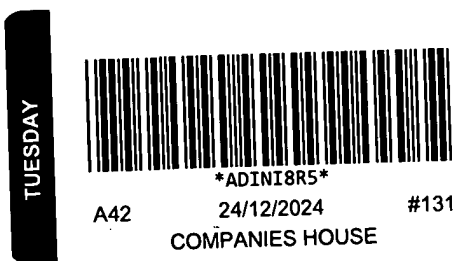

UBISENSE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023



UBISENSE LIMITED

COMPANY INFORMATION

Director	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 2023**

The directors present their strategic report for the year ended 31 December 2023.

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 Original Equipment Manufacturers ('OEMs') and Tier 1 Aerospace, Automotive and Commercial Vehicle and Agricultural Machiners ('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 10, show an adjusted EBITDA loss for the year of £3.8m (2022: £1.7m). The group experienced growth during the year ended 31 December 2023, with revenue increasing by 6% to £15.4m (2022: £14.5m). 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:

	2023	2022
	£000	£000
Revenue	15,449	14,476
Adjusted EBITDA	(3,764)	(1,673)

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 2023**

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

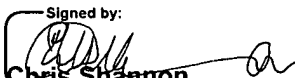
The Group may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. The Group is at risk to the extent that a customer may be unable to pay the debt on a specified due date. This risk is mitigated by the following factors:

- 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 £18.2m which is partially offset by cash held at variable rates. Interest is payable at 4% above the Bank of England base rate on the £18.2m outstanding at 31 December 2023 (2022: £12.6m). The Group also has a bank loan with HIVE, which was drawn down to £2.0m (2022: £2.0m) as at 31 December 2023. The loan accrues interest at 4.75% above the Bank of England base rate per annum.

This report was approved by the board on 20 December 2024 and signed on its behalf.

Signed by:

Chris Shannon
Director

UBISENSE LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

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

Results and dividends

The loss for the year, after taxation, amounted to £9,235k (2022 - loss £5,780k).

No dividends were declared or paid in the year (2022: £NIL).

Directors

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

Clare Colhoun (resigned 17 April 2023)
Darren Taylor (resigned 2 April 2024)
Chris Shannon (appointed 17 April 2023)

Future developments

The business is continuing to gain momentum with its partner-led expansion strategy, having successfully onboarded a number of key partners during the year and since the year end. This strategy enables the Company to expand its geographic outreach and provides access to new verticals and solution use cases.

The Company has continued to invest in product, software, infrastructure and research and development in order to accelerate this strategy.

UBISENSE LIMITED

**DIRECTOR'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

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.

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 auditors are 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 the Group's auditors are aware of that information.

Post balance sheet events

Since the balance sheet date, the Company received loan funding totalling £11.7m from Abyssinian Bidco Limited, the Company's immediate parent company, as follows:

- March 2024: £0.5m
- April 2024: £1.0m
- May 2024: £2.5m
- July 2024: £2.5m
- August 2024: £0.8m
- September 2024: £1.6m
- October 2024: £1.1m
- November 2024: £1.7m

Auditors

The auditors, MHA, Statutory Auditor, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

UBISENSE LIMITED

**DIRECTOR'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

This report was approved by the board on 20 December 2024 and signed on its behalf.

Signed by:



Chris Shannon
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 2023, 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 2023 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.

Signed by:



Andrew Gandell, FCA, Senior Statutory Auditor
for and on behalf of MHA, Statutory Auditor

London

20 December 2024

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 2023**

	Note	2023 £000	2022 £000
Turnover	4	15,449	14,476
Cost of sales		(5,844)	(5,978)
Gross profit		9,605	8,498
Administrative expenses		(16,953)	(13,754)
Exceptional administrative expenses		(742)	(276)
Operating loss	5	(8,090)	(5,532)
Analysed as:	5		
Gross profit		9,605	8,498
Other operating expenses		(13,369)	(10,171)
Adjusted EBITDA	5	(3,764)	(1,673)
Depreciation	5	(108)	(100)
Amortisation and impairment of intangible assets		(3,076)	(3,387)
Currency translation differences		(400)	(96)
Exceptional items		(742)	(276)
Total operating loss		(8,090)	(5,532)
Interest receivable and similar income	9	9	2
Interest payable and similar expenses	10	(1,508)	(681)
Loss before taxation		(9,589)	(6,211)
Taxation on loss	11	354	431
Loss for the financial year		(9,235)	(5,780)
Currency translation differences		252	79
Other comprehensive income for the year		252	79
Total comprehensive income for the year		(8,983)	(5,701)
Loss and total comprehensive income attributable to:			
Owners of the parent Company		(8,983)	(5,701)
		(8,983)	(5,701)

The notes on pages 18 to 43 form part of these financial statements.


UBISENSE LIMITED
REGISTERED NUMBER:04489603

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	2023 £000	2022 £000
Fixed assets			
Intangible assets	13	1,578	3,526
Tangible assets	14	531	238
		<u>2,109</u>	<u>3,764</u>
Current assets			
Stocks	16	1,984	1,459
Debtors: amounts falling due within one year	17	6,902	5,142
Cash at bank and in hand		659	2,303
		<u>9,545</u>	<u>8,904</u>
Creditors: amounts falling due within one year	18	(29,664)	(21,694)
Net current liabilities		<u>(20,119)</u>	<u>(12,790)</u>
Total assets less current liabilities		<u>(18,010)</u>	<u>(9,026)</u>
Creditors: amounts falling due after more than one year	19	(34)	(35)
Provisions for liabilities			
Other provisions	21	(135)	(135)
		<u>(135)</u>	<u>(135)</u>
Net liabilities		<u>(18,179)</u>	<u>(9,196)</u>
Capital and reserves			
Called up share capital	22	13	13
Share premium account	23	6,368	6,368
Foreign exchange reserve	23	318	66
Other reserves	23	9,139	9,139
Accumulated losses	23	(34,017)	(24,782)
Shareholder's deficit		<u>(18,179)</u>	<u>(9,196)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20 December 2024.

Signed by:


Chris Shannon
Director

The notes on pages 18 to 43 form part of these financial statements.

UBISENSE LIMITED
REGISTERED NUMBER:04489603

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	2023 £000	2022 £000
Fixed assets			
Intangible assets	13	1,555	1,292
Tangible assets	14	417	215
Investments	15	16,926	16,926
		<u>18,898</u>	<u>18,433</u>
Current assets			
Stocks	16	1,978	1,107
Debtors: amounts falling due after more than one year	17	9,497	-
Debtors: amounts falling due within one year	17	2,138	7,489
Cash at bank and in hand		171	1,465
		<u>13,784</u>	<u>10,061</u>
Creditors: amounts falling due within one year	18	(24,159)	(17,254)
Net current liabilities		<u>(10,375)</u>	<u>(7,193)</u>
Total assets less current liabilities		<u>8,523</u>	<u>11,240</u>
Provisions for liabilities			
Other provisions	21	(135)	(135)
		<u>(135)</u>	<u>(135)</u>
Net assets		<u><u>8,388</u></u>	<u><u>11,105</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		(7,132)	(4,415)
		<u>8,388</u>	<u>11,105</u>


UBISENSE LIMITED
REGISTERED NUMBER:04489603

COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2023

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 £2,717,000 (2022: £52,000).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20 December 2024.

Signed by:


Chris Shannon
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Director

The notes on pages 18 to 43 form part of these financial statements.

UBISENSE LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	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 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 1 January 2023	13	6,368	66	9,139	(24,782)	(9,196)
Comprehensive income for the year						
Loss for the year	-	-	-	-	(9,235)	(9,235)
Currency translation differences	-	-	252	-	-	252
Other comprehensive income for the year	-	-	252	-	-	252
Total comprehensive income for the year	-	-	252	-	(9,235)	(8,983)
At 31 December 2023	13	6,368	318	9,139	(34,017)	(18,179)

The notes on pages 18 to 43 form part of these financial statements.

UBISENSE LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Called up share capital £000	Share premium account £000	Other reserves £000	Accumulated losses £000	Total equity £000
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 1 January 2023	13	6,368	9,139	(4,415)	11,105
Comprehensive income for the year					
Loss for the year	-	-	-	(2,717)	(2,717)
Total comprehensive income for the year	-	-	-	(2,717)	(2,717)
At 31 December 2023	13	6,368	9,139	(7,132)	8,388

The notes on pages 18 to 43 form part of these financial statements.

UBISENSE LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023**

	2023 £000	2022 £000
Cash flows from operating activities		
Loss for the financial year	(9,235)	(5,780)
Adjustments for:		
Amortisation of intangible assets	3,076	3,387
Depreciation of tangible assets	114	100
Interest payable	1,508	681
Interest receivable	(9)	(2)
Taxation charge	(354)	(431)
(Increase)/decrease in stocks	(525)	688
(Increase)/decrease in debtors	(1,760)	257
Increase/(decrease) in creditors	2,369	(2,836)
Corporation tax received	354	431
Net cash generated from operating activities	<u>(4,462)</u>	<u>(3,505)</u>
Cash flows from investing activities		
Capitalisation of development costs	(1,098)	(1,000)
Purchase of intangible fixed assets	(33)	-
Purchase of tangible fixed assets	(407)	(105)
Interest received	8	2
Net cash from investing activities	<u>(1,530)</u>	<u>(1,103)</u>
Cash flows from financing activities		
New secured loans	-	750
Proceeds from intercompany loan	4,257	4,901
Interest paid	(164)	(145)
Net cash used in financing activities	<u>4,093</u>	<u>5,506</u>
Net (decrease)/increase in cash and cash equivalents	<u>(1,899)</u>	<u>898</u>
Cash and cash equivalents at beginning of year	2,303	1,334
Foreign exchange gains and losses	255	71
Cash and cash equivalents at the end of year	<u>659</u>	<u>2,303</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	659	2,303
	<u>659</u>	<u>2,303</u>

The notes on pages 18 to 43 form part of these financial statements.

UBISENSE LIMITED

**CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2023**

	At 1 January 2023 £000	Cash flows £000	Other non- cash changes £000	At 31 December 2023 £000
Cash at bank and in hand	2,303	(1,899)	255	659
Debt due within 1 year	(2,000)	-	-	(2,000)
	<u>303</u>	<u>(1,899)</u>	<u>255</u>	<u>(1,341)</u>

The notes on pages 18 to 43 form part of these financial statements.

UBISENSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

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:

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.

UBISENSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

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 £3.8m for the year ended 31 December 2023 (year ended 31 December 2022: £1.7m) and a loss after tax of £9.2m for the year ended 31 December 2023 (year ended 31 December 2022: £5.8m), and at 31 December 2023 had a cash balance of £0.7m (2022: £2.3m), and had drawn down £2.0m (2022: £2.0m) of its £3m revolving credit facility.

As set out in the post balance sheet events note, the Company received £11.7m of loan funding, post year end, 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 twelve 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 August 2024 the Company converted its £2m bank loan provided by HSBC Innovation Bank ('HINV'), a revolving credit facility with a total available revolving line commitment of £3m, with an asset-based lending facility also provided by HINV. The asset-based loan facility expires in February 2025, with the option to extend for a further 12 months if requested by the company and at the discretion of HINV. The cash flow forecast prepared by the company assumes that the facility will either be extended or replaced with an appropriate alternative loan facility. Further 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 assumes no growth to revenue and the assumption that no further investment is received from the principal shareholder. In this scenario, the directors would defer 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 7% increase in revenue in 2023, a very strong sales pipeline, and forecast bookings for 2024 of £27.0m, an increase of 60% above 2023 bookings (£16.9m).

In light of the above, and taking into account the fact that the ultimate parent company has provided a signed confirmation stating that amounts owed by group undertakings will not be re-called within 12 months of the date of signing these financial statements, 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

UBISENSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)

2.3 Going concern (continued)

Company were unable to continue as a going concern.

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 2023**

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 2023**

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 2023**

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 2023**

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
Operating lease assets	- Over the lease period to which the assets relate

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.

UBISENSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)

2.16 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

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 recognised when an event has taken place that gives rise to a legal or constructive obligation, a transfer of economic benefits is probable and a reliable estimate can be made.

Provisions are measured as the best estimate of the amount required to settle the obligation, taking into account the related risks and uncertainties.

Increases in provisions are generally charged as an expense to profit or loss.

UBISENSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)

2.23 Financial instruments

The Group has elected to apply the provisions of Section 11 "Basic Financial Instruments" of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Consolidated Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument.

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

Basic financial assets

Basic financial assets, which include trade and other receivables, cash and bank balances, are initially measured at their transaction price including transaction costs and are subsequently carried at their amortised cost using the effective interest method, less any provision for impairment, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Discounting is omitted where the effect of discounting is immaterial. The Consolidated cash and cash equivalents, trade and most other receivables due with the operating cycle fall into this category of financial instruments.

Other financial assets

Other financial assets, which includes investments in equity instruments which are not classified as subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the recognised transaction price. Such assets are subsequently measured at fair value with the changes in fair value being recognised in the profit or loss. Where other financial assets are not publicly traded, hence their fair value cannot be measured reliably, they are measured at cost less impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date.

Financial assets are impaired when events, subsequent to their initial recognition, indicate the estimated future cash flows derived from the financial asset(s) have been adversely impacted. The impairment loss will be the difference between the current carrying amount and the present value of the future cash flows at the asset(s) original effective interest rate.

If there is a favourable change in relation to the events surrounding the impairment loss then the impairment can be reviewed for possible reversal. The reversal will not cause the current carrying amount to exceed the original carrying amount had the impairment not been recognised. The impairment reversal is recognised in the profit or loss.

Financial liabilities

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

UBISENSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

2. Accounting policies (continued)**2.23 Financial instruments (continued)**

Basic financial liabilities, which include trade and other payables, bank loans, other loans and loans due to fellow group companies are initially measured at their transaction price after transaction costs. When this constitutes a financing transaction, whereby the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Discounting is omitted where the effect of discounting is immaterial.

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

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if the payment is due within one year. If not, they represent non-current liabilities. Trade payables are initially recognised at their transaction price and subsequently are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Other financial instruments

Derivatives, including forward exchange contracts, futures contracts and interest rate swaps, are not classified as basic financial instruments. These are initially recognised at fair value on the date the derivative contract is entered into, with costs being charged to the profit or loss. They are subsequently measured at fair value with changes in the profit or loss.

Debt instruments that do not meet the conditions as set out in FRS 102 paragraph 11.9 are subsequently measured at fair value through the profit or loss. This recognition and measurement would also apply to financial instruments where the performance is evaluated on a fair value basis as with a documented risk management or investment strategy.

Derecognition of financial instruments**Derecognition of financial assets**

Financial assets are derecognised when their contractual right to future cash flow expire, or are settled, or when the Group transfers the asset and substantially all the risks and rewards of ownership to another party. If significant risks and rewards of ownership are retained after the transfer to another party, then the Group will continue to recognise the value of the portion of the risks and rewards retained.

Derecognition of financial liabilities

Financial liabilities are derecognised when the Consolidated contractual obligations expire or are discharged or cancelled.

UBISENSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

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 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 2023**

4. Turnover

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

	2023	2022
	£000	£000
Goods	7,110	6,883
Services	7,920	7,174
Licence fees	419	419
	<u>15,449</u>	<u>14,476</u>

Analysis of turnover by country of destination:

	2023	2022
	£000	£000
United Kingdom	3,879	4,409
Rest of Europe	6,731	6,063
Rest of the world	4,839	4,004
	<u>15,449</u>	<u>14,476</u>

5. Operating loss

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

	2023	2022
	£000	£000
Research & development charged as an expense	372	325
Exchange differences	400	96
Other operating lease rentals	292	360
Depreciation	113	100
Amortisation and impairment of intangible fixed assets	3,076	3,387
Inventory recognised as an expense	<u>3,025</u>	<u>3,389</u>

UBISENSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

6. Auditors' remuneration

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

	2023	2022
	£000	£000
Fees payable to the Group's auditors for the audit of the consolidated and parent Company's financial statements	74	66

7. Employees

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

	Group	<i>Group</i>	Company	<i>Company</i>
	2023	<i>2022</i>	2023	<i>2022</i>
	£000	<i>£000</i>	£000	<i>£000</i>
Wages and salaries	7,947	<i>6,456</i>	2,008	<i>1,708</i>
Social security costs	929	<i>706</i>	320	<i>320</i>
Contributions to defined contribution pension arrangements	555	<i>388</i>	418	<i>297</i>
	9,431	<i>7,550</i>	2,746	<i>2,325</i>

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

	Group	<i>Group</i>	Company	<i>Company</i>
	2023	<i>2022</i>	2023	<i>2022</i>
	No.	<i>No.</i>	No.	<i>No.</i>
Technical consultants	22	<i>20</i>	5	<i>4</i>
Sales and marketing	34	<i>22</i>	8	<i>6</i>
Research and development	13	<i>13</i>	13	<i>13</i>
Administration	12	<i>11</i>	11	<i>10</i>
	81	<i>66</i>	37	<i>33</i>

UBISENSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

8. Directors' remuneration

	2023	2022
	£000	£000
Directors' emoluments	463	414
Group contributions to defined contribution pension schemes	29	22
	<u>492</u>	<u>436</u>

During the year retirement benefits were accruing to 2 directors (2022 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £211k (2022 - £238k).

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £14k (2022 - £13k).

9. Interest receivable

	2023	2022
	£000	£000
Other interest receivable	9	2
	<u>9</u>	<u>2</u>

10. Interest payable and similar expenses

	2023	2022
	£000	£000
Bank and other loan interest payable	164	145
Parent company loan interest payable	1,344	536
	<u>1,508</u>	<u>681</u>

UBISENSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

11. Taxation

	2023	2022
	£000	£000
Corporation tax		
Current tax on profits for the year	-	2
Adjustments in respect of previous periods	(354)	(433)
	<u>(354)</u>	<u>(431)</u>
Total current tax	<u><u>(354)</u></u>	<u><u>(431)</u></u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2022 - lower than) the standard rate of corporation tax in the UK of 23.52% (2022 - 19%). The differences are explained below:

	2023	2022
	£000	£000
Loss on ordinary activities before tax	<u>(9,589)</u>	<u>(6,211)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.52% (2022 - 19%)	(2,255)	(1,180)
Effects of:		
Expenses not deductible for tax purposes	750	663
Adjustment in research and development tax credit leading to a decrease in the tax charge	(354)	(431)
Unrecognised deferred tax movements	1,211	517
Surrendered to group relief	294	-
Total tax charge for the year	<u><u>(354)</u></u>	<u><u>(431)</u></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 2023 were approximately £6.7m (2022: £4.0m). 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 2023**

12. Exceptional items

	2023 £000	2022 £000
Exceptional costs	742	276
	<u>742</u>	<u>276</u>

In 2023, exceptional costs amounted to £742k, which included £234k in fees related to the departure of the CEO and £135k in recruitment costs for the search of a new CEO. Additional legal expenses were also incurred, primarily related to the financing arrangements with HSBC Innovation Bank (formerly Silicon Valley Bank UK).

In 2022, exceptional costs were primarily associated with legal advice concerning customer contracts.

13. Intangible assets**Group**

	Development expenditure £000	Computer software £000	Goodwill £000	Total £000
Cost				
At 1 January 2023	6,564	653	12,004	19,221
Additions	1,098	32	-	1,130
Foreign exchange movement	-	(18)	-	(18)
At 31 December 2023	<u>7,662</u>	<u>667</u>	<u>12,004</u>	<u>20,333</u>
Amortisation				
At 1 January 2023	5,284	608	9,803	15,695
Charge for the year	839	36	2,201	3,076
Foreign exchange movement	-	(16)	-	(16)
At 31 December 2023	<u>6,123</u>	<u>628</u>	<u>12,004</u>	<u>18,755</u>
Net book value				
At 31 December 2023	<u>1,539</u>	<u>39</u>	<u>-</u>	<u>1,578</u>
At 31 December 2022	<u>1,280</u>	<u>45</u>	<u>2,201</u>	<u>3,526</u>

UBISENSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

13. Intangible assets (continued)

The directors are satisfied that no provisioning for impairment is required in respect of intangible assets (2022: £NIL).

Company

	Development expenditure £000	Computer software £000	Total £000
Cost			
At 1 January 2023	6,564	417	6,981
Additions	1,098	5	1,103
At 31 December 2023	<u>7,662</u>	<u>422</u>	<u>8,084</u>
Amortisation			
At 1 January 2023	5,284	405	5,689
Charge for the year	839	1	840
At 31 December 2023	<u>6,123</u>	<u>406</u>	<u>6,529</u>
Net book value			
At 31 December 2023	<u>1,539</u>	<u>16</u>	<u>1,555</u>
At 31 December 2022	<u>1,280</u>	<u>12</u>	<u>1,292</u>

UBISENSE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

14. Tangible fixed assets**Group**

	Fixtures and fittings £000	Computer equipment £000	Operating lease assets £000	Total £000
Cost or valuation				
At 1 January 2023	913	440	-	1,353
Additions	76	82	249	407
Foreign exchange movement	(3)	(19)	-	(22)
At 31 December 2023	<u>986</u>	<u>503</u>	<u>249</u>	<u>1,738</u>
Depreciation				
At 1 January 2023	791	324	-	1,115
Charge for the year	35	73	5	113
Foreign exchange movement	(3)	(18)	-	(21)
At 31 December 2023	<u>823</u>	<u>379</u>	<u>5</u>	<u>1,207</u>
Net book value				
At 31 December 2023	<u>163</u>	<u>124</u>	<u>244</u>	<u>531</u>
At 31 December 2022	<u>122</u>	<u>116</u>	<u>-</u>	<u>238</u>

Operating lease assets comprises sensors, tags and other hardware provided to customers whose contracts are subscription-based. Subscription terms range from 3 to 8 years and hardware assets remain the property of Ubisense. Depreciation charged on these assets is recognised in cost of sales on a straight-line basis over the life of the subscription term.

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

	Fixtures and fittings £000	Computer equipment £000	Operating lease assets £000	Total £000
Cost or valuation				
At 1 January 2023	918	388	-	1,306
Additions	68	77	152	297
At 31 December 2023	<u>986</u>	<u>465</u>	<u>152</u>	<u>1,603</u>
Depreciation				
At 1 January 2023	799	292	-	1,091
Charge for the year	32	58	5	95
At 31 December 2023	<u>831</u>	<u>350</u>	<u>5</u>	<u>1,186</u>
Net book value				
At 31 December 2023	<u>155</u>	<u>115</u>	<u>147</u>	<u>417</u>
At 31 December 2022	<u>119</u>	<u>96</u>	<u>-</u>	<u>215</u>

Operating lease assets comprises sensors, tags and other hardware provided to customers whose contracts are subscription-based. Subscription terms range from 3 to 8 years and hardware assets remain the property of Ubisense. Depreciation charged on these assets is recognised in cost of sales on a straight-line basis over the life of the subscription term.

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15. Fixed asset investments**Company**

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2023 and 31 December 2023	<u><u>16,926</u></u>

The directors have performed an impairment assessment and are satisfied that no provisioning for impairment is required.

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Ubisense GmbH	Klaus-Bungert-Straße 5B 40468 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%

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16. Stocks

	Group 2023 £000	<i>Group 2022 £000</i>	Company 2023 £000	<i>Company 2022 £000</i>
Raw materials and consumables	1,139	945	1,139	945
Finished goods and goods for resale	845	514	839	162
	<u>1,984</u>	<u>1,459</u>	<u>1,978</u>	<u>1,107</u>

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 (2022 - £0.2m). Impairment losses totalling £0.2m (2022 - £0.2m) were recognised in profit and loss.

17. Debtors

	Group 2023 £000	<i>Group 2022 £000</i>	Company 2023 £000	<i>Company 2022 £000</i>
Amounts falling due after more than one year				
Amounts owed by group undertakings	-	-	9,497	-
	<u>-</u>	<u>-</u>	<u>9,497</u>	<u>-</u>
Amounts falling due within one year				
Trade debtors	4,339	3,261	751	418
Amounts owed by group undertakings	236	131	-	6,320
Other debtors	661	642	323	357
Prepayments and accrued income	1,666	1,108	1,064	394
	<u>6,902</u>	<u>5,142</u>	<u>2,138</u>	<u>7,489</u>

Trade debtors are stated net of a provision of £595k (2022: £42k).

All amounts under debtors are due within one year other than the amounts owed by group undertakings that are due in greater than one year, that have been classified based on expected date of receipt. Amounts owed by group undertakings are unsecured.

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18. Creditors: Amounts falling due within one year

	Group 2023 £000	<i>Group 2022 £000</i>	Company 2023 £000	<i>Company 2022 £000</i>
Bank loans	2,000	2,000	2,000	2,000
Trade creditors	2,468	2,497	1,980	2,272
Amounts owed to group undertakings	18,228	12,627	17,572	11,309
Corporation tax	-	2	-	-
Other taxation and social security	994	384	387	34
Other creditors	105	97	51	60
Accruals and deferred income	5,869	4,087	2,169	1,579
	<u>29,664</u>	<u>21,694</u>	<u>24,159</u>	<u>17,254</u>

The bank loan is a revolving credit facility provided by HSBC Innovation Bank ('HINV') with a total available revolving line commitment of up to £3m. The loan agreement is due to mature in February 2025, with the option to extend the loan for a further 12 months if requested by the Company and at the discretion of HINV. 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 4.75% above the Bank of England base rate per annum.

In August 2024 the Company converted its £2m bank loan provided by HINV with an asset-based lending facility also provided by HINV. The asset-based loan facility expires in February 2025, with the option to extend for a further 12 months if requested by the company and at the discretion of HINV.

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

	Group 2023 £000	<i>Group 2022 £000</i>
Other creditors	<u>34</u>	<u>35</u>

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20. Financial instruments

	Group 2023 £000	<i>Group 2022 £000</i>	Company 2023 £000	<i>Company 2022 £000</i>
Financial assets				
Financial assets measured at amortised cost	<u>6,406</u>	<u>6,988</u>	<u>10,810</u>	<u>8,573</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>25,185</u>	<u>19,043</u>	<u>22,325</u>	<u>16,250</u>

21. Provisions**Group**

	Dilapidation provision £000
At 1 January 2023 and 31 December 2023	<u>135</u>
	Total £000
At 1 January 2023 and 31 December 2023	<u>135</u>

The balance as at 31 December 2023 includes the dilapidation provision to restore leased offices to their original state. The provision is expected to be utilised in 2027.

Company

	Dilapidation provision £000
At 1 January 2023 and 31 December 2023	<u>135</u>
	Total £000
At 1 January 2023 and 31 December 2023	<u>135</u>

The balance as at 31 December 2023 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

	2023	<i>2022</i>
	£000	<i>£000</i>
Allotted, called up and fully paid		
1,305,652 (2022 - 1,305,652) Ordinary shares of £0.01 each	13	<i>13</i>

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 and contingencies

The Group does not have any capital commitments as at the reporting date (2022: £NIL).

The Company has a bank loan with HSBC Innovation Bank Limited, secured as follows:

- The loan is secured by all properties, rights, assets and revenues of the group and parent companies which act as corporate guarantors of the loan
- The companies acting as corporate guarantors are Abyssinian Bidco Limited, the immediate parent of Ubisense Limited, Ubisense Limited, Ubisense GmbH and Ubisense America LLC
- The loan balance as at 31 December 2023 was £2.0m with a maturity date of February 2025 and an interest rate of 4.75% above the Bank of England base rate

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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 £555k (2022: £388k). Contributions totalling £85k (2022: £53k) were payable to the fund at the reporting date and are included in creditors.

26. Commitments under operating leases

At 31 December 2023 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group	<i>Group</i>	Company	<i>Company</i>
	2023	<i>2022</i>	2023	<i>2022</i>
	£000	<i>£000</i>	£000	<i>£000</i>
Not later than 1 year	345	<i>364</i>	209	<i>204</i>
Later than 1 year and not later than 5 years	705	<i>897</i>	576	<i>814</i>
Later than 5 years	-	<i>204</i>	-	<i>204</i>
	1,050	<i>1,465</i>	785	<i>1,222</i>

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 £18.23m (2022: £12.63m). The balance includes interest that has accrued on the loan at a rate of LIBOR / SONIA / 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 2023 and 2022.

28. Post balance sheet events

Since the balance sheet date, the Company received loan funding totalling £11.7m from Abyssinian Bidco Limited, the Company's immediate parent company, as follows:

March 2024: £0.5m
 April 2024: £1.0m
 May 2024: £2.5m
 July 2024: £2.5m
 August 2024: £0.8m
 September 2024: £1.6m
 October 2024: £1.1m
 November 2024: £1.7m

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29. Controlling party

At 31 December 2023, the Company's immediate parent company was Abyssinian Bidco Limited, a private limited company incorporated in England, which is indirectly majority owned by the Investcorp Technology Partners IV Fund ("Fund").

The Fund's General Partner is indirectly owned by Investcorp Holdings B.S.C.(c) ("BSC"), which is domiciled in the Kingdom of Bahrain as a closed shareholding company.

BSC is ultimately indirectly controlled by SIPCO Holdings Limited. There is no natural person that owns or controls 25% or more of SIPCO Holdings Limited.

Accordingly there is no ultimate controlling party.