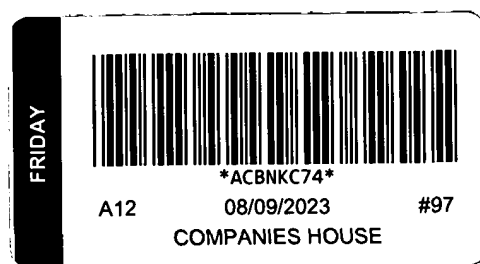

UBISENSE LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**



UBISENSE LIMITED

COMPANY INFORMATION

Directors	Darren Taylor Chris Shannon
Registered number	04489603
Registered office	St. Andrew's House St. Andrew's Road Cambridge Cambridgeshire CB4 1DL
Independent auditors	MHA, Statutory Auditor 2 London Wall Place London EC2Y 5AU

UBISENSE LIMITED

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UBISENSE LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

Incorporation and principal activities

Ubisense Limited ('the Company') was incorporated on 18 July 2002, the primary activity of which is to transform physical spaces into smart spaces where software connects naturally to the real world, empowering people and revolutionising business processes.

We work with OEM and Tier 1 Aerospace, Automotive and CVAM customers as their trusted SmartSpace® provider when executing digital transformation strategies to grow their business, bringing visibility of the physical world to planning, management and control systems, making real-world processes visible, measurable and controllable.

Ubisense's pedigree and reputation in the Real Time Location Systems (RTLS) market has constantly increased and is shown in the leader quadrant for Gartner Indoor Location Services.

Business review

The results of the group for the year, as set out on page 8, show an adjusted EBITDA loss for the year of £1.7m (2021: £3.0m). The group experienced growth during the year ended 31 December, with revenue increasing by 24% to £14.5m (2021: £11.6m). The group continues to invest in research and development activity to maintain its position as a leading provider of RTLS solutions.

Financial key performance indicators

The board monitors the performance of the Group by reference to a number of both quantitative and qualitative KPIs including:

	2022	2021
	£000	£000
Revenue	14,476	11,631
Adjusted EBITDA	(1,673)	(2,955)

Management consider adjusted EBITDA to provide a more meaningful measure of profitability than net profit/loss for the year as it excludes the impact of amortisation and depreciation, exceptional expenses and foreign exchange gains/losses which are considered to distort the underlying operational performance of the group.

UBISENSE LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Principal risks and uncertainties

Ubisense Limited and its subsidiaries has exposure to four main areas of risk; foreign exchange currency exposure, liquidity risk, customer credit exposure and interest rate risk.

Foreign exchange transactional currency exposure

Ubisense Limited and its subsidiaries (the 'Group') is exposed to currency exchange rate risk due to significant proportion of its receivables and operating expenses being denominated in non-sterling currencies. The Group's risk management policy is to maintain natural hedges where possible, by matching foreign currency revenue and expenditure. The Group does not enter into forward exchange contracts to mitigate the exposure to foreign currency risk as the Group's currency exposure is not considered significant enough to warrant this.

Liquidity risk

Liquidity risk is the risk arising from the Group not being able to meet its obligations as they fall due. The Group seeks to manage this risk by monitoring scheduled debt serving payments for long-term financial liabilities, agreeing the funding strategy with investors, regularly reviewing forecast inflows and outflows due in day-to-day business and investing cash assets safely and profitably. Rolling cash flow forecasts are used by the Group to monitor liquidity requirements to ensure it has sufficient cash to meet operational needs.

Customer credit exposure

The Group may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. The Group is at risk to the extent that a customer may be unable to pay the debt on a specified due date. This risk is mitigated by the following factors:

- Strong on-going customer relationships;
- The regular review of credit limits that are set on the basis of payment history and third party credit references;
- Many of the Group's customers are large blue-chip companies that are a low credit risk.

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's loan from its parent company of £12.6m which is partially offset by cash held at variable rates. Interest is payable at LIBOR plus 4% on the £12.6m outstanding at 31 December 2022 (2021: £7.2m). The Group also has a bank loan with Silicon Valley Bank, which was drawn down to £2.0m (2021: £1.25m) as at 31 December 2022. The loan accrues interest at 4% per annum.

This report was approved by the board on 31 August 2023 and signed on its behalf.

DocuSigned by:

4141785E8B94B3...
Darren Taylor
Director

UBISENSE LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

Results and dividends

The loss for the year, after taxation, amounted to £5,780k (2021 - loss £6,603k).

No dividends were declared or paid in the year (2021: £NIL).

Directors

The directors who served during the year and after the year end were:

Clare Colhoun (resigned 17 April 2023)
Darren Taylor
Chris Shannon (appointed 17 April 2023)

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 the Group and of the profit or loss of the Group for that period.

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

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

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

Future developments

The business is continuing to embark on a partner-led strategy following on the investment received during the year of £4.1m. The business received a further £4.3m in January 2023 from Investcorp Private Equity in order to accelerate this strategy.

UBISENSE LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Research and development activities

The Group is committed to research and development activities in order to secure the continued growth of the Group and to maintain its position in its marketplace. Development activities, consisting mainly of direct labour costs, are amortised on a straight-line basis over their useful economic lives. The estimated useful lives of current development projects are three years.

Qualifying third party indemnity provisions

The Group has made qualifying third party indemnity provisions for the benefit of the Directors, which were made during the year and remain in force at the date of this report.

The Group has purchased and maintained throughout the year Directors' and Officers' liability insurance in respect of itself and its Directors.

Going concern

See note 2.3 for information relating to going concern.

Post balance sheet events

In January 2023 the Company received £4.3m of equity funding from Abyssinian Bidco Limited, the Company's immediate parent company.

In February 2023, the Company renewed its bank loan facility provided by Silicon Valley Bank UK. The bank loan is a revolving credit facility with a total available revolving line commitment of up to £3m. The loan matured in February 2023 and was renewed for a period of 24 months until February 2025, with the option to extend the loan for a further 12 months if requested by the Company and at the discretion of Silicon Valley Bank. Full details of the loan can be found in note 18.

In March 2023, Silicon Valley Bank UK, a subsidiary of Silicon Valley Bank, was acquired by HSBC UK following the collapse of its US parent, Silicon Valley Bank. The business of Silicon Valley Bank UK was transferred to HSBC and accordingly the loan agreement has transferred to HSBC UK, with no changes to the terms of the loan.

Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- So far as the Director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware; and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company and Group's auditor is aware of that information.

Auditors

Under section 487(2) of the Companies Act 2006, MHA, Statutory Auditor will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

UBISENSE LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

This report was approved by the board on 31 August 2023 and signed on its behalf.

DocuSigned by:

414178EE880483...
Darren Taylor
Director

UBISENSE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UBISENSE LIMITED

Opinion

We have audited the financial statements of Ubisense Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated and Company Statements of Changes in Equity and the related notes, 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 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2022 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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 Group's or the parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

UBISENSE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UBISENSE 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 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.

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 Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

UBISENSE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UBISENSE LIMITED (CONTINUED)

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 Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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:

- Testing the financial statement disclosures to supporting documentation, performing substantive testing on account balances which were considered to be of greater susceptibility to fraud;
- Performing targeted journal entry testing based on identified characteristics that the audit team considered to be indicative of fraud, for example credit entries to revenue without a corresponding entry to receivables, accrued income or deferred income;
- Critically assessing areas of the financial statements which include judgement and estimates, as set out in Note 3 of the financial statements;
- We obtained an understanding of the legal and regulatory frameworks applicable to the group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework, the Companies Act 2006 and relevant tax compliance regulations; and
- We understood how the group is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes and other corroborating evidence.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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.

UBISENSE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UBISENSE LIMITED (CONTINUED)

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.

Andrew Gandell

Andrew Gandell, FCA, Senior Statutory Auditor

for and on behalf of
MHA, Statutory Auditor

London

4 September 2023

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313).

UBISENSE LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £000	2021 £000
Turnover	4	14,476	11,631
Cost of sales		(5,978)	(4,871)
Gross profit		8,498	6,760
Administrative expenses		(13,754)	(13,242)
Exceptional administrative expenses		(276)	(194)
Operating loss	5	(5,532)	(6,676)
Analysed as:			
Gross profit		8,498	6,760
Other operating expenses		(10,171)	(9,715)
Adjusted EBITDA	5	(1,673)	(2,955)
Depreciation	14	(100)	(108)
Amortisation and impairment of intangible assets	13	(3,387)	(3,361)
Currency translation differences		(96)	(58)
Exceptional items	12	(276)	(194)
Operating loss		(5,532)	(6,676)
Interest receivable and similar income	9	2	-
Interest payable and similar expenses	10	(681)	(307)
Loss before taxation		(6,211)	(6,983)
Taxation	11	431	380
Loss for the financial year		(5,780)	(6,603)
Currency translation differences		79	(53)
Other comprehensive income for the year		79	(53)
Total comprehensive income for the year		(5,701)	(6,656)
Loss and total comprehensive income attributable to:			
Owners of the parent Company		(5,780)	(6,603)
		(5,780)	(6,603)

The notes on pages 16 to 40 form part of these financial statements.

UBISENSE LIMITED
REGISTERED NUMBER:04489603

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 £000	2021 £000
Fixed assets			
Intangible assets	13	3,526	5,907
Tangible assets	14	238	231
		<u>3,764</u>	<u>6,138</u>
Current assets			
Stocks	16	1,459	2,147
Debtors: amounts falling due within one year	17	5,142	5,399
Cash at bank and in hand		2,303	1,334
		<u>8,904</u>	<u>8,880</u>
Creditors: amounts falling due within one year	18	(21,694)	(18,345)
Net current liabilities		<u>(12,790)</u>	<u>(9,465)</u>
Total assets less current liabilities		<u>(9,026)</u>	<u>(3,327)</u>
Creditors: amounts falling due after more than one year	19	(35)	(33)
Provisions for liabilities			
Other provisions	21	(135)	(135)
		<u>(135)</u>	<u>(135)</u>
Net liabilities		<u>(9,196)</u>	<u>(3,495)</u>
Capital and reserves			
Called up share capital	22	13	13
Share premium account	23	6,368	6,368
Foreign exchange reserve	23	66	(13)
Other reserves	23	9,139	9,139
Accumulated losses	23	(24,782)	(19,002)
Shareholder's deficit		<u>(9,196)</u>	<u>(3,495)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 31 August 2023.

DocuSigned by:

Darren Taylor
 Director

The notes on pages 16 to 40 form part of these financial statements.

UBISENSE LIMITED
REGISTERED NUMBER:04489603

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 £000	2021 £000
Fixed assets			
Intangible assets	13	1,292	1,248
Tangible assets	14	215	198
Investments	15	16,926	16,926
		<u>18,433</u>	<u>18,372</u>
Current assets			
Stocks	16	1,107	1,928
Debtors: amounts falling due within one year	17	7,489	1,885
Cash at bank and in hand		1,465	484
		<u>10,061</u>	<u>4,297</u>
Creditors: amounts falling due within one year	18	(17,254)	(11,377)
Net current liabilities		<u>(7,193)</u>	<u>(7,080)</u>
Total assets less current liabilities		<u>11,240</u>	<u>11,292</u>
Provisions for liabilities			
Other provisions	21	(135)	(135)
		<u>(135)</u>	<u>(135)</u>
Net assets		<u><u>11,105</u></u>	<u><u>11,157</u></u>
Capital and reserves			
Called up share capital	22	13	13
Share premium account	23	6,368	6,368
Other reserves	23	9,139	9,139
Accumulated losses		(4,415)	(4,363)
		<u>11,105</u>	<u>11,157</u>

No statement of comprehensive income has been presented for Ubisense Limited, as permitted by section 408 of the Companies Act 2006. The company incurred a loss for the year of £52,000 (2021: £1,564,000).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 31 August 2023.

DocuSigned by:

Darren Taylor
 Director

The notes on pages 16 to 40 form part of these financial statements.

UBISENSE LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital £000	Share premium account £000	Foreign exchange reserve £000	Other reserves £000	Accumulated losses £000	Total equity £000
At 1 January 2021	13	6,368	40	9,139	(12,399)	3,161
Comprehensive income for the year						
Loss for the year	-	-	-	-	(6,603)	(6,603)
Currency translation differences	-	-	(53)	-	-	(53)
Other comprehensive income for the year	-	-	(53)	-	-	(53)
Total comprehensive income for the year	-	-	(53)	-	(6,603)	(6,656)
At 1 January 2022	13	6,368	(13)	9,139	(19,002)	(3,495)
Comprehensive income for the year						
Loss for the year	-	-	-	-	(5,780)	(5,780)
Currency translation differences	-	-	79	-	-	79
Other comprehensive income for the year	-	-	79	-	-	79
Total comprehensive income for the year	-	-	79	-	(5,780)	(5,701)
At 31 December 2022	13	6,368	66	9,139	(24,782)	(9,196)

The notes on pages 16 to 40 form part of these financial statements.

UBISENSE LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital £000	Share premium account £000	Other reserves £000	Accumulate d losses £000	Total equity £000
At 1 January 2021	13	6,368	9,139	(2,799)	12,721
Comprehensive income for the year					
Loss for the year	-	-	-	(1,564)	(1,564)
Total comprehensive income for the year	-	-	-	(1,564)	(1,564)
At 1 January 2022	13	6,368	9,139	(4,363)	11,157
Comprehensive income for the year					
Loss for the year	-	-	-	(52)	(52)
Total comprehensive income for the year	-	-	-	(52)	(52)
At 31 December 2022	13	6,368	9,139	(4,415)	11,105

The notes on pages 16 to 40 form part of these financial statements.

UBISENSE LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	2022 £000	2021 £000
Cash flows from operating activities		
Loss for the financial year	(5,780)	(6,603)
Adjustments for:		
Amortisation of intangible assets	3,387	3,361
Depreciation of tangible assets	100	108
Interest payable	681	307
Interest receivable	(2)	-
Corporation tax credit	(431)	(380)
Decrease/(increase) in stocks	688	(623)
Decrease in debtors	257	544
(Decrease)/increase in creditors	(2,836)	2,669
Corporation tax received	431	276
Net cash outflows from operating activities	<u>(3,505)</u>	<u>(341)</u>
Cash flows from investing activities		
Capitalisation of development costs	(1,000)	(936)
Purchase of tangible fixed assets	(105)	(65)
Interest received	2	-
Net cash used in investing activities	<u>(1,103)</u>	<u>(1,001)</u>
Cash flows from financing activities		
New secured loans	750	-
Proceeds from intercompany loan	4,901	2,196
Interest paid	(145)	(307)
Net cash generated from financing activities	<u>5,506</u>	<u>1,889</u>
Net increase in cash and cash equivalents	<u>898</u>	<u>547</u>
Cash and cash equivalents at beginning of year	1,334	818
Foreign exchange gains and losses	71	(31)
Cash and cash equivalents at the end of year	<u><u>2,303</u></u>	<u><u>1,334</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	<u>2,303</u>	<u>1,334</u>
	<u><u>2,303</u></u>	<u><u>1,334</u></u>

The notes on pages 16 to 40 form part of these financial statements.

UBISENSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. General information

The Company is a limited company that is incorporated and domiciled in the United Kingdom. The registered office and principal place of business is: St Andrew's House, St Andrew's Road, Chesterton, Cambridge, CB4 1DL.

Ubisense Limited delivers Enterprise Location Intelligence solutions that enable customers with complex operations to track the precise location of assets across their business in real-time and is proven to deliver efficiencies, increase flexibility, quality and reduce costs. We offer in-depth knowledge of the sectors in which we operate and have long-standing relationships with many of our customers across target markets including automotive, aerospace, logistics, communications and utilities.

The financial statements are prepared in sterling, which is the presentational currency of the Group. Monetary amounts in these financial statements are rounded to the nearest £'000.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The Company has taken advantage of the exemption under FRS 102 section 7 and has not prepared its own statement of cash flows.

The Company has taken advantage of the exemption from disclosing the Company's key management personnel compensation, as required by FRS 102 paragraph 33.7.

The Company is also exempt from certain financial instrument disclosures, as the information is provided in the consolidated financial statements.

The following principal accounting policies have been applied:

UBISENSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the Group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 January 2014.

UBISENSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.3 Going concern

The financial statements have been prepared on a going concern basis which assumes that the Group and Company will continue in operational existence for the foreseeable future. The Group has reported a EBITDA loss of £1.7m for the year ended 31 December 2022 (year ended 31 December 2021: £3.0m) and a loss after tax of £5.8m for the year ended 31 December 2022 (year ended 31 December 2021: £6.6m), and at 31 December 2022 had a cash balance of £2.3m (2021: £1.3m), and had drawn down £2.0m (2021: £1.25m) of its £3m revolving credit facility.

As set out in the post balance sheet events note, in January 2023 the Company received £4.3m of equity funding from Abyssinian Bidco Limited, the Company's immediate parent company. The directors have obtained a letter confirming that the interest and principal of the loan amount will not be called for repayment within one year of the date of signing of the company's financial statements.

In determining the basis for preparing the financial statements, the Directors are required to consider whether the Group and Company can continue in operational existence for the foreseeable future, being a period of not less than twelve months from the date of the approval of the financial statements.

The directors have prepared a cash flow forecast for a sixteen month period following the approval of the financial statements. The cash flow forecasts contain certain assumptions regarding the level of future sales and gross margins. The Directors recognise that there are inherent uncertainties attached to the timing and quantum of future sales and receipts thereon.

As set out in note 18, in February 2023, the Company renewed its bank loan facility provided by Silicon Valley Bank UK. The bank loan is a revolving credit facility with a total available revolving line commitment of up to £3m. The loan matured in February 2023 and was renewed for a period of 24 months until February 2025, with the option to extend the loan for a further 12 months if requested by the Company and at the discretion of Silicon Valley Bank. Full details of the loan can be found in note 18.

The directors have performed a reverse stress test to determine the level of stress the group and company could sustain before liquidity breaks. The stress test includes a 50% stress on non-committed sales bookings and the assumption that no further investment is received from the principal shareholder. In this scenario, the directors would delay planned investment in people, marketing and capital expenditure and together with reasonable delays and a low level of cuts to other expenditure, the group and company could sustain this level of stress over the going concern period.

The directors believe the above scenario is highly unlikely given the 24.4% increase in revenue in 2022 and the fact that H1-2023's bookings (unaudited) have already exceeded H1 2022's bookings by 17%.

In light of the above, the directors have, at the time of approving the financial statements, a reasonable expectation that the business has adequate cash resources available to continue in business for the foreseeable future and thus continue to adopt the going concern basis of accounting in preparing the financial statements.

These financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

UBISENSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'administrative expenses'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

UBISENSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Revenues on product sales are recognised based on the individual terms of the agreements. In the case of shipments under arrangements involving significant acceptance requirements, revenue is recognised when the Group has substantially met all of its performance obligations.

Revenue earned from sales under licence arrangements is recognised when the software is made available. When the sale includes a period of support and maintenance, a proportion of the revenue is deferred and recognised rateably over the period of support. For licence rental fees, amounts are recognised over the period of the contract, commencing from when the software is available for use.

Services and training revenue from time and materials contracts is recognised in the period that the services and training are provided on the basis of time worked at agreed contractual rates and as direct expenses are incurred.

Revenue from fixed price, long-term customer specific contracts, including customisation and modification, is recognised on the stage of completion of each assignment at the period end date compared to the total estimated service to be provided over the entire contract where the outcome can be estimated reliably. If a contract outcome cannot be estimated reliably, revenues are recognised equal to costs incurred, to the extent that costs are expected to be recovered. An expected loss on a contract is recognised immediately in the income statement.

Where bundled sales including a combination of some or all of the above are made, the revenue

UBISENSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.5 Revenue (continued)

attributable to the deal is apportioned across the constituents of the bundle and then recognised according to the policies stated above.

2.6 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.7 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.8 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.9 Borrowing costs

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

2.10 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

2.11 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

UBISENSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.12 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

2.13 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis to the Consolidated Statement of Comprehensive Income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Software	-	3	years
Goodwill	-	5	years

UBISENSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.14 Development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes.

Development expenditure is only capitalised if all of the following conditions are met:

- Completion of the intangible asset is technically feasible so that it will be available for use or sale;
- The Group intends to complete the intangible asset and use or sell it;
- The Group has the ability to use or sell the intangible asset;
- The intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits;
- There are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The expenditure attributable to the intangible asset during its development can be measured reliably.

Internally generated intangible assets, consisting mainly of direct labour costs, are amortised on a straight-line basis over their useful economic lives. Amortisation is shown within operating expenses in the statement of comprehensive income. The estimated useful lives of current development projects are three years. Upon completion the assets are subject to impairment testing.

2.15 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Fixtures and fittings	- 3-10 years, or over the period of the lease if shorter
Computer equipment	- 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.16 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

UBISENSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.17 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.18 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.19 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.20 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.21 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the reporting date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the reporting date.

2.22 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

UBISENSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.23 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

UBISENSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

3. Judgements in applying accounting policies and key sources of estimation uncertainty

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

Revenue recognition

Significant management judgement is applied in determining the allocation and timing of the recognition of the revenue on fixed price, long-term customer specific contracts. In this process management takes into account milestones, hardware supplied, actual work performed and further obligations and costs expected to complete the work.

Inventory

The provision for obsolete, slow-moving or defective inventory is based on management's estimation of the commercial life of inventory lines and is applied on prudent basis. In assessing this, management takes into consideration the sales history of products and the length of time that they have been available for resale.

Valuation of goodwill

Due to the ongoing losses of the group, it was determined by management that an indicator of impairment was present. To determine whether the value of goodwill is impaired, management have estimated the recoverable amount of the cash generating units ('CGUs') to which the asset is allocated. The recoverable amount calculation requires the group to estimate the future cash flows expected to arise from the group of CGUs and a suitable discount rate in order to calculate the present value. The recoverable amount is calculated as the higher of value-in-use or fair value less costs to sell. Historically the group has applied the value-in-use approach as the fair value of the CGUs is not readily available.

Valuation of investments

Management use judgement to determine whether provisions are required against fixed asset investments based on the ability of the subsidiary to generate profits and cash.

Capitalisation of development costs

In determining the amount of development cost to be capitalised, judgement is applied in estimating the amount of time engineering employees have spent on development activity. To help estimate the proportion of time spent on development, management receive input from the Chief Technology Officer and refer to working patterns of relevant engineering staff to approximate the percentage of time capitalised.

Recoverability of amounts owed by group undertakings

Judgement is required in determining the recoverability of amounts owed by group undertakings, which is based the financial position of the group undertaking and its ability to deliver profits and cash.

UBISENSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

4. Turnover

An analysis of turnover by class of business is as follows:

	2022 £000	2021 £000
Goods	6,883	5,470
Services	7,174	5,714
Licence fees	419	419
Rental income	-	28
	<u>14,476</u>	<u>11,631</u>

Analysis of turnover by country of destination:

	2022 £000	2021 £000
United Kingdom	4,409	923
Rest of Europe	6,063	6,314
Rest of the world	4,004	4,394
	<u>14,476</u>	<u>11,631</u>

5. Operating loss

The operating loss is stated after charging/(crediting):

	2022 £000	2021 £000
Research & development charged as an expense	325	242
Exchange differences	96	58
Other operating lease rentals	360	487
Depreciation	100	108
Amortisation and impairment of intangible fixed assets	3,387	3,361
Inventory recognised as an expense	3,389	2,494
Gain on disposal of tangible fixed assets	-	(3)
	<u>-</u>	<u>(3)</u>

UBISENSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

6. Auditors' remuneration

During the year, the Group (including its overseas subsidiaries) obtained the following services from the Group's auditors:

	2022	<i>2021</i>
	£000	<i>£000</i>
Fees payable to the Group's auditors for the audit of the consolidated and parent Company's financial statements	66	<i>56</i>

7. Employees

Staff costs, including directors' remuneration, were as follows:

	Group	<i>Group</i>	Company	<i>Company</i>
	2022	<i>2021</i>	2022	<i>2021</i>
	£000	<i>£000</i>	£000	<i>£000</i>
Wages and salaries	6,456	<i>6,145</i>	2,707	<i>2,475</i>
Social security costs	706	<i>688</i>	320	<i>326</i>
Contributions to defined contribution pension arrangements	388	<i>423</i>	297	<i>335</i>
	7,550	<i>7,256</i>	3,324	<i>3,136</i>

The average monthly number of employees, including the directors, during the year was as follows:

	Group	<i>Group</i>	Company	<i>Company</i>
	2022	<i>2021</i>	2022	<i>2021</i>
	No.	<i>No.</i>	No.	<i>No.</i>
Technical consultants	20	<i>20</i>	4	<i>4</i>
Sales and marketing	22	<i>21</i>	6	<i>6</i>
Research and development	13	<i>13</i>	13	<i>13</i>
Administration	11	<i>12</i>	10	<i>11</i>
	66	<i>66</i>	33	<i>34</i>

UBISENSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

8. Directors' remuneration

	2022	2021
	£000	£000
Directors' emoluments	414	400
Group contributions to defined contribution pension schemes	22	21
	<u>436</u>	<u>421</u>

During the year retirement benefits were accruing to 2 directors (2021 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £238k (2021 - £231k).

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £13k (2021 - £12k).

9. Interest receivable

	2022	2021
	£000	£000
Other interest receivable	2	-
	<u>2</u>	<u>-</u>

10. Interest payable and similar expenses

	2022	2021
	£000	£000
Bank and other loan interest payable	145	86
Parent company loan interest payable	536	221
	<u>681</u>	<u>307</u>

UBISENSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

11. Taxation

	2022	2021
	£000	£000
Corporation tax		
Current tax on profits for the year	2	3
Adjustments in respect of previous periods	(433)	(383)
	<u>(431)</u>	<u>(380)</u>
Total current tax	<u>(431)</u>	<u>(380)</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2021 - higher than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022	2021
	£000	£000
Loss on ordinary activities before tax	(6,211)	(6,983)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(1,180)	(1,327)
Effects of:		
Expenses not deductible for tax purposes	663	660
Adjustment in research and development tax credit leading to a decrease in the tax charge	(431)	(383)
Unrecognised deferred tax movements	517	670
Total tax credit for the year	<u>(431)</u>	<u>(380)</u>

Factors that may affect future tax charges

The Group takes advantage of the enhanced tax deductions for research & development expenditure and expects to continue to be able to do so. Further to the claim for research & development tax credits in previous years, losses available as at 31 December 2022 were approximately £4.0m (2021: £10.8m). This asset can be used against suitable future profits in the Group and will reduce the overall tax charge when utilised. Deferred tax assets have not been recognised in respect of these losses as the timing of future taxable profits is uncertain.

UBISENSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

12. Exceptional items

	2022 £000	2021 £000
Exceptional costs	276	194
	<u>276</u>	<u>194</u>

Exceptional costs include non-recurring, legal costs and other professional fees mainly related to corporate financing.

13. Intangible assets**Group**

	Development expenditure £000	Computer software £000	Goodwill £000	Total £000
Cost				
At 1 January 2022	5,564	615	12,004	18,183
Additions	1,000	-	-	1,000
Foreign exchange movement	-	38	-	38
At 31 December 2022	<u>6,564</u>	<u>653</u>	<u>12,004</u>	<u>19,221</u>
Amortisation				
At 1 January 2022	4,349	525	7,402	12,276
Charge for the year	935	51	2,401	3,387
Foreign exchange movement	-	32	-	32
At 31 December 2022	<u>5,284</u>	<u>608</u>	<u>9,803</u>	<u>15,695</u>
Net book value				
At 31 December 2022	<u>1,280</u>	<u>45</u>	<u>2,201</u>	<u>3,526</u>
At 31 December 2021	<u>1,215</u>	<u>90</u>	<u>4,602</u>	<u>5,907</u>

The directors are satisfied that no provisioning for impairment is required in respect of intangible assets (2021: £NIL).

UBISENSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

13. Intangible assets (continued)**Company**

	Development expenditure £000	Computer software £000	Total £000
Cost			
At 1 January 2022	5,564	417	5,981
Additions	1,000	-	1,000
At 31 December 2022	<u>6,564</u>	<u>417</u>	<u>6,981</u>
Amortisation			
At 1 January 2022	4,349	384	4,733
Charge for the year	935	21	956
At 31 December 2022	<u>5,284</u>	<u>405</u>	<u>5,689</u>
Net book value			
At 31 December 2022	<u>1,280</u>	<u>12</u>	<u>1,292</u>
At 31 December 2021	<u>1,215</u>	<u>33</u>	<u>1,248</u>

UBISENSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

14. Tangible fixed assets**Group**

	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost or valuation			
At 1 January 2022	902	305	1,207
Additions	2	103	105
Disposals	-	(10)	(10)
Exchange adjustments	9	42	51
At 31 December 2022	<u>913</u>	<u>440</u>	<u>1,353</u>
Depreciation			
At 1 January 2022	735	241	976
Charge for the year	48	52	100
Disposals	-	(10)	(10)
Exchange adjustments	8	41	49
At 31 December 2022	<u>791</u>	<u>324</u>	<u>1,115</u>
Net book value			
At 31 December 2022	<u>122</u>	<u>116</u>	<u>238</u>
<i>At 31 December 2021</i>	<u>167</u>	<u>64</u>	<u>231</u>

UBISENSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

14. Tangible fixed assets (continued)**Company**

	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost or valuation			
At 1 January 2022	916	289	1,205
Additions	2	99	101
At 31 December 2022	<u>918</u>	<u>388</u>	<u>1,306</u>
Depreciation			
At 1 January 2022	752	255	1,007
Charge for the year	47	37	84
At 31 December 2022	<u>799</u>	<u>292</u>	<u>1,091</u>
Net book value			
At 31 December 2022	<u>119</u>	<u>96</u>	<u>215</u>
At 31 December 2021	<u>164</u>	<u>34</u>	<u>198</u>

15. Fixed asset investments**Company**

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2022 and at 31 December 2022	<u>16,926</u>

UBISENSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

15. Fixed asset investments (continued)**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Ubisense GmbH	Franz-Rennefeld-Weg 6,40472 Düsseldorf, Germany	Location solutions	Ordinary	100%
Ubisense SAS	52 Boulevard de Sébastopol,75003 Paris, France	Location solutions	Ordinary	100%
Ubisense America LLC	1630 Welton Street, Suite 1000E, Denver,CO 80202, United States	Location solutions	Ordinary	100%
Ubisense Canada Inc	PO Box 2690, 349 W Georgia St.,Vancouver, British Columbia	Location solutions	Ordinary	100%
Ubisense Inc	Inspired.Lab, Otemachi Building 6F Otemachi 1- 6-1 Chiyoda-ku Tokyo 100-0004 Japan	Intermediate holding company	Ordinary	100%
Binary Star Developments K.K	Inspired.Lab, Otemachi Building 6F Otemachi 1- 6-1 Chiyoda-ku Tokyo 100-0004 Japan	Location solutions	Ordinary	100%
Ubisense Japan K.K	Inspired.Lab, Otemachi Building 6F Otemachi 1- 6-1 Chiyoda-ku Tokyo 100-0004 Japan	Location solutions	Ordinary	100%

16. Stocks

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Raw materials and consumables	945	1,419	945	1,416
Finished goods and goods for resale	514	728	162	512
	1,459	2,147	1,107	1,928

The difference between purchase price or production cost of stocks and their replacement cost is not material.

The carrying value of stocks are stated net of impairment losses totalling £0.2m (2021 - £0.3m). Impairment losses totalling £0.2m (2021 - £NIL) were recognised in profit and loss.

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FOR THE YEAR ENDED 31 DECEMBER 2022**

17. Debtors

	Group 2022 £000	<i>Group 2021 £000</i>	Company 2022 £000	<i>Company 2021 £000</i>
Trade debtors	3,261	1,389	418	244
Amounts owed by group undertakings	131	68	6,320	1,212
Other debtors	642	75	357	2
Prepayments and accrued income	1,108	3,867	394	427
	<u>5,142</u>	<u>5,399</u>	<u>7,489</u>	<u>1,885</u>

Trade debtors are stated net of a provision of £42k (2021: £838k).

Amounts owed by group undertakings are unsecured and due on demand.

18. Creditors: Amounts falling due within one year

	Group 2022 £000	<i>Group 2021 £000</i>	Company 2022 £000	<i>Company 2021 £000</i>
Bank loans	2,000	1,250	2,000	1,250
Trade creditors	2,497	2,892	2,272	2,479
Amounts owed to group undertakings	12,627	7,190	11,309	5,872
Corporation tax	2	-	-	-
Other taxation and social security	384	219	34	172
Other creditors	97	77	60	22
Accruals and deferred income	4,087	6,717	1,579	1,582
	<u>21,694</u>	<u>18,345</u>	<u>17,254</u>	<u>11,377</u>

The bank loan is a revolving credit facility provided by Silicon Valley Bank UK with a total available revolving line commitment of up to £3m. The loan agreement was due to mature in July 2022 (the initial maturity date), and was initially extended for a further 3 months to October 2022, and subsequently extended to February 2023. The amount borrowed is secured on the assets of each company in the Group that guarantees the loan. The loan accrues interest at a rate of 4% per annum.

In February 2023, the Company renewed its bank loan facility provided by Silicon Valley Bank UK for a period of 24 months until February 2025, with the option to extend the loan for a further 12 months if requested by the Company and at the discretion of Silicon Valley Bank.

In March 2023, Silicon Valley Bank UK, a subsidiary of Silicon Valley Bank, was acquired by HSBC UK following the collapse of its US parent, Silicon Valley Bank. The business of Silicon Valley Bank UK was transferred to HSBC and accordingly the loan agreement has transferred to HSBC UK, with no changes to the terms of the loan.

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19. Creditors: Amounts falling due after more than one year

	Group 2022 £000	<i>Group 2021 £000</i>
Other creditors	35	<i>33</i>

20. Financial instruments

	Group 2022 £000	<i>Group 2021 £000</i>	Company 2022 £000	<i>Company 2021 £000</i>
Financial assets				
Financial assets measured at amortised cost	6,988	<i>6,200</i>	8,573	<i>1,959</i>
Financial liabilities				
Financial liabilities measured at amortised cost	19,043	<i>13,029</i>	16,250	<i>10,029</i>

21. Provisions**Group**

	Dilapidation provision £000	Total £000
At 1 January 2022 and 31 December 2022	135	135

The balance as at 31 December 2022 includes the dilapidation provision to restore leased offices to their original state. The provision is expected to be utilised in 2027.

Company

	Dilapidation £000	Total £000
At 1 January 2022 and 31 December 2022	135	135

The balance as at 31 December 2022 includes the dilapidation provision to restore leased offices to their original state. The provision is expected to be utilised in 2027.

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22. Share capital

	2022	2021
	£000	£000
Allotted, called up and fully paid		
1,305,652 (2021 - 1,305,652) Ordinary shares of £0.01 each	13	13

Ordinary shares carry voting and dividend rights.

23. Reserves**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.

Foreign exchange reserve

Includes all exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency.

Other reserves

Comprise the fair value of shares issued in exchange for shares in subsidiary undertakings.

Accumulated losses

Includes all current and prior period retained profits and losses, net of dividends and other adjustments.

24. Capital commitments

The Group does not have any capital commitments as at the reporting date (2021: £NIL).

25. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £388k (2021: £423k). Contributions totalling £53k (2021: £52k) were payable to the fund at the reporting date and are included in creditors.

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26. Commitments under operating leases

At 31 December 2022 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2022 £000	<i>Group 2021 £000</i>	Company 2022 £000	<i>Company 2021 £000</i>
Not later than 1 year	364	361	204	212
Later than 1 year and not later than 5 years	897	917	814	814
Later than 5 years	204	204	204	204
	<u>1,465</u>	<u>1,482</u>	<u>1,222</u>	<u>1,230</u>

27. Related party transactions

Key management personnel are deemed to be the directors and their remuneration is disclosed in note 8.

The company is a wholly owned subsidiary of Abyssinian Bidco Limited. At the year end date, the amount owed to Abyssinian Bidco Limited under the intercompany loan agreement was £12.63m (2021: £7.19m). The balance includes interest that has accrued on the loan at a rate of LIBOR / BOE base rate plus 4%. Abyssinian Bidco Limited have confirmed that the loan will not be called for repayment within one year of the date of signing of these financial statements.

There were no other related party transactions with the Company during 2022 and 2021.

28. Post balance sheet events

In January 2023 the Company received £4.3m of equity funding from Abyssinian Bidco Limited, the Company's immediate parent company.

In February 2023, the Company renewed its bank loan facility provided by Silicon Valley Bank UK. The bank loan is a revolving credit facility with a total available revolving line commitment of up to £3m. The loan matured in February 2023 and was renewed for a period of 24 months until February 2025, with the option to extend the loan for a further 12 months if requested by the Company and at the discretion of Silicon Valley Bank. Full details of the loan can be found in note 18.

In March 2023, Silicon Valley Bank UK, a subsidiary of Silicon Valley Bank, was acquired by HSBC UK following the collapse of its US parent, Silicon Valley Bank. The business of Silicon Valley Bank UK was transferred to HSBC and accordingly the loan agreement has transferred to HSBC UK, with no changes to the terms of the loan.

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29. Controlling party

At 31 December 2022, the Company's immediate parent company was Abyssinian Bidco Limited, a private limited company incorporated in England.

The Company's ultimate parent company is Investcorp Bank B.S.C, a public limited company incorporated in the Kingdom of Bahrain and listed on the Bahrain Stock Exchange.

Investcorp Bank B.S.C is 50% owned and controlled by SIPCO Limited which is 100% owned by SIPCO Holdings Limited. SIPCO Holdings Limited is owned by a number of private shareholders, none of whom own more than 25% of the issued share capital.

Accordingly there is no ultimate controlling party.