</b>	<b>57,357,324</b>
<b>Current assets</b>			
Inventories	17	2,267,166	1,095,978
Trade and other receivables	18	9,067,851	10,290,627
Loan Notes receivable		-	109,896,551
Cash and cash equivalents	19	112,634,193	5,990,597
		<b>123,969,210</b>	<b>127,273,753</b>
<b>TOTAL ASSETS</b>		<b>181,462,288</b>	<b>184,631,077</b>
<b>SHAREHOLDER'S EQUITY AND LIABILITIES</b>			
<b>Shareholder's equity</b>			
Share capital	20	4,000,001	4,000,001
Share premium	21	40,614,692	40,614,692
Other reserve	21	124,658,321	124,658,321
Retained earnings		6,917,336	11,581,499
<b>Total shareholder's equity</b>		<b>176,190,350</b>	<b>180,854,513</b>
<b>Non Current liabilities</b>			
Non Current Lease Liability	23	10,616	22,111
Deferred tax liability	24	680,000	293,000
Other payables	25	210,855	224,608
<b>Total non current liabilities</b>		<b>901,471</b>	<b>539,719</b>
<b>Current liabilities</b>			
Current Lease Liability	23	13,295	17,144
Trade and other payables	25	4,357,172	3,219,701
<b>Total current liabilities</b>		<b>4,370,467</b>	<b>3,236,845</b>
<b>TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES</b>		<b>181,462,288</b>	<b>184,631,077</b>

The financial statements were approved by the board of Directors on 3 May 2022 and were signed on its behalf by:

  
S Hutchinson  
Director

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

	Share capital £	Share premium £	Other capital reserve £	Retained earnings £	Total £
At 1 January 2021	4,000,001	40,614,692	124,658,321	11,581,499	180,854,513
Net profit for the year	-	-	-	535,837	535,837
Dividends paid	-	-	-	(5,200,000)	(5,200,000)
At 31 December 2021	4,000,001	40,614,692	124,658,321	6,917,336	176,190,350

	Share capital £	Share premium £	Other capital reserve £	Retained earnings £	Total £
At 1 January 2020	4,000,001	40,614,692	124,658,321	4,518,750	173,791,764
Net profit for the year	-	-	-	7,062,749	7,062,749
At 31 December 2020	4,000,001	40,614,692	124,658,321	11,581,499	180,854,513

**Statement of Cash Flows**  
For the year ended 31 December 2021

	Note	2021 £	2020 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	27	112,281,417	6,272,985
Finance income received	9	125,428	1,968
Taxation paid		(259,012)	(293,208)
Net cash generated from operating activities		112,147,833	5,981,745
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	15	(1,053,389)	(657,375)
Purchase of other intangible assets	14	(1,409,189)	(1,128,663)
Dividends received		2,176,642	-
Net cash (used) in investing activities		(285,936)	(1,786,038)
<b>Cash flows from financing activities</b>			
Equity dividends paid	22	(5,200,000)	-
Repayment of Lease Liabilities		(18,301)	(20,650)
Net cash used in financing activities		(5,218,301)	(20,650)
<b>Net increase in cash and cash equivalents</b>		106,643,596	4,175,057
<b>Cash and cash equivalents at beginning of year</b>		5,990,597	1,815,540
<b>Cash and cash equivalents at 31 December</b>	19	112,634,193	5,990,597

## Notes to the Financial Statements

### For the year ended 31 December 2021

#### 1 Summary of significant accounting policies

##### General information

The financial statements of Veripos Limited for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Board of Directors on 3 May 2022. The Company is a private company limited by share capital, incorporated in Scotland and domiciled in the United Kingdom. Its parent company is Hexagon Positioning Intelligence Limited and its ultimate parent company is Hexagon AB. The principal accounting policies adopted in the preparation of these financial statements are set out below.

##### Basis of preparation

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 as they apply to the financial statements of the Company for the year ended 31 December 2021.

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses during the period. The estimates and judgements which are most significant or complex are disclosed in note 3 to the financial statements.

The Company is a wholly owned subsidiary of Hexagon Positioning Intelligence Limited, (the "parent company"), a company incorporated in the UK. The ultimate parent company is Hexagon AB, a company incorporated in Sweden. The ultimate parent company's audited consolidated annual report and financial statements for the year ended 31 December 2021, are publicly available on Hexagon AB's website, [www.hexagon.com](http://www.hexagon.com). Hence in accordance with section 401 of the Company Act 2006, the Company is not required to prepare consolidated financial statements. These financial statements therefore present information about the Company as an individual undertaking and not about its Group.

##### Going concern

The Company's business activities, together with the factors likely to affect its future development and position are set out above in the strategic report. Forecasts are produced regularly along with any related sensitivity analysis to allow proactive management of any business risks including liquidity risk. Using these forecasts and sensitivities, the directors have no reason to believe that a material uncertainty exists that may cast significant doubt over the ability of the company to continue as a going concern. Based on their assessment of the company's financial position, the company's directors believe that the company will be able to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

##### Disclosure of impact of changes to existing standards

The Company has considered all new and amended IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for the year ending 31 December 2021.

The following standards were effective during the year, however, they had no material effect on the Company's financial statements at 31 December 2021:

- Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39 - Interest rate benchmark reform
- Amendment to IFRS 16 - Covid 19 related rent concessions beyond 30 June 2021

## Notes to the Financial Statements

### For the year ended 31 December 2021

#### 1 Summary of significant accounting policies (continued)

##### Disclosure of impact of future accounting standards

At the date of the authorisation of these financial statements, the company has not applied the following new, and revised, IFRS Standards that have been issued but are not yet effective.

Title	Effective Date	Date applicable to the Company
Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before intended use	1 January 2022	1 January 2022
Amendments to IFRS 3 – Reference to the Conceptual Framework	1 January 2022	1 January 2022
Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022	1 January 2022
IFRS 17 – Insurance Contracts	1 January 2023	1 January 2023
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be confirmed	To be confirmed
Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current	1 January 2023	1 January 2023
Annual improvements to IFRS Standards 2018-2020	1 January 2022	1 January 2022
Amendments to IAS 8 – Definition of Accounting Estimates	1 January 2023	1 January 2023
Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	1 January 2023
Amendments to IAS1 and IFRS Practice Statement 2 – Disclosure of Accounting policies	1 January 2023	1 January 2023

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the company in future periods.

##### Functional and presentation currency

The financial statements are presented in United Kingdom Pounds Sterling (£) which is the Company's functional and presentation currency, being the currency of the primary economic environment in which the Company operates.

##### Foreign currency translation

Foreign currency transactions are initially recorded at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

##### Goodwill

Goodwill arising in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

**Notes to the Financial Statements (continued)**

For the year ended 31 December 2021

**1 Summary of significant accounting policies (continued)****Goodwill (continued)**

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Company are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Company at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment determined in accordance with IFRS 8 'Operating Segments'.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Recoverable amounts are determined based on value in use calculations using discounted cash flow projections based on financial budgets approved by senior management. The discount rate applied to the cash flow projections is the Company's cost of capital at the impairment test date, adjusted for an appropriate margin and risk factors. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment charge is recognised. Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

**Research and development expenditure**

Expenditure for research is expensed as incurred, while expenditure for development is capitalised as follows: Capitalisation of development expenses in the Company are only applied where significant development costs are involved, where the products have a probable earnings potential that the Company may benefit from, and the costs are clearly distinguishable.

**Intangible assets**

An internally generated intangible asset arising from the Company's software development is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally generated intangible assets are amortised on a straight-line basis over its estimated useful life of five years. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over its estimated useful life of 10 years. The estimated useful life is reviewed at the end of each reporting period.

**Investment in Subsidiaries**

Subsidiaries are entities over which the Company generally controls more than 50% of the entity's issued and outstanding voting shares and has the ability to control the operating and financial policies. Details of the subsidiary's financial statements are included within the Company's consolidated financial statements from the date that control is established. The subsidiary's financial statements are deconsolidated from the date that control is ended.

**Notes to the Financial Statements (continued)**

For the year ended 31 December 2021

**1 Summary of significant accounting policies (continued)****Investment in Subsidiaries (continued)**

The purchase method is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, liabilities incurred or assumed as of the date of the purchase and costs incurred that are attributed to such acquisition. Any excess of the cost of the acquisition over the share of the fair value of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of identifiable net assets acquired, then the amount is recognised currently in the income statement.

**Property, plant and equipment**

Property, plant and equipment are stated at initial cost including any directly related costs of acquisition, less accumulated depreciation and accumulated impairment losses. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation is provided on all property, plant and equipment on a straight line basis over the useful life of the assets as follows:

Land	Indefinite useful life
Buildings	40 years
Communications infrastructure	3 - 5 years
Rental equipment	3 - 5 years
Furniture & Fittings	3 - 5 years
IT Equipment	3 - 5 years

Assets under construction are carried at cost, less any recognised impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

Upon retirement or disposal of property, plant and equipment, the costs and related accumulated depreciation are derecognised and any gain or loss arising (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Comprehensive Income.

**Inventories**

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for using the weighted average cost basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to conclude the sale.

**Financial instruments**

The company applies IFRS 9 Financial Instruments.

*Classification*

The company has financial assets in one sole category, those that are measured at amortised cost. Classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

*Measurement*

Financial assets are measured at amortised cost. Gains or losses when financial assets are derecognised or impaired are recognised in profit or loss. Interest income is classified as financial income.

The Company's financial assets include cash and short-term deposits, loans and trade and other receivables (see Note 19 and Note 18 respectively). There is no difference in the carrying amount and fair value amount of the company's financial assets as at 31 December 2021 and 31 December 2020.

**Notes to the Financial Statements (continued)**

For the year ended 31 December 2021

**1 Summary of significant accounting policies (continued)****Financial instruments (continued)***Impairment*

The company estimates on a forward-looking basis expected loss from financial assets measured at amortised cost. The applied methodology for impairment depends on if there is a significant increase in credit risk. Credit risk is the risk that counterparts may be unable to fulfil their payment obligations.

Financial credit risk arises when investing the cash and cash equivalents. To reduce the company's financial credit risk, surplus cash is only invested with a reputable approved bank.

Credit risk also includes the risk that customers will not pay receivables that the company has invoiced or intends to invoice. For customer receivables, the company applies the simplified methodology in calculating expected credit losses (ECLs). To measure the expected losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales and the corresponding historical losses. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivable amount. Trade receivables are written off when there is no reasonable expectation of recovery. Impairment losses are presented within operating profit. Any recoveries of amounts previously written off are credited against the same line item.

**Revenue recognition**

Revenues arise from either the sale of equipment, the rental of GNSS receivers or the supply of GNSS signals and corrections from the Company's network reference stations. Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer.

*Sale of goods*

Revenue from the sale of equipment is recognised when the signed contract has been agreed and the equipment delivered.

*Rendering of services*

Revenue from the rental of GNSS receivers is recognised when the signed contract has been agreed, over the period stipulated in the signed rental agreement, and based on a fixed daily or monthly rate. Revenue from the supply of GNSS signals and corrections is recognised when the signed contract has been agreed, at an agreed predetermined daily/monthly or annual usage rate and recognised over time. The transaction price is allocated to the service as a contract liability at the time of the initial sales transaction and is released on a straight-line basis over the period of service.

The company becomes entitled to invoice customers for the rental of GNSS receivers and the supply of GNSS signals when the contract commences, and when the service is received from the customer. The company will recognise a contract asset for any service received but not billed and is reclassified to trade receivables at the point at which it is invoiced to the customer.

**Taxation***Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

*Deferred tax*

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

**Notes to the Financial Statements (continued)**  
For the year ended 31 December 2021**1 Summary of significant accounting policies (continued)***Deferred tax (continued)*

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

*Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

**Notes to the Financial Statements (continued)**  
**For the year ended 31 December 2021****1 Summary of significant accounting policies (continued)****Leases**

All leases are accounted for under the Company's IFRS 16 policy whereby small value lease payments are recognised as an expense on a straight-line basis in the income statement over the lease term, and all other leases in excess of GBP equivalent of USD 5,000 are accounted for under IFRS 16 rules.

**Employee benefits**

The company operates a defined contribution plan for its employees. Contributions for the plan are expensed as incurred.

**2 Financial risk management**

The Company's activities expose it to a variety of financial risks. The Company has in place risk management policies that seek to limit the adverse effects of these risks in its financial performance. The Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management framework. The responsibility for managing and monitoring the day-to-day financial risks is delegated to the Vice President (VP) of Finance & Admin. The risk management policies are implemented by the VP who receives regular reports from all the operating companies to enable prompt identification of financial risks so that appropriate action may be taken.

*(a) Foreign exchange risk*

The Company is exposed to foreign exchange risk arising on transactions that are denominated in a currency other than the functional currency of the Company.

The VP selectively manages significant exposures to potential foreign exchange losses considering current market conditions, future operating activities and the associated cost in relation to the perceived risk of loss. No currency derivative instruments are entered into by the Company or in the Company's name.

As an example of the foreign exchange risk faced, at 31 December 2021, if United Kingdom pounds had strengthened by 10% against US Dollars with all other variables held constant, net profit attributable to equity shareholder's and correspondingly, total shareholder's equity would have been £1,119,657 lower (2020: £10.67 million lower), mainly as a result of foreign exchange losses on the remeasurement of United States dollar denominated receivables, payables and cash and cash equivalents.

*(b) Cash flow and fair value interest rate risk*

The Company has no long-term borrowings and therefore no significant interest rate risk. The Company has no significant interest-bearing assets other than the cash and cash equivalents mentioned above, therefore the Company's income and operating cash flows are substantially independent of changes in market interest rates. Cash and cash equivalents are invested for short maturity periods which mitigates the potential interest rate risk.

*(c) Credit risk*

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable. Cash and cash equivalents, primarily composed of deposits and investments in money market funds, are maintained with a major financial institution. The Company performs ongoing credit evaluations and generally does not require collateral from its customers.

**Notes to the Financial Statements (continued)**  
**For the year ended 31 December 2021**

**2 Financial risk management (continued)**

*Concentration of counterparty risk*

At 31 December 2021, 100% of cash and cash equivalents were included within the ultimate parent company's Group Treasury cash pool.

The table below shows the concentration of trade receivables counterparty risk at the balance sheet date by ranking customers by size of receivable balance at the balance sheet date. Further details of the evaluation of counterparty risk are set out in note 18.

	2021 £	2020 £
Total receivables from customers ranked 1-5	1,774,054	853,578
Total receivables from customers ranked 6-10	254,946	167,052
Total receivables from customers ranked 11-15	132,872	116,459
Total receivables from other customers	251,803	337,582
	2,413,675	1,474,671

*(d) Liquidity risk*

The Company actively maintains a mixture of facilities that are designed to ensure the Company has sufficient available funds for operations and planned expansions.

At 31 December 2021 the Company's financial liabilities of £4,357,172 (2020: £3,219,701) were due to be settled on a net basis within less than one year of the balance sheet date. The amounts disclosed are the contractual undiscounted cash flows.

*Capital risk management*

The objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure the Company may, amongst other things, adjust the amount of dividends paid to the shareholder, issue new shares, repurchase existing shares, or sell assets to reduce debt. There were no changes to the Company's approach to capital management in the year.

Capital for the Company is total shareholder's equity and is detailed in the Company's Statement of Changes in Shareholder's Equity on page 10.

**3 Critical accounting estimates and judgements**

The most important estimates and judgements are discussed below. Estimates and judgements are continually evaluated and are based on historical experience and other factors management believe to be reasonable under the circumstances.

*Fair value estimation*

The carrying value of the Company's financial instruments, including trade and other receivables and trade and other payables, approximates fair value because of their short maturities. The Company's financial assets and financial liabilities as at the balance sheet date are classified as loans and receivables and other financial liabilities respectively.

The company monitors the recoverability of trade receivables and contract asset balances for expected credit losses on a monthly basis. The company has not provided detailed information on how the determination of ECLs has been made because the impact is not significant. There are currently no ECLs forecast or provided for. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the

**Notes to the Financial Statements**  
For the year ended 31 December 2021

**3 Critical accounting estimates and judgements (continued)**

period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future period.

*Goodwill carrying value*

An impairment review has been performed for all goodwill balances held by the Company on a cash generating unit basis. The impairment review is performed on a value-in-use basis which requires estimation of future net operating cash flows and the time period over which they will occur. Further details relating to the impairment review can be found in note 12.

*Investments carrying value*

An impairment review of investments in subsidiaries has been performed by the company. Determining whether investments are impaired requires an estimation of the recoverable amount, which requires estimation of future cash flows and a suitable discount rate in order to calculate the present value. During the year, after conducting an impairment review, management concluded that there was no impairment of investments.

*Communications infrastructure and rental equipment*

Communications infrastructure and rental equipment are recorded at cost, and depreciation is recorded on a straight-line basis over the useful lives of the assets. Management uses its experience to estimate the remaining useful life of assets.

**4 Revenue**

*Major product or service lines*

The company derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time for the following revenue types:

	2021 £	2020 £
Signal services	6,370,701	7,032,574
Equipment sales	1,445,897	944,947
Rental services	574,949	532,519
Other revenue	152,594	136,286
	<u>8,544,141</u>	<u>8,646,326</u>

<i>Timing of transfer of goods or services:</i>	2021 £	2020 £
At a point in time	1,598,491	1,081,233
Over time	6,945,650	7,565,093
	<u>8,544,141</u>	<u>8,646,326</u>

*Contract liabilities:*

Information about contract liabilities from contracts with customers is disclosed as follows:

	As at 31 December 2021 £	As at 31 December 2020 £
Contract liabilities - Signal services	<u>1,519,273</u>	<u>1,273,788</u>

**Notes to the Financial Statements (continued)**  
For the year ended 31 December 2021

**4 Revenue (continued)**

*Contract liabilities (continued)*

Contract liabilities primarily relate to the Company's obligation to transfer services to customers for which the Company has received advances from the customer for signal services. Contract liabilities are recognised as revenue as the Company performs under the contract.

*Transaction price allocated to remaining performance obligation*

The aggregate amount of the transaction price allocated to the unsatisfied performance obligations as at 31 December 2021 is £1,519,273.

The Company expects to recognise £1,507,856 as revenue relating to the transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligation as at 31 December 2021, in financial year 2022, £6,300 in financial year 2023 and £5,117 beyond financial year 2024.

*Revenue by geographical region*

Revenue by geographical region for the Company is as follows:

	UK £	Norway £	Europe £	Rest of World £	Total £
2021					
Revenue	3,319,242	1,335,219	1,656,104	2,233,576	8,544,141
	UK £	Norway £	Europe £	Rest of World £	Total £
2020					
Revenue	3,024,653	1,730,779	1,692,261	2,198,633	8,646,326

**5 Remuneration of Directors' and key management personnel**

The remuneration of directors and other members of key management personnel during the year was as follows:

	2021 £	2020 £
Aggregate remuneration	416,690	396,595
Long term incentive scheme	192,556	216,138
Company pension contributions to defined contributions schemes	33,814	32,387
	643,060	645,120

Remuneration of the highest paid director is shown below:

	2021 £	2020 £
Aggregate remuneration	150,793	137,294
Long term incentive scheme	68,172	82,212
Company pension contributions to defined contributions schemes	12,237	11,156
	231,202	230,662

The pension contributions relate to three directors (2020: three directors), and nil key management personnel (2020: nil).

**Notes to the Financial Statements (continued)**  
For the year ended 31 December 2021

**6 Staff Costs and Employee benefits**

Employee costs during the year (including directors) amounted to:

	2021 £	2020 £
Wages and salaries	5,064,206	5,266,274
Social Security	635,107	574,566
Other staff costs	150,975	156,967
Other pension costs	390,516	371,164
Recharged to fellow subsidiary NovAtel Inc and to parent company Hexagon AB	(801,042)	(1,570,121)
Capitalised Employee costs (Note 14)	(1,233,925)	(974,527)
	<b>4,205,837</b>	<b>3,824,323</b>

The average monthly number of staff employed by the company was as follows:

	2021 No	2020 No
EAME Region	67	65
NovAtel Inc	8	13
Hexagon AB	1	1
	<b>76</b>	<b>79</b>

**7 Auditor's remuneration**

	2021 £	2020 £
Fees payable to the auditor for the audit of the Company's annual accounts	19,000	58,000

Note £34,007 of the 2020 audit fees were recharged to other group companies.

No fees were paid for other services (2020: £nil).

**8 Research and development costs**

	2021 £	2020 £
Research costs expensed as incurred	1,416,564	1,684,730

**9 Finance income and expense**

	2021 £	2020 £
Interest payable on lease assets	(988)	(1,423)
Interest receivable on bank deposits	4,351	3,391
Interest receivable on loan notes	122,065	-
<b>Total finance income</b>	<b>125,428</b>	<b>1,968</b>

**Notes to the Financial Statements (continued)**

For the year ended 31 December 2021

**10 Other Income from ordinary activities**

Other income primarily relates to intercompany mark up from other related entities within the Veripos Group and from the related fellow subsidiary, NovAtel Inc. The income is recognised at an agreed mark-up rate on a monthly basis.

**11 Taxation**

	2021 £	2020 £
Current tax:		
UK corporation tax charge for the year	247,000	206,000
Adjustments in respect of prior years	(61,897)	8,383
Overseas taxation	73,909	78,825
	259,012	293,208
Deferred tax (note 25)	230,000	72,000
Adjustments in respect of prior years (note 25)	157,000	-
	387,000	72,000
<b>Total taxation per Statement of Profit or Loss and Other Comprehensive Income</b>	<b>646,012</b>	<b>365,208</b>

The charge for the year can be reconciled to the profit for the year per the Statement of Profit or Loss and Other Comprehensive Income as follows:

	2021 £	2020 £
Profit before taxation	1,181,849	7,427,957
Profit on ordinary activities at the standard UK rate of 19% (2020: 19%)	224,551	1,411,312
Effects of:		
Non-taxable income	(413,562)	(1,276,289)
Non-deductible expenditure	515,102	-
Overseas tax	73,909	78,825
Adjustments to tax in respect of prior periods	95,103	8,383
Impact of rate changes	(142,270)	-
Taxable R&D expenditure credit	247,000	206,000
Group relief for nil payment	46,179	(63,023)
<b>Total taxation</b>	<b>646,012</b>	<b>365,208</b>

**12 Goodwill**

	2021 £	2020 £
Cost and net book value at 31 December	17,029,787	17,029,787

As part of a scheme of reconstruction within the Subsea 7 Inc. group of companies, the Company acquired the trade and assets of the part of the Veripos business previously owned by Subsea 7 Limited on 31 July 2009, this gave rise to goodwill on acquisition of the trade and assets of £17,029,787.

The carrying amount of goodwill has been allocated for impairment testing purposes to the following cash generating units; Veripos Limited and all immediate subsidiary companies of Veripos Limited.

The Company performed its annual impairment test as at 31 December 2021. The recoverable amount of the cash-generating unit (CGU) has been determined based on a value in use calculation using cash flow projections approved by senior management. The discount rate applied to the post-tax cash flow projections was 8.9% (2020: 8.5%) and

**Notes to the Financial Statements (continued)**  
**For the year ended 31 December 2021**

**12 Goodwill (continued)**

forecasting for a 5 year period using forecasted growth rates of between 4.0%-35.0% (2019: 6.0-20.3%) for these 5 years and then extrapolated using a 2% growth rate.

The calculation of value in use is most sensitive to the following assumptions:

- Market share during the year;
- Gross margins;
- Discount rates; and
- Growth rate used to extrapolate cash flows.

*Market share assumptions*

The assumption is important because management assesses how much of the available work will be won by the CGU, relative to its competitors.

*Gross margins*

Gross margins are based on average margins achieved historically and in the current period and management's expectations.

*Discount rates*

Discount rates reflect the current market assessment of the risks specific to the CGU. The discount rate was estimated based on the average percentage of a weighted average cost of capital for the Company.

*Growth rate estimates*

For the purposes of these calculations the long-term rate used to extrapolate the budget is 2%. This is the expectation for long-term growth of the data broadcast and navigation satellite systems service sector and reflects the current market conditions.

*Sensitivity to changes in assumptions*

A sensitivity analysis including all key assumptions is performed and management believe that no reasonable change in any of the above key assumptions would cause the carrying value to materially exceed the recoverable value. The performed sensitivity analysis demonstrates that the value of goodwill is supportable, even if the discount rate is marginally increased or if the growth rate after the forecast period is marginally decreased.

*Growth rate assumptions*

Management recognises that the speed of technological change, the downturn in the oil and gas industry as a result of the worldwide covid pandemic, and the possibility of new entrants can have a significant impact on growth rate assumptions. The effect of the covid pandemic and new entrants is not expected to have a significant adverse impact on the forecasts included in the budget but could yield a reasonably possible alternative to the estimated long-term growth rate.

**13 Investments**

	2021 £	2020 £
Shares in subsidiary undertakings	30,276,130	30,276,130

Note 33 details shareholdings and subsidiary details prior to and subsequent to the sale of subsidiary stated below.

An impairment review has been performed for investments held by the Company. The impairment review is performed on a value-in-use basis which requires estimation of future net operating cash flows and the time period over which they will occur. Using the same CGU growth assumptions for the group as mentioned in Note 12 Goodwill,

**Notes to the Financial Statements (continued)**  
For the year ended 31 December 2021

**13 Investments (continued)**

The carrying value of the investments was not impaired. A sensitivity analysis including all key assumptions was performed and management believe that no reasonable change in any of the key assumptions would cause the carrying value to materially exceed the recoverable value. The performed sensitivity analysis demonstrates that the value of the investments is supportable, even if the discount rate is marginally increased or if the growth rate after the forecast period is marginally decreased.

**14 Other intangible assets**

2021	Internal Capitalised Development Time £	Software £	Total £
Cost			
At 1 January 2021	4,275,510	8,215,277	12,490,787
Additions in the year	1,233,925	175,264	1,409,189
Disposals	-	(47,416)	(47,416)
At 31 December 2021	5,509,435	8,343,125	13,852,560
Accumulated Amortisation			
At 1 January 2021	(2,172,936)	(5,537,741)	(7,710,677)
Charge for the year	(815,289)	(569,927)	(1,385,216)
Disposals	-	31,104	31,104
At 31 December 2021	(2,988,225)	(6,076,564)	(9,064,789)
Net book value at 31 December 2021	2,521,210	2,266,561	4,787,771

The amount of capitalised development costs at Note 6 includes amounts recharged to a subsidiary company.

2020	Internal Capitalised Development Time £	Software £	Total £
Cost			
At 1 January 2020	3,300,983	8,061,141	11,362,124
Additions in the year	974,527	154,137	1,127,663
At 31 December 2020	4,275,510	8,215,277	12,490,787
Accumulated Amortisation			
At 1 January 2020	1,442,759	4,831,724	6,274,483
Charge for the year	730,177	706,018	1,436,194
At 31 December 2020	2,172,936	5,537,741	7,710,677
Net book value at 31 December 2020	2,102,572	2,677,536	4,780,110

The amount of capitalised development costs at Note 6 includes amounts recharged to a subsidiary company.

**Notes to the Financial Statements (continued)**  
For the year ended 31 December 2021

**15 Property, plant and equipment**

<b>2021</b>	Land £	Building £	Fixtures & fittings £	IT equipment £	Communication infrastructure £	Rental equipment £	Total £
<b>Cost</b>							
At 1 January 2021	450,802	3,507,088	200,016	255,065	20,635,814	3,342,372	28,391,157
Additions at cost	-	-	56,203	235,508	108,629	653,049	1,053,389
Disposals	-	-	-	-	-	(188,298)	(188,298)
At 31 December 2021	450,802	3,507,088	256,219	490,573	20,744,443	3,807,123	29,256,248
<b>Accumulated Depreciation</b>							
At 1 January 2021	-	(552,776)	(200,016)	(247,615)	(19,424,946)	(2,732,044)	(23,157,397)
Charge for the year	-	(87,676)	(3,245)	(40,304)	(381,106)	(324,944)	(837,275)
Disposals	-	-	-	-	-	115,727	115,727
At 31 December 2021	-	(640,452)	(203,261)	(287,919)	(19,806,052)	(2,941,261)	(23,878,945)
Net book value at 31 December 2021	450,802	2,866,636	52,958	202,654	938,391	865,862	5,377,303
<b>2020</b>							
	Land £	Building £	Fixtures & fittings £	IT equipment £	Communication infrastructure £	Rental equipment £	Total £
<b>Cost</b>							
At 1 January 2020	450,802	3,507,088	200,016	255,065	20,279,437	3,284,441	27,976,849
Additions at cost	-	-	-	-	356,377	300,998	657,375
Disposals	-	-	-	-	-	(243,067)	(243,067)
At 31 December 2020	450,802	3,507,088	200,016	255,065	20,635,814	3,342,372	28,391,157
<b>Accumulated Depreciation</b>							
At 1 January 2020	-	(465,094)	(200,016)	(217,586)	(19,062,920)	(2,530,423)	(22,476,039)
Charge for the year	-	(87,682)	-	(30,029)	(362,026)	(318,080)	(797,817)
Disposals	-	-	-	-	-	116,459	116,459
At 31 December 2020	-	(552,776)	(200,016)	(247,615)	(19,424,946)	(2,732,044)	(23,157,397)
Net book value at 31 December 2020	450,802	2,954,312	-	7,450	1,210,868	610,328	5,233,760

**Notes to the Financial Statements (continued)**  
For the year ended 31 December 2021

**16 Right of Use Assets**

<b>2021</b>	<b>Real Estate £</b>	<b>Vehicles £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 January 2021	64,881	9,216	74,097
Remeasurements	89	2,868	2,957
Additions in the year	-	-	-
Disposals	-	-	-
<b>At 31 December 2021</b>	<b>64,970</b>	<b>12,084</b>	<b>77,054</b>
<b>Accumulated Depreciation</b>			
At 1 January 2021	(29,188)	(7,372)	(36,560)
Charge for the year	(14,654)	(3,753)	(18,407)
Disposals	-	-	-
<b>At 31 December 2021</b>	<b>(43,842)</b>	<b>(11,125)</b>	<b>(54,967)</b>
<b>Net book value at 31 December 2021</b>	<b>21,128</b>	<b>959</b>	<b>22,087</b>

**Amounts Recognised in Profit & Loss**

	<b>Real Estate £</b>	<b>Vehicles £</b>	<b>Total £</b>
Depreciation Expense	14,654	3,753	18,407
Interest expense	961	27	988

<b>2020</b>	<b>Real Estate £</b>	<b>Vehicles £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 January 2020	80,650	9,216	89,866
Additions in the year	-	-	-
Disposals	(15,769)	-	(15,769)
<b>At 31 December 2020</b>	<b>64,881</b>	<b>9,216</b>	<b>74,097</b>
<b>Accumulated Depreciation</b>			
At 1 January 2020	(18,536)	(3,686)	(22,222)
Charge for the year	(21,822)	(3,686)	(25,508)
Disposals	11,170	-	11,170
<b>At 31 December 2020</b>	<b>(29,188)</b>	<b>(7,372)</b>	<b>(36,560)</b>
<b>Net book value at 31 December 2020</b>	<b>35,693</b>	<b>1,844</b>	<b>37,537</b>

**Notes to the Financial Statements (continued)**

For the year ended 31 December 2021

**16 Right of Use Assets (continued)****Amounts Recognised in Profit & Loss**

2020	Real Estate £	Vehicles £	Total £
Gross Depreciation Expense	21,822	3,686	25,508
Offset from Sub-letting Right of Use Asset	(4,620)	-	(4,620)
Net Depreciation Expense	17,202	3,686	20,888
Gross Interest expense	1,626	122	1,748
Offset from subletting Right of Use Asset	(325)	-	(325)
Net Interest Expense	1,301	122	1,423

Note: Veripos Ltd leases a room in a building at Hexagon House from Hexagon Business Centres in which NovAtel company employees operate out of. NovAtel is a peer group company. The associated depreciation and interest calculated monthly is recharged to NovAtel and recorded as negative expense in the respective accounts.

In addition to the above, Veripos Ltd has charged the following low value and short-term lease expenses as operating leases in the profit and loss statement as they do not meet the company's criteria for Right of Use Assets:

## Low Value Leases:

Photocopier Lease	7,106
Franking Machine Lease	456

The total cash outflow for leases amounted to £19,289 (2020: £26,258) for Right of Use Assets and £7,562 (2020: £8,370) in respect of Operating Leases.

**17 Inventories**

	2021 £	2020 £
Equipment	2,267,166	1,095,978

The amount of inventories recognised as an expense in the year was £414,567 (2020: £233,500) which is recognised in other operating expenses.

**Notes to the Financial Statements (continued)**  
For the year ended 31 December 2021

**18 Trade and other receivables**

	2021 £	2020 £
Trade receivables	2,374,746	1,426,626
Amounts owed by fellow subsidiary undertakings	5,157,559	6,659,665
Amounts owed by fellow subsidiaries of immediate parent company	412,579	187,313
Amounts receivable from ultimate parent company	2,949	2,200
Accrued income	160,842	168,870
Prepayments	640,594	1,672,048
Other receivables	318,582	173,905
	9,067,851	10,290,627

The fair value of trade and other receivables approximate their carrying values due to the short period of time to maturity.

At 31 December 2021 trade receivables of £38,929 (2020: £48,045) were considered to be impaired. These receivables are a combination of individual balances which are assessed by management to be at risk of default and other receivables which are considered as a homogenous group and impaired based on the age of the balances. The amount of the provision was also £38,929 (2020: £48,045).

The movements in the Company provision for impairment of trade receivables were as follows:

	2021 £	2020 £
At 1 January	(48,045)	(31,066)
Recovered during the year	16,922	479,220
Written off during the year	55,984	-
Provision for impairment	(63,790)	(496,199)
At 31 December	(38,929)	(48,045)

At 31 December 2021, total trade receivables of £2,374,746 (2020: £1,426,626) were due, of which £789,525 (2020: £1,024,791) were past due but not impaired. The receivables relate to customers for whom there is no recent history of default.

The ageing of these receivables was as follows:

	2021 £	2020 £
Less than 3 months	2,096,873	1,048,486
Between 3 and 6 months	272,329	290,922
Greater than 6 months	5,544	87,218
	2,374,746	1,426,626

**Notes to the Financial Statements (continued)**  
For the year ended 31 December 2021

**18 Trade and other receivables (continued)**

The carrying amounts of the Company's trade receivables were denominated in the following currencies:

	2021 £	2020 £
United Kingdom Pounds	1,282,327	512,440
United States Dollars	1,006,877	821,015
Euros	73,184	86,055
Norwegian Kroner	12,358	7,116
	2,374,746	1,426,626

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Company does not hold any collateral as security.

**19 Cash and cash equivalents**

	2021 £	2020 £
Cash at bank and in hand	112,634,193	5,990,597

**20 Share capital**

The Company's authorised share capital consists of 4,000,001 ordinary shares of £1 each. The Company's allotted, called up and fully paid share capital is as follows:

	2021 £	2020 £
4,000,001 ordinary shares of £1 each	4,000,001	4,000,001

**21 Reserves**

	Share premium £	Other capital reserve £	Total £
At 1 January 2021	40,614,692	124,658,321	165,273,013
At 31 December 2021	40,614,692	124,658,321	165,273,013

*Share premium*

Share premium represents the minimum share premium recorded in accordance with section 611, group reconstruction relief provisions of the Companies Act 2006.

*Other capital reserve*

The other capital reserve was established to record the difference between the fair value of the assets and liabilities acquired in the business combination and their previous net book values within the Subsea 7 Inc. group. This reserve is recorded in accordance with the section 611 group reconstruction relief provisions of Companies Act 2006. Other capital reserves also comprises of prior period capital contributions made to the company.

**Notes to the Financial Statements (continued)**  
For the year ended 31 December 2021

**22 Dividends**

Total dividends of £5,200,000 (£1.30 per share) were declared and paid by Veripos Limited during 2021 to its parent company Hexagon Positioning Intelligence Limited. (2020: £nil).

**23 Lease Liabilities**

Lease Commitments under IFRS 16

	2021 £	2020 £
Opening Balance of commitments at 1 January	39,255	69,124
Accretion of Interest	988	1,748
Payments	(16,332)	(31,617)
Closing Balance of commitments at 31 December	23,911	39,255

Refer to Note 16 for amounts recognised in Profit and Loss.

Lease commitments fall due as follows:

	2021 £
Within one year	13,295
Years two to five inclusive	10,616
	23,911

Veripos Ltd does not face a significant liquidity risk with regard to its future lease liabilities.

**24 Deferred tax**

The movements in deferred tax assets and liabilities during the period, prior to any offset of balances within the same jurisdiction, are shown below. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and the taxes relate to the same fiscal authority.

The movement on the deferred tax liability is shown below:

	2021 £	2020 £
As at 1 January	293,000	221,000
Debit to the statement of comprehensive income (note 11)	230,000	72,000
Adjustments in respect of prior years (note 11)	157,000	-
<b>At 31 December</b>	<b>680,000</b>	<b>293,000</b>

All deferred tax balances are in respect of accelerated tax depreciation.

**Notes to the Financial Statements (continued)**  
For the year ended 31 December 2021

**25 Trade and other payables**

	2021 £	2020 £
Trade payables	100,999	312,512
Amounts owed to fellow subsidiary undertakings	137,131	27,902
Amounts owed to ultimate parent company	2,507	-
Amounts owed to fellow subsidiaries of immediate parent company	55,709	248,696
Amounts owed to fellow subsidiaries of ultimate parent company	764,551	48,866
Accruals and deferred income	2,676,142	2,391,510
Other payables	620,133	190,215
	<b>4,357,172</b>	<b>3,219,701</b>

**Non-current liabilities**

	2021 £	2020 £
Other payables included in Non-current Liabilities	210,855	224,608

Other payables included in Non-current liabilities will be settled within 3 years.

**26 Capital and other financial commitments**

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2021 £	2020 £
Infrastructure upgrades	239,195	10,753

**27 Cash flow from operating activities**

Reconciliation of net profit to net cash generated from operating activities:

	2021 £	2020 £
Net profit attributable to the equity shareholder	535,837	7,062,749
Adjustments for:		
Profit on Sale of Investment	-	(6,717,310)
Taxation charge	646,012	365,208
Loss on sale of tangible fixed assets	88,883	126,609
Dépreciation	837,275	797,816
Amortisation	1,385,216	1,436,194
Dépreciation of right-of-use assets	18,407	20,888
Investment income	(2,176,642)	-
Finance income	(125,428)	(1,968)
Decrease in inventories	(1,171,188)	52,657
Decrease in trade and other receivables	111,119,327	2,826,638
Increase in trade and other payables	1,123,718	303,504
<b>Cash generated from operations</b>	<b>112,281,417</b>	<b>6,272,985</b>

**Notes to the Financial Statements (continued)**

For the year ended 31 December 2021

**28 Related party transactions**

The following tables provide the total value of transactions which have been entered into with related parties for the relevant financial period as well as outstanding balances at the period end. Transactions were at arm's length and in the ordinary course of business. Amounts owed by and due to related companies are unsecured, interest-free and repayable under normal trading terms and to be settled in cash.

	Sales/Recharge of services to related parties £	Purchases/ Recharge of Services from related parties £	Interest receivable from related parties £	Amounts owed by related parties £	Amounts owed to related parties £
<b>2021</b>					
Other subsidiary undertakings of the Veripos group	7,539,166	980,439	-	5,145,559	137,131
Fellow subsidiary undertakings of the immediate parent company	2,642,765	2,134,903	-	412,579	721,086
Immediate parent company	-	-	-	-	-
Ultimate parent company	30,489	65,566	4,349	2,949	2,507
Fellow subsidiary undertakings of the ultimate parent company	-	595,679	-	-	34,121
<b>2020</b>					
Other subsidiary undertakings of the Veripos group	6,917,541	832,250	-	7,073,897	38,100
Fellow subsidiary undertakings of the immediate parent company	2,217,303	2,170,596	-	187,313	248,696
Immediate parent company	3,000	-	-	-	-
Ultimate parent company	23,313	71,652	3,372	2,200	-
Fellow subsidiary undertakings of the ultimate parent company	3,000	451,895	-	109,896,551	34,494

**Notes to the Financial Statements (continued)**  
For the year ended 31 December 2021

**29 Post balance sheet events**

There were no post balance sheet events to disclose.

**30 Ultimate and immediate parent undertaking and controlling party**

At 31 December 2021, the immediate parent company of Veripos Limited was Hexagon Positioning Intelligence Limited, registered at Cedar House, 78 Portsmouth Road, Cobham, KT11 1AN, United Kingdom.

At 31 December 2021, the ultimate parent company of Veripos Limited was Hexagon AB, registered at Lilla Bantorget 15, P.O. Box 3692, SE – 103 59 Stockholm, Sweden. The audited consolidated financial statements of Hexagon AB can be obtained from [www.hexagon.com](http://www.hexagon.com).

**31 Shares in subsidiaries**

Details of the Company's subsidiaries as at 31 December 2021 and prior year were as follows:

<b>Name of Subsidiary</b>	<b>Registered Office</b>	<b>Proportion of ownership interest held by Group (All shares held are of one class)</b>
Veripos Brasil Ltda	Avenida dos Bandeirantes, nº 2600 Salas 101 ate 110 Reduto da Paz, 28897-060 Rio das Ostras – RJ, Brazil	100%
Terrastar GNSS Limited	Veripos House, 1B Farburn Terrace, Dyce, Aberdeen, AB21 7DT, Scotland, UK	100%
Veripos Singapore Pte Ltd	1 Coleman Street #10-07, The Adelphi, Singapore 179803	100%
Veripos (Australia) Pty Ltd	35 Hay Street, Subiaco WA 6008 Australia	100%

The company also has a 25% investment in Veripos de Mexico S.de.R.L.de C.V, a company incorporated in Mexico. Registered address at Ave. Patriotismo N.587 4To Piso, Col. Noche Buena, 03901, Benito Juarez D.F., Mexico City, Mexico