

TECHNOLOGY THAT SAVES LIVES

**FireAngel Safety Technology Group plc**

**Annual Report and Accounts for the year ended 31 December 2022**

## **Introduction**

### **Overview**

FireAngel's mission is to protect and save lives by making innovative home safety products which are simple and accessible.

FireAngel is one of the market leaders in the European home safety products market with its growing proprietary connected home products proposition. Its principal products are smoke alarms, carbon monoxide ('CO') alarms and accessories sold under the principal brand of FireAngel. The Group also has an extensive portfolio of patented intellectual property and various software applications. Barriers to entry are high with considerable costs of product certification and significant know-how required to sell home safety products.

The introduction of new technologically more-advanced products and new safety legislation, together with increasing levels of awareness of the dangers of smoke and CO, continue to drive the Group's sales.

FireAngel manufactures CO alarm sensors at its Canadian subsidiary, Pace Sensors. All other manufacturing and product assembly is out-sourced to independent third parties and almost all of the Group's product cost base is sourced in US dollars. FireAngel's smoke, heat and accessory products are manufactured by Flex in Poland. Other ranges of smoke products are sourced from the Group's long-standing partner, Siterwell in China. The Group's CO detectors are manufactured at Pace Technologies in China. FireAngel's multiple desktop and mobile software applications, which enable its Internet of Things ('IoT') solutions, are scoped and designed in-house before being developed by an expert partner based in India.

FireAngel enjoys the leading sales footprint of any home products supplier across UK Retail and is the largest supplier to the UK's Fire & Rescue Services ('UK F&RS'), both of which are a strong endorsement of the quality and technical capability of its products. The Group also supplies the UK Utilities sector with British Gas as a key customer. FireAngel has a well-established but low market share of the UK Trade sector and is seeking to significantly expand this with its range of Trade products. The Group also makes significant sales into Continental Europe, mainly selling in euros through a network of independently owned, third-party distributors.

FireAngel (AIM: FA.), a leading developer and supplier of home safety products, announces its audited final results for the year ended 31 December 2022.

#### Business highlights

- Strong revenue growth of 32%, despite being constrained by supply chain issues and macro-economic challenges
- The delivery of management's improvement plans led to the Group's highest revenue and adjusted gross profit performance since 2017
- Reported numbers adversely impacted by purchase price variance ("PPV"), unprecedented currency swings, inflation, and supply constraints on especially higher margin connected products
- Significant progress was made on the Group's project with Techem Energy Services GmbH ("Techem") to develop a new generation smoke alarm primarily for the German market:
  - Further milestones achieved on time
  - Development now more than 45 per cent. complete on a planned man days basis
  - In addition, the electronics development of the agreement is more than 91 per cent. complete and on schedule to be delivered by 8 September 2023

#### Financial headlines

- Revenue growth of 32% to £57.5 million (2021: £43.5 million)
- Gross profit £10.1 million (2021: £10.1 million)
- Adjusted gross profit<sup>1</sup> £13.5 million (2021: £10.5 million)
- Gross margin 17.6% (2021: 23.2%)
- Adjusted gross margin<sup>2</sup> 23.5% (2021: 24.2%)
- LBITDA £2.4 million (2021: £0.1 million)
- Adjusted EBITDA<sup>3</sup> £1.7 million (2021: £0.3 million)
- Non-underlying items of £1.1 million before tax (2021: £0.3 million)
- Underlying loss before tax<sup>4</sup> £5.0 million (2021: £3.4 million)
- Loss before tax £6.1 million (2021: £3.7 million)
- Net debt<sup>5</sup> (before lease obligations) at 31 December 2022 £4.8 million (2021: net cash before lease obligations £0.1 million)

<sup>1</sup>Adjusted gross profit is stated before non-underlying items, PPV and Mark to Market ("MTM") profit or loss on forward contracts expected to mature after the balance sheet date

<sup>2</sup>Adjusted gross margin is adjusted gross profit as a percentage of revenue

<sup>3</sup>Adjusted EBITDA is loss before tax, depreciation and amortisation, finance costs, non-underlying items, PPV, other operating incomes and expenses and MTM loss on forward contracts

<sup>4</sup>Underlying loss before tax is before non-underlying items

<sup>5</sup>Net debt is calculated as the net value of cash and cash equivalents, invoice discounting facilities and loans and borrowing.

#### Outlook and Post-balance sheet events

- Trading in the year to date is in line with the Board's revised expectations, with two particular exceptions which will not be recovered this year, as referred to in the Group's most recent trading update on 25 April 2023, with a weaker start to the year than anticipated being partly mitigated by lower than expected costs.
- As announced on 18 April 2023, Production and Delivery contracts have been signed with Techem, significantly advancing the progress of this transformational partnership:
  - The total income opportunity for FireAngel has grown significantly to an aggregate of up to c.\$7.50 per alarm since the original Development Agreement was signed in 2021. This is based on the same previously announced number of units planned for production and reflects inflation, the changing bill of materials and the changed scope as the project has matured to this crucial point of engaging a manufacturing partner
  - Shipments of the new alarm expected to start in 2024 with production volume building in 2025
- New contract wins announced on 31 March 2023 with British Gas Services Limited and on 12 May 2023 with a government agency in the Middle East, signify further progress against our strategy to migrate to higher value activities and commercialise our investment in connected technology
- Range of further self-help measures underway and expected to materially boost the Group's financial performance in 2023 and beyond
- Supply chain disruption, including component shortages, now starting to stabilise, providing an improved environment for production
- An extensive review of the Group's operations and cost base took place in Q2 2023 to help ensure that the Group is best positioned to return to profitable growth as soon as possible, with an estimated saving of approximately £1.5 million on overheads, including £1.0 million in headcount savings, and administration costs, including approximately £1.0 million in headcount savings, and an additional £1.0 million in reduced capital expenditure, expected in 2023
- The Company has approved on 5 June 2023 the details of a placing, subscription and open offer to raise £6.1 million (gross), £5.4 million net, in order to reduce its net debt (excluding lease liabilities) and support the increased working capital and investment requirements for its growth and strategic ambitions. There are contractual commitments from certain existing shareholders, new investors and the subscriber by means of a placing and subscription of up to 120,711,091 new ordinary shares.
- The subscriber, Ningbo Siterwell Electronic Import & Export Co. Ltd ("Siterwell"), a long-term manufacturing partner, has agreed to subscribe for 55,322,431 ordinary shares of 2 pence each for the total consideration of £2.8 million subject to claw-back by qualifying shareholders under the open offer.

- In addition, certain Board changes have been agreed, with Andrew Blazye (ex-Chair of Universe plc) to be appointed as Non-Executive Chairman and Neil Radley (ex-CEO of Universe plc) to be appointed as CEO both with effect from 7 June 2023, and John Conoley stepping down as Executive Chairman with effect from 5 June 2023
- Following completion of the fundraising, the Board has committed to undertake a strategic review to explore options to realise value for all shareholders, as soon as reasonably practicable which may or may not involve a sale of the Company

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Visit our investor website for the latest news and announcements: [www.fireangeltech.com](http://www.fireangeltech.com)

## Introduction

### FireAngel at a glance

## Our business model

The FireAngel story started in 1998 when the business model was conceived by Nick Rutter, one of the two founders, who wanted to design and sell products:

- where existing product solutions did not meet customer needs;
- which had global sales potential;
- manufactured using plastics and electronics (as this was the area most familiar to Nick); and
- which would provide an opportunity to take advantage of economies of scale of manufacture with low-cost manufacturers.

After a huge amount of product testing and validation work, the business, with Nick as Managing Director, launched the world's first plug-in smoke alarm. Since that ground-breaking design, the Company has gradually extended its product range and grown to become the business it is today with a comprehensive range of smoke, CO and wireless products sold under its principal FireAngel brand.

Our customer-centric approach, combined with a comprehensive product range, world-class third-party manufacturing capabilities and high barriers to entry through product certification, make our business model robust and defensible. In turn, this enables us to build strong, long-lasting partnerships with key customers to maintain and gain market share. Over time, we want to become *the* European market leader selling FireAngel branded products of choice in each of the markets we serve.

The product and brand advocacy we have from supplying smoke and hearing-impaired alarms to the UK Fire and Rescue Services ("F&RS") is illustrated through strong customer loyalty across our business. This philosophy shapes our business model as we continue to listen to our customers' needs to develop the products they want in the future.

Sourcing of our own smoke, heat and accessory products, designed, trialled and tested in the UK, is through partners in Poland and China. Further products to fill range gaps, particularly lower value products, are sourced from a long term partner in China. We have our own valuable CO sensor factory in Canada.

FireAngel's mission is to protect and save lives by making innovative home safety products which are simple and accessible.

## Strategic review

### The Board of Directors' Statement

Despite the unprecedented macroeconomic and geopolitical conditions, FireAngel delivered its strongest revenue and adjusted gross profit result since 2017. The progress made by the Group in the last two years has helped it endure the significant macroeconomic challenges and, as a result, our adjusted gross margin progress remains robust. There is a growing demand for our safety products, driven by societal and regulatory changes and to capitalise on this demand, FireAngel is continuing to deliver significant self-help measures, which are expected to underpin a further improved performance in 2023 and beyond.

Over the course of FY22, further regulatory changes were introduced across several of the markets which the Group operates in. Fire and Carbon Monoxide alarm legislation, along with wider social housing reform and environmental legislation across the UK and Benelux, continued to underpin demand for the Group's products. The impact of regulation developments in the German market and the 10-year replacement cycle from the 2014/2015 French legislation is expected to support further growth in 2024 and beyond.

Whilst these market tailwinds helped to drive strong revenue growth in FY22, the Group's ability to meet demand was significantly constrained by the widely reported supply chain challenges and component shortages. When combined with the impact of significant currency fluctuation, inflation and PPV, the Group had to maintain an intense operational focus to manage the impact of these dynamics. Therefore, whilst the reported results for FY22 inevitably reflect these challenges, the Group implemented steps to drive improvements and manage the impact of price rises, improve value engineering to reduce costs on selected products, introduce additional entry level products and renegotiate terms on certain contracts, which have all been critical in helping to deliver revenue and adjusted margin growth. This delivered an underlying performance that better demonstrates the strong progress made in the year.

Further headway has also been made against key strategic initiatives. A significant highlight includes the progress made with the Group's long-term partnership with Techem, the German energy efficiency service provider, to develop a new generation smoke alarm. This partnership presents a transformational opportunity for FireAngel with significant earnings potential. In addition, on 18 April 2023, the Group was pleased to announce the signing of production and delivery contracts with Techem and its long-term manufacturing partner, marking yet another important milestone.

### Financial performance

In FY22, the Group delivered impressive revenue growth, of 32% to £57.5 million (2021: £43.5 million). The adjusted gross profit<sup>1</sup> was £13.5 million (2021: £10.5 million), which represented an adjusted gross margin<sup>2</sup> of 23.5% (2021: 24.2%).

As previously outlined, the Group's ability to meet demand was significantly constrained by the widely reported supply chain challenges and component shortages faced and the reported results for FY22 inevitably reflect these difficulties. Despite the significant increase in revenue, the gross profit was only in line with 2021 predominantly due to a combination of inflation, high PPV on components due to global shortages and unfavourable currency movements between the USD and GBP.

The Group had net debt (before lease obligations) of £4.8 million at 31 December 2022 (2021: net cash (before lease obligations) £0.1 million). On 20 June 2022, the Group announced that it had signed an agreement with its bank, HSBC UK Bank plc, for a standby letter of credit facility which is supported by UK Export Finance, up to a combined sum of £3.5 million, for an initial term of 12 months (the "Facility"). The Facility supports the variability of working capital arrangements with certain Group suppliers, which are driven by longer lead times on components and the Group's expected growth. The Board believes that the Facility is a prudent measure which will help offset the unpredictability in the Group's supply chain and input prices. Further details of the Facility are set out in the Performance review below.

During 2022, the Group met all banking covenants which relate to the CBILs loan, excluding Q4 2022 which was waived by the bank. There has been a further waiver in Q1 2023 of banking covenants agreed and reset from June 2023 to align with revised forecasts and provide additional headroom from those previously agreed.

### Strategy

The Group continued to deliver against its strategic objectives and, as previously communicated, its primary target is to continue to enhance gross margin year-on-year by focusing on three key objectives:

- migrating to higher value activities whilst eliminating lower value and lower impact activities;
- commercialising our investment in connected technology; and
- implement other gross margin improvements across the value chain.

### Strategic progress

Despite the many macroeconomic and geopolitical challenges experienced in FY22, further progress has been made against these objectives.

#### *Moving to higher value activities*

FY22 saw the Group progress its exclusive long-term partnership with Techem to develop a new generation smoke alarm. Product development activities progressed in line with the planned milestones and the development phase of the project is now, pleasingly over 45% complete on a planned man-days basis. In addition, the electronics development of the agreement is over 91% complete and on schedule, with the focus now turning to manufacturing related developments in partnership with the Group's long term manufacturing partner.

As previously highlighted, on 18 April 2023, the Group announced that it had signed production and delivery contracts for manufacturing the new alarm. Techem has also selected FireAngel's CO sensor, which will be manufactured at the Group's Pace Sensors factory in Mississauga, Canada, and will be incorporated exclusively into the new alarm. We will invest in improving capacity and efficiency in this facility in

2023 and 2024. Initial shipments of the new alarm under these recently signed contracts are expected to commence in 2024 and to be significantly cash generative for the Group thereafter. The Techem partnership remains an opportunity from which the Board expects that the Group, and its shareholders, will derive significant long-term value.

In terms of other progress made the Group continued to progress its long term partnership with Siterwell to source new cost-effective entry and mid-level products. The project concluded in Q1 2022 and to date has generated over 1 million units and £6.7 million of sales with the production of margin enhancing products for the Group as planned. A further range of entry level products is now expected to be launched in Q4 2023 and is expected to generate £2 million of revenue for the Group annually.

#### *Commercialising connected technology*

As evolving policy and legislation become more defined, FireAngel's connected technology is increasingly well positioned to meet the growing demand for fire safety technology across its markets. However, due to component sourcing challenges throughout much of FY22, the supply of products has been a major constraint on the growth of the Group's connected proposition.

These issues were particularly evident in UK Trade where the Group experienced a loss of momentum in the sales of its connected products due to low and intermittent supply. Despite this, 700,000 connected products were shipped over the course of the year and the Board expects both supply and sales to recover in 2023.

As visibility of component supply improves and production returns to normal levels, the Group plans to re-energise its strategic connected vision during 2023 with a key spearhead in its Internet of Things ("IoT") offering being the launch of the Home Environment Gateway expected in Q4 2023, which enables temperature and humidity monitoring. The Board believes continued market and societal development supports the success of this initiative.

#### *Implement other gross margin improvements across the value chain*

The Group continued to make wider operational improvements over the course of the year alongside the introduction of new, low to mid-level products with its partner, Siterwell, cost take down engineering, continued investment in efficiency in improved IT systems and automation across UK and Canada, packaging changes, selling price rises and renegotiated shipping fees. The majority of these measures have either been completed or are already significantly advanced.

These initiatives executed during 2021 and 2022 generated approximately £6 million of margin improvement by the end of FY22, which somewhat mitigated the unexpected macroeconomic events of 2022. The Group also began work in mid-FY22 on further measures, many of which are already significantly advanced, or complete, and which are expected to deliver an estimated additional £4 million of margin improvement during FY23, before any impact of inflation or exceptional currency movements, on an annualised basis thereafter. These include further market price adjustment, cost engineering of selected products and packaging.

#### **Environmental, Social & Governance ("ESG")**

In order to place a more deliberate focus on the Group's ESG activities, in 2022, the Group established an ESG Committee to provide oversight and measurement of its ESG related activities and business.

The Committee's immediate priorities were to implement Environmental Standard ISP 140001, with completion expected in 2023. A major initiative to review the Group's packaging is also underway. The Group had already made the decision to phase out PET packaging and this latest review will focus on CO2 emissions and waste with the aim of CO2 emissions by 32 tonnes a year.

As a fire safety focused technology company, the Group also recognises the role that it can play in driving awareness of fire and CO2 risk amongst trade audiences and the general public. In order to drive better understanding, some years ago, the Group launched an annual awareness campaign, Project SHOUT CO. In 2022, the campaign reached over 9 million people and included outreach programmes across the UK and EU to build a better understanding with the aim of reducing fire risk and unsafe heating practices and raise awareness of support with fuel, poverty and damp and mould.

#### **Current trading and outlook**

Trading in the year to date is in line with the Board's revised expectations, with two particular exceptions which will not be recovered this year, as referred to in the Group's most recent trading update on 25 April 2023, with a weaker start to the year than anticipated being partly mitigated by lower than expected costs. Supply chain disruption, including component shortages, is however now starting to ease, providing an improved environment for production and supply to end customers.

Society and the regulatory environment continue to evolve and to generate a positive momentum to demand, underpinning the long-term growth prospects for the Group, with recent new contract wins with British Gas and a government agency in the Middle East being further testament to this progress.

The Group has approved on 5 June 2023 the details of a placing, subscription and open offer to raise £6.1 million (gross), £5.4 million net, in order to reduce net debt (excluding lease liabilities) and support the increased working capital and investment requirements for its growth and strategic ambitions. There are contractual commitments from certain existing shareholders, new investors and the subscriber by means of a placing and subscription of up to 120,711,091 new ordinary shares. Siterwell, a long term manufacturing partner, has agreed to subscribe for 55,322,431 ordinary shares of 2 pence each for the total consideration of £2.8 million subject to clawback by qualifying shareholders under the open offer. In addition, certain Board changes have been agreed, with Andrew Blazye (ex-Chair of Universe plc) to be appointed as Non-Executive Chairman and Neil Radley (ex-CEO of Universe plc) to be appointed as CEO with effect from 7 June 2023 and John Conoley stepping down as Executive Chairman with effect from 5 June 2023.



In addition, following completion of the fundraising the Board has committed to undertake a strategic review of the business to explore options to realise value for all shareholders, including the possible sale of the Company. An extensive review of the Group's operations and cost base has already taken place in Q2 2023 to help ensure that the Group is best positioned to return to profitable growth as soon as possible.

**The Board of Directors**

5 June 2023

## Strategic review continued

### Our proprietary technology

Our comprehensive range of smoke, heat, carbon monoxide, environmental devices, and purpose built IoT, and software solutions enable tailored levels of protection to suit customers' unique needs, at various price points and under several well respected brands.

### FireAngel

Since being founded in 1998, FireAngel's commitment to advancing safety and increasing prevention has achieved multiple industry firsts. Our success has been driven by robust partnerships and integration in the retail and trade communities, while our state-of-the-art technology has been installed in homes by UK Fire & Rescue Services since 2007.

### *FireAngel and IoT technology*

**FireAngel Connected** is a purpose-built solution for home safety. Using Connected, social landlords can remotely monitor interlinked alarms and environmental sensors, access real-time status and compliance updates, and view instant diagnostic reports for a more intelligent way to manage properties and protect residents.

**FireAngel Predict™** is built as standard into FireAngel's Connected smoke and heat alarms and runs a unique algorithm, with a patented application, that spots trends of behaviours logged by devices, creating a map of fire safety triggers and categorising properties as high or low risk. When paired with effective interventions Predict™ aims to stop preventable fires happening in the first instance, providing a level of fire safety never before seen in social housing.

**FireAngel's Home Environment Gateway** delivers a holistic resident safety solution, encompassing fire safety, AI-driven risk stratification and background environmental monitoring with temperature and humidity sensors incorporated to identify properties at serious risk of developing damp and mould. Through additional Zigbee sensors, the solution future proofs social housing properties and enables providers to adapt and scale the networks as legislation or needs evolve.

**Pro Connected** is FireAngel's B2C range of alarms and an intuitive app which also features Predict™ technology, offering customers a 'smarter' way to stay safe at home with features such as remote monitoring of a vulnerable family member's property and Just Ask Alexa to test and troubleshoot networks.

### *FireAngel and semi-connected technology*

**FireAngel's Sync-It™** enables quick, quiet and contactless data extraction from devices, by using NFC technology in a mobile phone to transfer and securely store logged data to the **FireAngel Connected** cloud platform. With a recent view of temperature, humidity and carbon monoxide levels, as well as device performance indicators, it provides the insight housing teams require to be able to focus resource at properties that need it most, measuring the success of these corrective actions long-term. Data can be viewed within the app, shared via email or delivered directly into asset management systems using secure API's, enabling effective interventions as required.

### *FireAngel hardware*

#### Sustainability

Alongside our IoT solutions and apps, over 80 million devices, including smoke, heat and carbon monoxide alarms, have been installed in more than 25 million homes across the globe. FireAngel has a strong track record of leading our market with respect to product sustainability. We use a single non-rechargeable backup battery on our sealed for life mains powered alarms, rather than the traditional rechargeable backup battery designs, reducing battery consumption by 66% and significantly reducing the 230V power consumption throughout the alarms 10-year life, making them the most sustainable alarms of their type on the market.

#### Ease of install

FireAngel's range of mains and battery devices offers the flexibility to create interlinked networks with mixed system compatibility. Multiple devices can be wireless or hardwired interlinked to create a hybrid network, which can be quickly wirelessly extended if additional safety products need to be added to the system later to meet any change in an individual's requirements or level of risk.

Designed with installers in mind, FireAngel's new carbon monoxide alarm range features intelligent sensing technology, enabling the alarm's high sensitivity mode to be activated if it predicts CO levels will increase to or above 180ppm for a rapid reaction. While low level CO monitoring triggers a pre-alarm warning to open windows to reduce the risk of CO poisoning and prevent a build-up of dangerous CO levels.

### AngelEye

Launched in 2012, FireAngel's brand AngelEye is a leading name in the French DIY market as a trusted supplier of quality smoke, heat and CO alarms.

### Pace Sensors

Pace Sensors is FireAngel's wholly-owned subsidiary in Canada. In partnership with FireAngel, Pace Sensors develops and manufactures the advanced carbon monoxide sensors used within all FireAngel and AngelEye CO alarms, which are protected by granted patents covering multiple technologies.

## Strategic review

### Environmental, Social and Governance Report

#### Introduction

Corporate Social Responsibility is integral to the success of our business and the actions we have undertaken in the environmental, social and governance arenas seek to build on that responsibility. Whilst our mission is to protect and save lives by making innovative, leading edge technology home safety products, it is also important that our business activities are carried out to high ethical standards and we interact positively with all our stakeholders be it shareholders, employees, customers or community.

#### Environmental report

Protecting and supporting the environment are both important and crucial to our continuing success.

Our continuing commitment to protecting our planet and environment can be seen in various activities and actions we have undertaken in 2022. These include the separation of all recyclable materials at our UK sites into separate collections for recyclable and non-recyclable waste. We also use a single non-rechargeable backup battery on our sealed for life mains powered alarms which reduces battery consumption by 66% and significantly reduces the 230V power consumption throughout the alarm's 10 year life which makes them the most sustainable alarm of their type on the market.

The Group also ensures its operating activities are undertaken in an environmentally conscious manner and currently reports on scope 1 and 2 as required of the Streamlined Energy & Carbon reporting requirements.

A key initiative during 2022 has been eradicating plastic packaging from product ranges including the number of spot colours on the packaging. This has reduced the energy required to produce packaging. Further packaging optimisation opportunities such as inner fitment material reduction are being investigated.

#### Social

Our commitment to high ethical standards includes positively supporting our stakeholders be they employees, customers, investors, suppliers or the community in which we operate. Our employees are very important to us, and several initiatives were launched in 2022 to ensure they felt supported. These included an employee engagement survey designed to ensure open and constructive communication with our employees and the employee benefits and wellbeing platform providing a central space for accessing company news and rewarding achievements. The Culture Hub within this platform provides employees with access to resources and tools for financial wellbeing.

Our customers, likewise, are very important with feedback being encouraged through contact with the Business unit directors and the marketing, product management and new product introduction teams. Customer communications and contact is also available via our call centre, social media channels or on the Group's website. Customer content for a professional audience informs landlords and housing associations on the regulations, standards and best practice that should be followed for fire and carbon dioxide safety together with new technological innovations. Content on digital and social media channels for homeowners provides information on home safety and raise awareness of the dangers from fires and carbon dioxide.

Community engagement and involvement is important to FireAngel and we have engaged in many community initiatives in 2022. These include ongoing and frequent dialogue with the Fire and Rescue Service to ensure lives and property are protected together with producing videos on gas safety to educate the wider community. Other community initiatives include making donations to various CO and fire fighter charities including a donation to FIRE AID and International Development to distribute and send fire and rescue equipment and PPE to Ukraine. The Charity Committee, also, organised various events in 2022 including a Platinum Jubilee afternoon tea which raised £220 for Trussell Trust Food banks.

For our shareholders, our goal remains to build and develop a business sustainably to secure its future for the long term.

#### Governance

A key focus has been on maintaining FireAngel's Board as a well-functioning team and ensuring it has the necessary skills, experience and capabilities to support it in achieving its corporate goals and assisting it on its ESG journey.

An ESG committee was established in quarter one of 2022 and several initial meetings have been held. The initial commitments included drawing up its terms of reference to ensure it met its responsibilities and promotes the success of the business together with a plan to measure the Group's carbon footprint with the aim of reducing it. A further commitment by FireAngel is to formalise its current Environmental Management activities with the implementation of a fully certified ISO 14001:2015 Environmental Management system. Implementation would cover UK operations directly together with our associated supply chain activities and would fit with existing accreditations held by our key contract manufacturing partners. In 2022 the scope of the Environmental Management system was defined, and objectives identified with BSI appointed as the certification body. The scope of the carbon footprint profiling as part of the ISO 14001 implementation will be expanded.

#### Health and Safety

We regard health and safety as an important element to our success. We view the standards of health and safety required by law as being only the minimum standards to be met and we endeavour to follow best practice at each of our sites. A Health and Safety Committee has been established to ensure a more pro-active approach to Health and Safety is adopted. It includes Chief Finance Officer, Zoe Fox as Chair and comprises employees across functions and business locations. Three employees were trained in Health and Safety requirements to become competent persons within the business.

## Performance review

### Group financial results

#### Overview

The Group's financial results for 2022 are its strongest since 2017 with significant increases in revenue (2022: £57.5 million; 2021: £43.5 million) and adjusted gross profit (2022: £13.5 million; 2021: £10.5 million) from management's delivery of self-help improvement plans. Reported gross margin was severely impacted adversely by PPV of £1.9 million, weakening of the GBP against the USD (MTM loss on contracts due to mature post balance sheet date of £1.6 million), inflation and supply constraints especially on higher margin products.

#### Underlying Group performance

	Before non- underlying items	2022 Non-un- derlying items	Reported	Before non- underlying items	2021 Non-un- derlying items	Reported
	£m	£m	£m	£m	£m	£m
Revenue	57.5	-	57.5	43.5	-	43.5
Cost of sales	(47.5)	0.1	(47.4)	(33.4)	-	(33.4)
Gross profit	10.0	0.1	10.1	10.1	-	10.1
Operating expenses	(15.3)	(1.2)	(16.5)	(13.6)	(0.3)	(13.9)
Net other operating income/ expenses	0.5	-	0.5	0.1	-	0.1
Operating loss	(4.8)	(1.1)	(5.9)	(3.4)	(0.3)	(3.7)
Deduct:						
Net other operating income/expenses relating to PPV	0.5			-		
Add back:						
Mark to Market on forward contracts	1.6			(0.3)		
Purchase price variance	1.9			0.8		
Adjusted EBITDA	1.7			0.3		

Total revenue increased by 32% to £57.5million (2021: £43.5 million) resulting in an adjusted EBITDA<sup>1</sup> of £1.7 million (2021: £0.3 million).

The gross profit was £10.1 million (2021: £10.1 million), which represented a gross margin of 17.5% (2021: 23.2%). The operating loss was £5.9 million (2021: £3.7 million). The loss before tax was £6.1 million (2021: £3.7 million).

The adjusted gross profit<sup>2</sup> was £13.5 million (2021: £10.5 million), which represented an adjusted gross margin<sup>3</sup> of 23.5% (2021: 24.2%). Adjusted gross profit is before PPV of £1.9m which is seen as unusually high and is not expected to be material going forward and MTM of £1.6 million which relates to forward contracts expected to mature after the balance sheet date.

The key growth in revenue was generated from growing demand for safety products, strong growth within online retailers, reduced impact of COVID-19 resulting in greater access to properties and legislation drivers within certain territories. The adjusted gross margin continued to benefit from the progress made on the self-help measures put in place over the last two years, which enabled the Group to endure the significant macroeconomic challenges seen during 2022.

Overall cash outflow in the year was £1.9 million (2021: inflow of £1.8 million) and net debt<sup>4</sup> (before lease obligations) at 31 December 2022 was £4.8 million (2021: net cash (before lease obligations) of £0.1 million). The net movement of £4.9 million comprised a decrease in cash and cash equivalents of £1.9 million. There was a net increase in bank debt of £3.0 million through the drawdown of £3.4 million under the Group's invoice discounting facility and a repayment of £0.4 million of loans under the Coronavirus Business Interruption Loan Scheme ('CBILS').

<sup>1</sup>Adjusted EBITDA is loss before tax, depreciation and amortisation, finance costs, non-underlying items, PPV, other operating incomes and expenses and MTM loss on forward contracts

<sup>2</sup>Adjusted gross profit is stated before non-underlying items, PPV and MTM losses on forward contracts

<sup>3</sup>Adjusted gross margin is adjusted gross profit as a percentage of revenue

<sup>4</sup>Net debt/cash is calculated as the net value of cash and cash equivalents, invoice discounting facilities and loans and borrowing.

## Income statement

### Revenue by business unit

Revenue split between each of the Group's business units and Pace Sensors was as follows:

	2022	2021			2022	2021
	2022	Restated	Inc/(dec)	Inc/(dec)	Proportion	Proportion
	£m	£m	£m	%	%	%
UK Trade	9.7	9.8	(0.1)	-1%	17%	23%
UK Retail	19.8	15.9	3.9	25%	34%	37%
UK F&RS	3.3	2.4	0.9	38%	6%	6%
UK Utilities & Leisure	3.5	1.8	1.7	94%	6%	4%
Total sales in the UK	36.3	29.9	6.4	21%	63%	69%
International	16.3	10.9	5.4	50%	28%	25%
Techem	2.5	1.0	1.5	150%	4%	2%
Pace Sensors	2.4	1.7	0.7	41%	4%	4%
Total revenue	57.5	43.5	14.0	32%	100%	100%

As of 1 January 2022, the business reassigned a number of customers to different business units. Four customers with a combined revenue of £1 million in 2021 which were previously reported within the UK Trade business unit are now reporting through the Utilities & Leisure business unit. Similarly, two customers with a combined revenue of £0.2 million in 2021 which were previously reported within the UK Trade business unit are now reporting through the UK Retail business unit. The 2021 sales comparatives have been adjusted accordingly for comparability.

Overall, the Group's revenue increased by 32% to £57.5 million (2021: £43.5 million). With exception of UK Trade, all business units' revenue grew significantly.

Despite good new business momentum, underpinned by the tail end of legislation in Scotland and the UK CO legislation, UK Trade sales, saw a 1% decrease in revenue on prior year. This was primarily a result of the supply chain constraints in H1 2022 which meant that the sales demand could not be completely fulfilled.

UK Retail had a strong start to the year and significant growth of 25% on prior year, with increased sales across most of the Group's main customers such as Screwfix, Amazon and B&Q, with good take up of new entry and mid-point ranges improving margins as detailed in the Strategic Review set out above. UK Retail continued to experience good demand through the year which, as with UK Trade above, could not be fully fulfilled.

International sales were up 50% over the prior year. Benefiting, in particular, from legislation in the Netherlands, whilst supply was difficult in H1 and demand out-stripped supply, there was still a large increase in sales despite the unfortunate missed opportunities due to stock supply restrictions. Germany, Hungary and Singapore also saw high sales growth in the year.

The UK Fire and Rescue Services and UK Utilities and Leisure business units both saw the markets opening back up benefiting from no further COVID-19 related access restrictions. However, as with the other business units, there was more demand than the Group was able to meet from the available supply, leading to customers buying from competitors to meet demand.

The £2.5 million of revenue from Techem, our European partner, is recognised under IFRS15 accounting standards, adopting the input methodology approach to phase revenue recognition as this is based upon direct efforts to satisfy the dominant component of the performance obligation which is the product design. The total revenue associated with this contract amalgamates the background IP, minimum royalty amounts and the charges for the product development phases. To determine the correct accounting treatment, the Group has looked at the individual elements of the contract and concluded that there is one central non-distinct performance obligation. See note 7 for further details.

Revenue at Pace Sensors, the Group's Canadian manufacturer of CO sensors, increased during the year benefiting from increased CO sales in the UK following the enactment of legislation.

### Gross profit and gross margin

Adjusted gross profit increased to £13.5 million (2021: £10.5 million) and represented a small decrease in adjusted gross margin of 23.5% (2021: 24.2%). During 2022, there was a significant adverse movement on the GBP value against the USD which resulted in a 5% reduction in the GM% year on year. However, the Group made good progress on gross margin improvements and self-help measures.

During the year, overall gross profit was impacted by additional PPV net costs of £1.4 million (2021: £0.7 million), caused by the global supply chain challenges, predominantly increasing costs due to securing components on the open market.

	<b>2022</b>
	<b>£m</b>
PPV costs included within cost of sales	1.9
PPV costs included within other operating expenses	0.3
PPV income included within other operating income	(0.8)
Total Net PPV costs	<b>1.4</b>

While the total cost of these components in 2022 was £2.2 million, the Group was successful in reselling some of these components for £0.8 million and, therefore the net cost to the business was an additional £1.4 million. Going forward, PPV costs are not expected to be material.

The non-underlying costs for the year within gross margin was a small net credit of £54,000. Non-underlying items impacting gross profit in the prior year amounted to a small net credit of £22,000.

In FY22, the overall gross profit was unchanged at £10.1 million, representing a gross margin of 17.5% (2021: 23.2%). Despite a significant increase in revenue by 32%, the gross profit was impacted by a combination of inflation, high PPV on components due to global shortages and unfavourable currency movements between the USD and GBP. The underlying gross profit of £10.1 million was after £1.9 million of PPV costs and a £1.9 million loss on MTM on forward contracts in the year.

#### Exchange rates

The Group has exposure to US Dollars, Euros and Canadian Dollars with 97% of purchases being made in US Dollars and 28% of its revenue being in Euros. The weakening of GBP against the US Dollar significantly impacted the overall profitability in the year. The Group hedges to smooth the impact of currency fluctuations and benefitted from £1.7 million of gains on forward contracts maturing with in the year (2021: £0.6 million loss). After deducting a £1.6 million loss in respect of the Mark to Market of forward contracts that mature beyond the balance sheet date, the net impact of exchange rates on operating profit in the year compared to 2021's exchange rates is estimated as a net unfavourable debit of approximately £2.7 million, representing approximately 5% of gross margin.

During September 2022, the US Dollar fell to a record low against GBP, given the continued devaluation of the GBP. At the time, the Group took measures to protect itself from further possible exchange rate deterioration and gain some certainty on the currency impacts for the remainder of 2022 and part of 2023. It entered into a mixture of forward contracts and boosted forward contracts providing a blended rate of 1.15 as at 31 December 2022 (further details can be found in note 2). Following the rate rebound in the fourth quarter, these forward contracts make up the majority of the £1.6m loss carried forward as detailed above.

The average exchange rates against GBP are summarised below:

	Budget rate	Average for year		Average for H1		Average for H2	
	2022	2022	2021	2022	2021	2022	2021
Euro	1.17	<b>1.18</b>	1.16	<b>1.19</b>	1.15	<b>1.16</b>	1.17
US Dollar	1.36	<b>1.24</b>	1.38	<b>1.31</b>	1.39	<b>1.18</b>	1.37
Canadian \$	1.65	<b>1.61</b>	1.73	<b>1.66</b>	1.74	<b>1.56</b>	1.71

This table shows that on average in 2022, GBP strengthened against the Euro by 2%, thereby reducing FireAngel's revenue and profit on its Euro denominated income. Over the same period, GBP weakened against the USD by approximately 10% which increased the GBP value of USD denominated purchases.

Where possible, FireAngel has sought to increase 2022 and 2023 selling prices to offset the product cost inflation as a result of GBP's weakness against the USD. If GBP strengthens against the USD, FireAngel will see the benefit in reduced GBP product costs and vice versa.

#### Overheads

The Group's overhead costs comprise the distribution and administrative costs of running the business. Excluding non-underlying items totalling £1.1 million (2021: £0.3 million), further details of which are given below, and depreciation and amortisation of £3.5 million (2021: £3.3 million), overheads of £11.8 million were 15.1% higher than the prior year's £10.3 million. This was largely due to the increase in volume of revenue, high inflation across the cost base of the Group particularly experienced in the distribution costs impacted by global supply chain challenges and the macro-economic issues.

Total overhead costs amounted to £16.5 million (2021: £13.9 million).

### Non-underlying items in 2022

Non-underlying costs totalling £1.1 million were incurred in the year as follows:

#### Within cost of sales:

Included a credit of £54,000 which included as follows:

- The Group was able to sell stock lines that had previously been impaired which resulted in a non-underlying credit of £54,000

#### Within operating expenses:

- Non-cash impairment of intangible assets of £0.9 million relating to historical product development which the Board has resolved will not proceed
- Share-based payment charges of £0.2 million were incurred during the year (2021: £0.3 million)

### Non-underlying items in 2021

Non-underlying costs totalling £0.3 million were incurred in the prior year as follows:

#### Within cost of sales:

Included a credit of £22,000 which included as follows:

- An amount of £66,000 was expensed in relation to the settlement of warranty issues with certain distributors
- The Group was able to sell stock lines that had previously been impaired which resulted in a non-underlying credit of £88,000

#### Within operating expenses:

- Share-based payment charges of £0.3 million were incurred during the year

### Result for the year

The Group's adjusted EBITDA for the year amounted to £1.7 million (2021: £0.3 million).

The underlying operating loss for the year amounted to £4.8 million (2021: £3.4 million). After taking account of non-underlying items of £1.1 million (2021: £0.3 million) and finance charges of £0.2 million (2021: £nil), as a result of interest on borrowings in the year, the Group reported a loss before tax of £6.1 million (2021: loss before tax £3.7 million).

The Group booked a tax credit of £0.3 million (2021: tax credit of £0.4 million) due largely to the recognition of tax losses and the surrender of taxable losses for a research and development tax credit.

Basic and diluted EPS for the year was a loss of 3.2 pence per share (2021: loss of 2.0 pence per share).

### Statement of financial position

The net assets of the Group amounted to £14.6 million at 31 December 2022 (2021: £20.2 million) and can be summarised as follows:

	2022	2021
	£m	£m
Goodwill	0.2	0.2
Plant and equipment	2.2	3.3
Capitalised development costs	10.2	11.8
Purchased software costs	1.2	1.6
Non-current assets	13.8	16.9
Net cash balances	1.4	3.3
Loans and borrowings	(6.2)	(3.2)
Net(debt)/ cash	(4.8)	0.1
Lease liabilities	(0.5)	(1.0)
Net working capital	8.0	5.0
Net tax asset (including deferred tax)	0.7	0.5
Net derivative financial (liabilities)/ assets	(1.6)	0.3
Warranty provision	(1.0)	(1.6)
<b>Net assets</b>	<b>14.6</b>	<b>20.2</b>

Non-current assets at 31 December 2022 amounted to £13.8 million (2021: £16.9 million). The most significant components of this were capitalised development costs, with a net book value of £10.2 million, plant and equipment of £2.2 million and purchased software costs

of £1.2 million. Capitalised development assets of £0.9 million were impaired during the year as a result of a thorough review of product lines and future development costs.

Total capital expenditure (excluding right of use assets) decreased to £1.4 million (2021: £2.0 million). Of this total, £0.9 million represented capitalised development expenditure to further enhance the Group's connected homes and wider technology portfolio as described in note 18 to the financial statements (2021: £1.5 million). All research and development costs associated with the development of the new generation smoke alarm for Techem was charged to the customer.

Total capital expenditure of £1.4 million (2021: £2.0 million) compares with depreciation, amortisation and impairment charges totalling £4.5 million (2021: £3.3 million).

Working capital increased by £3.0 million to £8.0 million at 31 December 2022. Stock increased by £4.4 million to £8.1 million (2021: £3.7 million) at 31 December 2022. The build-up of stock followed a severe stock shortage earlier in the year from global component shortages which led to increased lead times and transit time for our goods.

Trade and other receivables increased by £4.4 million to £13.8 million (2021: £9.4 million) as a result of the increased revenue and the change in customer mix in the last quarter towards higher retail sales, which have longer payment terms. In the year, average debtor days decreased from 53 to 49 due to the higher proportion of International sales over the course of the year.

Trade and other payables increased by £5.7 million to £13.8 million (2021: £8.1 million), a result of increased stock purchases made during the year and average creditor days remained similar to 2021 at 24 days (2021: 21 days). This was due to the increased pressure to support our manufacturing partners with extended working capital exposure from longer component lead times resulting in increased credit exposure in addition to purchasing components on the open market with minimal credit terms.

At 31 December 2022, current tax assets amounted to £0.7 million (2021: £0.5 million) and comprised a current tax asset of £0.7 million (2021: £0.4 million), deferred tax assets were £2.4 million (2021: £3.1 million) and deferred tax liabilities were £2.4 million (2021: £3.1 million). Deferred tax assets reflect temporary timing differences in the treatment for tax and accounting of the Group's trading losses and share-based payments charge. Deferred tax liabilities largely reflect timing differences in the treatment of accelerated research and development tax credits on product development costs.

The Group's warranty provision at 31 December 2022 amounted to £1.0 million (2021: £1.6 million) of which £0.5 million is expected to be utilised within twelve months of the balance sheet date. This provision predominantly covers the expected costs of replacing smoke alarm products over the next two to three years where, as announced in April 2016, an issue in certain batteries provided by a third-party supplier, may cause a premature low battery warning chirp. While the utilisation of the provision has broadly tracked to the revised 31 December 2020 estimates, the amounts provided are the Board's best estimate of the ongoing liability.

## Cash

The Group had net debt (before lease obligations) of £4.8 million at 31 December 2022 (2021: net cash (before lease obligations) £0.1 million). The movement in net debt (before lease obligations) during the year is reflected in the statement of financial position as follows:

	£m
Decrease in cash balances and net cash outflow	1.9
Increase of invoice discounting drawdown	3.4
Repayment of CBILS	(0.4)
Increase in net debt (before lease obligations)	4.9

The net cash outflow of £1.9 million in the year is summarised in the table below. The most significant non-operating cash flow items include the costs of the warranty provision (referred to above) and other non-underlying items totalling £0.6 million, capital expenditure of £1.4 million (as described above), the draw down on the Group's invoice financing discounting facility of £3.4 million and the repayment of the annual capital element of the CBILS loan of £0.4 million.

On 20 June 2022, the Group announced that it had signed an agreement with its bank, HSBC UK Bank plc, for a standby letter of credit facility which is supported by UK Export Finance, up to a combined sum of £3.5 million, for an initial term of 12 months (the "Facility"). The Facility will attract a quarterly charge of 0.55% on the total amount available under the Facility. The drawings on the Facility do not add to the Group's net debt position, and, as expected, improve the Group's creditor days and creditor relations. The Facility supports the variability of working capital arrangements with certain suppliers, which is driven by longer lead times on components and the expected growth of the Group.



	2022	2021
	£m	£m
<b>Underlying operating loss<sup>1</sup></b>	<b>(4.8)</b>	<b>(3.4)</b>
Depreciation and amortisation charges	3.5	3.3
Increase in working capital	(2.8)	(1.0)
Decrease/ (Increase) in fair value of derivatives	1.9	(1.0)
<b>Cash used by operations before non-underlying payments</b>	<b>(2.2)</b>	<b>(2.1)</b>
Cash cost of warranty provision and other non-underlying items	(0.6)	(1.3)
<b>Cash used by operations</b>	<b>(2.8)</b>	<b>(3.4)</b>
Interest paid (net)	(0.4)	(0.1)
Taxation received	-	0.6
Capital expenditure	(1.3)	(2.0)
Proceeds from share issue (net)	-	9.0
Drawdown/(Repayment) of invoice finance	3.5	(2.5)
Drawdown of loan	-	3.2
Repayment of loan	(0.4)	(2.6)
Lease payments	(0.5)	(0.4)
<b>Net cash flow</b>	<b>(1.9)</b>	<b>1.8</b>

<sup>1</sup> Underlying operating loss in 2022 of £4.8 million is before non-underlying items (2021: £3.4 million).

## Use of non-GAAP financial performance measures

Certain disclosures and analyses set out in this annual report include measures, which are not defined by generally accepted accounting principles ('GAAP') under UK-adopted International Accounting Standards. We believe this information, along with comparable GAAP measures, is useful to investors. Management uses these financial measures, along with the most directly comparable GAAP financial measures, in evaluating the Group's operating performance. Non-GAAP measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with GAAP.

In the following table, we provide a reconciliation of this and other non-GAAP measures, as defined in this Performance Review, relevant GAAP measures:

### Underlying profit measures

	2022	2021
	£m	£m
<b>Adjusted gross profit</b>		
Reported gross profit	10.1	10.1
Non-underlying items:		
- Provision for warranty costs	-	0.1
- Provision against stock and disposal costs (net)	(0.1)	(0.1)
Adjusted items:		
-MTM	1.6	(0.3)
-PPV	1.9	0.7
<b>Adjusted gross profit</b>	<b>13.5</b>	<b>10.5</b>

**Adjusted gross margin percentage**

Adjusted gross margin percentage is the adjusted gross profit (as defined above) as a proportion of revenue.

	2022	2021
	£m	£m
<b>Underlying operating loss</b>		
Reported operating loss	(5.9)	(3.7)
Non-underlying items:		
- Provision for warranty costs	-	0.1
- Provision against stock and disposal costs (net)	(0.1)	(0.1)
- Impairment of intangible/ tangible assets <sup>1</sup>	1.0	-
- Share-based payments charge	0.2	0.3
Underlying operating loss	<u>(4.8)</u>	<u>(3.4)</u>

	2022	2021
	£m	£m
<b>Underlying loss before tax</b>		
Reported loss before tax	(6.1)	(3.7)
Non-underlying items:		
- Provision for warranty costs	-	0.1
- Provision against stock and disposal costs (net)	(0.1)	(0.1)
- Impairment of intangible/ tangible assets <sup>1</sup>	1.0	-
- Share-based payments charge	0.2	0.3
Underlying loss before tax	<u>(5.0)</u>	<u>(3.4)</u>

	2022	2021
	£m	£m
<b>Adjusted LBITDA</b>		
Reported loss before tax	(6.1)	(3.7)
Finance costs	0.2	-
Depreciation and amortisation	3.5	3.3
Non-underlying items:		
- Provision for warranty costs	-	0.1
- Provision against stock and disposal costs (net)	(0.1)	(0.1)
- Restructuring costs	-	-
- Impairment of intangible/ tangible assets <sup>1</sup>	1.0	-
- Share-based payments charge	0.2	0.3
- MTM	1.6	(0.3)
- PPV (net)	1.4	0.7
Adjusted EBITDA	<u>1.7</u>	<u>0.3</u>

	2022	2021
	£m	£m
<b>Net Debt</b>		
Cash and cash equivalent	1.4	3.3
Loans and borrowings	(2.8)	(3.2)
Invoice discount facility	(3.4)	-
Net (debt)/ cash	<u>(4.8)</u>	<u>0.1</u>

<sup>1</sup>Impairment of intangible and tangible assets in the year amounted to £946,000 and have been rounded to £1.0m in the non-GAPP measures above.

**Net cash before lease obligations**

Net cash before lease obligations is considered to be a non-GAAP measure as it is not defined in IFRS. The most directly comparable IFRS measure is the aggregate of loans and other borrowings (current and non-current) and cash and cash equivalents. This is the calculation used by the Group to measure net cash.

**Dividend**

As a result of the loss reported for the year, and consistent with the decision not to declare an interim dividend (2021: nil pence per share), the Directors do not recommend the payment of a final dividend (2021: nil pence per share). The total dividend payable for 2022 is therefore nil pence per share (2021: nil pence per share).

**Post balance sheet events**

As announced on 18 April 2023, the Group has entered into two complementary agreements that enable the delivery in market of the New Generation Smoke Alarm ("NGSA") which it has been developing with its partner, Techem. These are supplementary to the original development agreement which was signed in 2021. These new agreements are the Delivery Contract for manufacturing the NGSA and the Production Framework and Supply Agreement, which together comprise a very significant milestone for the Company as it continues to progress its transformational partnership with Techem. This initiative is expected in due course to be highly cash generative for the Group and to generate significant long-term strategic value for its shareholders. The total income opportunity for FireAngel has grown significantly to an aggregate of up to c.\$7.50 per alarm since the original Development Agreement was signed in 2021. Pursuant to the terms of the delivery contract, initial shipments of the NGSA are expected to commence in 2024. Volumes are expected to build up further during the first half of 2025.

The Group was also pleased to announce new contract wins on 31 March 2023 with British Gas Services Limited and on 12 May 2023 with a government agency in the Middle East. Both contracts signify further progress against our strategy to migrate to higher value activities and commercialise our investment in connected technology.

The Company has approved on 5 June 2023 the details of a placing, subscription and open offer to raise £6.1 million (gross), £5.4 million net, in order to reduce net debt (excluding lease liabilities) and support the increased working capital and investment requirements for its strategic ambitions. There are contractual commitments from certain existing shareholders, new investors and the subscriber by means of a placing and subscription of up to 120,711,091 new ordinary shares. Siterwell, a long term manufacturing partner, has agreed to subscribe for 55,322,431 ordinary shares of 2 pence each for the total consideration of £2.8 million subject to clawback by qualifying shareholders under the open offer. In addition, certain Board changes have been agreed, with Andrew Blazye (ex-Chair of Universe plc) to be appointed as Non-Executive Chairman and Neil Radley (ex-CEO of Universe plc) to be appointed as CEO with effect from 7 June 2023, and John Conoley stepping down as Executive Chairman with effect from 5 June 2023.

An extensive review of the Group's operations and cost base has already taken place in Q2 2023 to help ensure that the Group is best positioned to return to profitable growth as soon as possible. In addition, following completion of the fundraising, the Board has committed to undertake a strategic review to explore options to realise value for all shareholders, including the possible sale of the Company.

**Zoe Fox**

**Chief Finance Officer**

5 June 2023

## Section 172 Companies Act statement

This section serves as our section 172 ("s172") statement and should be read in conjunction with the Strategic Report and the Company's Corporate Governance Statement.

The Directors are well aware of, and comply with, their duty under section 172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. The Board ensures that the requirements of s172 are at the forefront of their minds by including them on all Board meeting agendas and requiring s172 impact assessments for key Board decisions. The s172 provisions form part of the Company's long term strategic decision making.

The Board recognises that the business is reliant on maintaining its reputation for high standards of conduct, professionalism and integrity and this is always given high priority. FireAngel is a people-focused business, and our leadership team is committed to putting our stakeholders at the very core of how we operate. As one of the UK's leading manufacturers of fire safety equipment, we are only as good as our ability to meet the needs of our clients; that is what drives everything we do in terms of commitment to, and investment in, our own people.

Key decisions are made by the Board, which contribute to the delivery of the Company's long term strategy. In decision making, consideration is given to acting fairly towards each group of members including institutional shareholders, retail investors and employees. Engagement with our shareholders and wider stakeholder groups plays an essential role throughout FireAngel's business. We are aware that each stakeholder group requires a tailored engagement approach in order to foster effective and mutually beneficial relationships. We keep in close contact with investors, employees, customers, suppliers and local communities so we are aware of their views. Our understanding of stakeholders is then factored into boardroom discussions, regarding the potential long-term impacts of our strategic decisions on each group, and how we might best address their needs and concerns.

The Board regularly reviews our principal stakeholders and how we engage with them. The stakeholder voice is brought into the boardroom throughout the annual cycle through information provided by management and also by direct engagement with stakeholders themselves. The relevance of each stakeholder group may increase or decrease depending on the matter or issue in question, so the Board seeks to consider the needs and priorities of each stakeholder group during its discussions and as part of its decision making.

The statement required under the Companies (Miscellaneous Reporting) Regulations 2018 setting out how the Board of Directors of FireAngel have performed their duty under S. 172 with regard to the stakeholder factors listed in S.172 (1) are set out below.

Who was engaged?	Why were they engaged?	How were they engaged?	What was discussed and what were the outcomes and actions?
<b>Customers</b> The Group has customers of varying size across its divisions both in the UK and internationally.	<p>The Group is dependent upon its customers and distribution channels to sell and promote its products in its chosen markets.</p> <p>The Group's products form part of a range strategies and long-term rollout plans for many of its customers. Customer feedback and communication is therefore vital to ensure that the Group's products evolve as part of a planned, thought-through strategy such that supply meets future demand.</p>	<p>Key interactions included:</p> <ul style="list-style-type: none"> <li>Regular account management meetings with key customers during 2022, especially focussed on stock availability and pricing.</li> <li>Sharing information including variation in expected demand through reforecasts, production and delivery issues resulting from political/ economic challenges.</li> <li>Continuing to support waste reduction initiatives by proactively updating product repackaging from PET to cardboard.</li> <li>Partnership and engagement with German energy and efficiency service provider for real estate sector (Techem).</li> <li>Attending exhibitions and events to support customer engagement.</li> <li>ESG Survey to customers and suppliers in August and September to ascertain their views on ESG issues to aid FireAngel's ESG strategy;</li> </ul>	<ul style="list-style-type: none"> <li>Key customers and industry groups provided feedback on proposed future range strategies and evolving feature sets which impacted the Group's connected homes technology product design and market positioning plans.</li> <li>Customer feedback on future demand as a result of political/economic challenges.</li> <li>Supporting of waste recycling initiatives has saved PET boxes from landfill.</li> <li>The development phase for a new generation smoke alarm. Is now approaching half complete and the new alarm will be for sale from 2024. FireAngel CO (carbon monoxide) sensor to be incorporated into new alarm.</li> <li>Continued engagement in social media outreach to share safety advice, company news, product launches and legislation changes.</li> <li>Partnering with social media influencers to raise awareness of FireAngel's smoke, heat and CO alarms.</li> <li>Raising awareness of changes to CO</li> </ul>

			legislation as it impacts social and private rental properties.
<b>Investors</b> The Group's major shareholders and retail investors are set out on page 47 of the Statutory Directors' Report.	<p>The Board believes it is important to have open communications with shareholders to continue to access capital to ensure the long-term success of the business.</p> <p>Through its engagement activities the Board seeks to:</p> <ul style="list-style-type: none"> <li>• broaden the investor base to encourage long-term support and increased liquidity in the market for the Group's shares.</li> <li>• obtain investor buy-in into the Group's strategic objectives and how they are executed.</li> </ul>	<p>The Board's approach to investor engagement is detailed in the Corporate Governance Report on page 38.</p> <p>Key interactions included:</p> <ul style="list-style-type: none"> <li>• Physical and virtual meetings with major institutional investors</li> <li>• One-to-one investor meetings with the Executive Chairman, Chief Finance Officer and Chair of the Audit and Remuneration Committees</li> <li>• Use of a virtual meeting platform especially for retail investors who can register in advance and ask questions of executives during the presentation. (Investor Meets Company)</li> <li>• Press releases and stock exchange announcements</li> <li>• Other videos and interviews</li> </ul>	<p>The Directors regularly engage with investors through the cycle of presentations linked to results announcements during which the topics of strategy, governance and performance are discussed.</p> <p>In addition to this, specific matters on which the Board engaged and the outcomes and actions that followed, included:</p> <ul style="list-style-type: none"> <li>• The Group has been impacted by a range of challenges which have followed on from the COVID-19 pandemic and has discussed widely with investors, supply chain challenges, component shortages, resourcing, purchase price variations, general inflation.</li> <li>• Currency volatility experienced in the latter part of 2022 for instance has promoted the need to communicate our mitigation policies such as hedging.</li> <li>• Long-Term Incentive Plan considerations: feedback and input around the quantum and performance criteria of a LTIP award to Senior managers was sought from certain major institutional shareholders.</li> </ul>
<b>Suppliers</b> The Group has a limited number of international suppliers who manufacture products for the Group.	<p>With all its main production outsource, the performance of the Group's suppliers is crucial to the continued success of the business.</p> <p>In some cases, production of the Group's products represents a significant proportion of the supplier's total output. It is therefore vital that the Group engages with these suppliers to ensure the continuity and stability of supply in the longer term.</p> <p>The global impact of COVID-19 on both the availability and cost of products and components means that close co-operation with key suppliers and engaging with upstream component suppliers and brokers is crucial to ensure continuity of supply and appropriate credit terms in the face of uncertain demand.</p>	<p>Key interactions included:</p> <ul style="list-style-type: none"> <li>• Regular strategic and operational workshops in suppliers' facility with key FA team, to foster closer working relationships and discuss mid-long term production strategy and production challenges and solutions.</li> <li>• Presentation of strategic and product roadmaps</li> <li>• Sharing detailed COVID-19 impact assessments including variation in expected demand through reforecasts, production and delivery issues and COVID-19 risk assessments.</li> <li>• Frequent, regular meetings with key FA teams and suppliers' teams to discuss short term production challenges and opportunities</li> <li>• Supporting waste reduction initiatives in global supply chain and purchase of components.</li> <li>• External working capital requirements to increase component lead times.</li> </ul>	<ul style="list-style-type: none"> <li>• Close sharing of quality data led to improvements to production processes which reduced waste and increased yields through improved quality.</li> <li>• Collaboratively sharing the impact of COVID-19 disruption on forecast demand, capacity and cash flows led to mutually agreed changes to production and delivery schedules and temporary extensions to payment terms and conditions.</li> <li>• Tri party conversation and collaborations with the Group's suppliers and their critical component suppliers to give greater visibility through robust, longer-term demand forecasting and order placement.</li> <li>• To help support this a standard letter of credit has been provided to certain suppliers to ensure continuity of supply.</li> </ul>

<p><b>Employees</b></p> <p>The Group employs staff with key managerial, engineering and technical skills.</p>	<p>The contribution of the Group's dedicated staff and management team is critical to the Group's success.</p> <p>We engage to promote the Group's corporate culture and cascade our ethical values, behaviours and expectations. We aim to create a positive and inclusive culture, sensitive to the issues that affect our people, so they can thrive and grow.</p> <p>We engage to ensure that we continue to develop and invest in our highly talented and dedicated staff in the right way. The need to attract new employees, and retain existing staff is a major input for the Group to grow and maintain its business.</p> <p>The Board's duty to ensure a safe working environment for the Group's employees is its top priority.</p>	<p>The Group's approach to Employees engagement is detailed in the Environment, Social and Governance section of the Strategic Review report on page 8.</p> <p>Key interactions included:</p> <ul style="list-style-type: none"> <li>• Company Briefing Updates delivered throughout the year by the Executive Chairman</li> <li>• Presentation of the Group's strategic and five-year plan to its senior management team through a Strategy Day.</li> <li>• Cost of living increases in January and July</li> <li>• Monthly newsletter The Smoke Signal circulated internally to ensure all employees can remain connected wherever their place of work.</li> <li>• Employee survey in June</li> <li>• Training by St. John's ambulance in First Aid for Mental Health</li> <li>• Launch of employee benefits and wellbeing platform providing a central hub to access company news and discounts schemes and wellbeing initiatives</li> <li>• In Q2 2023 it was necessary to carry out a cost reduction within the business due to a slower revenue start to the year</li> </ul>	<ul style="list-style-type: none"> <li>• Employee responses to the company briefing updates help provide focused future briefings on specific areas of current product development and feature sets, future strategy and remuneration policies.</li> <li>• Cost of living increases should encourage employee retention and recruitment whilst also reflecting market-place trends.</li> <li>• The Employee engagement survey, which had a 73% participation rate has led to the following outcomes: <ul style="list-style-type: none"> <li>- Continuing to review rewards and benefits for employees;</li> <li>- Increased number of strategy meetings throughout the business including budget and strategy meetings;</li> <li>- Further training and development within the business. Training by running external training and professional courses such as mental health first aid course, IOSH training and sales leadership courses alongside inhouse development such as our training academy in customer support;</li> <li>- Increased engagement of the Charity &amp; Social events Committee providing events for the 2 businesses in Coventry and Gloucester whilst contributing to local and national charities; Consultation process unfortunately lead to redundancies and reduction in headcount across the business</li> </ul> </li> </ul>
<p><b>Lenders</b></p> <p>The Group has access to debt finance through its banking relationships.</p>	<p>In addition to equity funding, the Group uses debt finance to provide short-term funds.</p> <p>The Group must demonstrate the future viability of the business in order to ensure that debt finance continues to be available at acceptable rates of interest.</p>	<p>Key interactions included:</p> <ul style="list-style-type: none"> <li>• Performance review meetings throughout the year including presentation of the Group's budget for the year ahead.</li> <li>• Independent audit of the Group's compliance with the terms of the invoice discounting facility and Group's forecasts.</li> <li>• Discussions were held around obtaining a standby letter of credit facility with HSBC UK Bank plc and UK Export Finance, an external audit of forecasts was undertaken on behalf of the lenders in this regard. It led to the issue of the standby letter of credit.</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous conversations around ensuring the Group have adequate finance to support growth and opportunities.</li> <li>• Ensured bank updated at all times with FireAngel's financial performance against the banking covenants and CBILS loan to ensure compliance.</li> <li>• Agreement reached with HSBC UK Bank PLC and UK Export Finance to provide a combined sum of £3.5m and will provide greater certainty in the supply chain and additional reassurance to supplier as additional inventory is sought. This facility is currently in full use.</li> </ul>
<p><b>Communities</b></p>	<p>Provide unique insight into community to ensure FireAngel's mission was being met in-</p>	<ul style="list-style-type: none"> <li>• Ongoing and frequent collaboration with customers. Ongoing and frequent dialogue with the Fire and Rescue Service to protect lives and property.</li> </ul>	<ul style="list-style-type: none"> <li>• Raise awareness of importance of gas appliances being serviced by a Gas Safe registered engineer.</li> <li>• Environmental benefits of data being</li> </ul>

	<p>cluding protecting vulnerable members of the community.</p> <p>Protect and save lives and properties.</p> <p>Support and be engaged in our local communities.</p> <p>Support students with career progression and work placements.</p> <p>Fund and support Trauma Teddy Community initiative</p>	<ul style="list-style-type: none"> <li>• Sale of pioneering Connected Homes Technology in Social Housing.</li> <li>• Partnering with Fire and Rescue Services to produce videos on gas safety to educate the wider community.</li> <li>• Donations to various charities including CO and fire fighter charities.</li> <li>• Giving regular presentations to external agencies and customers and at student fairs providing information about the FireAngel brand, products and solutions</li> <li>• Currently providing work experience to apprentices and students.</li> <li>• Partnered with Derbyshire FRS to fund their Trauma Teddy Community Initiative. Buddy Bear issued by front line staff and police colleagues to young children who have witnessed an incident that may cause trauma.</li> <li>• Partnering with Derbyshire FRS to produce an innovative fire safety jigsaw puzzle as part of fire safety education programme.</li> <li>• Running live webinars in partnership with Housing Technology to discuss fire safety, legislation and Internet of Things</li> <li>• Supporting National Fire Chiefs Council (NFCC) Home FireSafety Week and exhibitions at UK Largest fire safety and Screwfix events and All-Party Parliamentary Carbon Monoxide Group (APPCOG's) national CO Alarms Save Lives campaign</li> <li>• Sponsoring events including Housing 2022, Data Matters and ASCP 2022, Fire Safety Event 2022 and Housing Technology Conference</li> <li>• Project SHOUT research study and broadcast campaign. The 2022 campaign focused on raising awareness of the dangers of CO and encouraging more homeowners to have an audible CO alarm installed. November saw the Project Shout team host a media day to report on FireAngel's independent research survey findings.</li> </ul>	<p>accessed remotely and taking appropriate action when required.</p> <ul style="list-style-type: none"> <li>• Co-Sponsor of the West Midlands FRS's Regional Breathing Apparatus Challenge 2022. 14 Fire and rescue crews across England competed in the regional event with the winners qualifying for a spot in the National Championships held later in 2022.</li> <li>• Buddy Bear supports the children (and by extension the Community) through the ordeal and is a keepsake of the emergency staff who helped them through it and is a positive influence. It also helps break down barriers.</li> <li>• Fire safety jigsaw puzzle to be used by community safety officers to engage 14,000 year six students.</li> </ul>
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<b>Environment</b>	FireAngel is committed to formalising its current environmental; management activities and ensure its operating activities are undertaken in an environmentally conscious manner.	<ul style="list-style-type: none"> <li>• Implementation of a fully certified Environmental Management System, ISO 14001:2015.</li> <li>• Carbon reporting requirements continue to be met under Streamlined Energy and Carbon Reporting obligations under Scopes 1, 2 and 3.</li> <li>• Eradicating plastic packaging from product ranges.</li> <li>• Establishment of the ESG committee</li> </ul>	<ul style="list-style-type: none"> <li>• Attending third party ISO 14001 introduction and implementation courses.</li> <li>• Currently in the planning stage and engaged with multiple internal stakeholders to capture environmental aspects that can be directly affected or influenced. BSi is the preferred certification body for ISO14001 accreditation with initial certification costs and on-going annual costs known.</li> <li>• The scope of the carbon footprint profiling as part of the ISO 14001 implementation will be expanded.</li> <li>• A programme has been completed to eradicate plastic packaging from product ranges and reduce the number of spot colours on the packaging, thus reducing the energy required to produce packaging. FireAngel are investigating further packaging optimisation opportunities such as inner fitment material reduction.</li> </ul>
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### **Principal decisions**

Principal decisions are defined as those material to both the Group and any of its key stakeholder groups. In making the following principal decisions the Board considered the outcome from its stakeholder engagement as well as the need to maintain a reputation for high standards of business conduct and the need to act fairly between the members of the Group. The standards expected of a listed public company provide an excellent framework for governance and behaviours which are taken very seriously and endorsed by the Board and senior Executive management. The Board Executives have regular contact with our various stakeholders including our shareholders, bank, suppliers and customers.

#### **Principal decision 1: Standby Letter of Credit facility**

A principal decision made by the Board has been reaching agreement for a standby letter of credit with the Group's Bank HSBC UK Bank plc and UK Export Finance up to a combined sum of £3.5m, a decision taken in July 2022. This facility is for an initial term of 12 months and will provide greater certainty in the supply chain and give additional reassurance for suppliers who are procuring the longer-term component and raw material inventory needed for the Group's growth over the next few years.

#### **Principal Decision 2: Moving to higher value activities**

The Board has recognised the need to migrate to higher value activities, this action should benefit company employees and other stakeholders including investors. A principal decision taken in April 2021 to sign a long-term partnership agreement with Techem Energy Services GmbH, one of the leading service providers for green and smart buildings, has made significant progress. The agreement was for the development of a new generation smoke alarm ("NGSA"). Four development milestones have now been achieved, with a further financial milestone achieved in June 2022, with a shift now to manufacturing related developments and, as announced on 18 April 2023, the Group has entered into two complementary agreements with Techem and its long term manufacturing partner to support the production of the NGSA.

#### **Principal Decision 3: Implementation and execution of self-help programmes**

The Group also took a key decision to begin work in mid-2022 on a new generation of self-help measures, many of which are already significantly advanced, or complete, and which will deliver an estimated £4 million of margin in 2023, and again amounting to £5 million of additional margin on an annualised basis. These include further market price adjustment, cost engineering of selected products, packaging, and efficiency tools for CRM and supply chain.

#### **Principal Decision 4: Commercialising connected Technology**

A key decision in 2022 was to focus on commercialising connected technology and FireAngel has launched a new technology SYNC-IT™ which will enable customers which operate social or private properties to check environmental data at the time of annual checks and will operate through a new mobile phone App which will extract data from non-connected Carbon Monoxide alarms. This is a clear example of the potential of connectivity and data in the safety and care environments and help reduce tragic accidents.

#### **Principal Decision 5: Environmental, Social & Governance ("ESG")**

ESG issues have become a key part of the Group's long-term strategy in 2022 and included the establishment of an ESG, its initial focus has been on measurement, education and planning.

#### **Principal decision 6: Monitoring and reviewing inflationary impact in the business**

In the face of inflation over the past 18 months, the Board decided to execute a product pricing review, which began to be executed in our markets in 2022, with decisions taken to conduct further regular reviews and further price rises as the year went on. These self-help measures have filtered through into new orders in Q1 2023 and will translate into revenues from Q2 2023 onwards.



**Principal decision 7: Restructuring of the business**

As part of the Group's ongoing focus on cost management, margin improvement and in order to be profitable and cash generative in H2 2023, the Board has reviewed the cost base of the business in line with the trading outlook for 2023 and beyond. This review so far has resulted in the restructuring of the senior management team, cost savings and further re-organisation of select business divisions to better position them for sustainable growth in the long-term.

**Zoe Fox**

**Chief Finance Officer**

5 June 2023

## Risks and risk management

The Group faces a variety of risks undertaking its day-to-day operations whilst in pursuit of its longer-term objectives.

Further information on those risks and how they are managed by the Group are set out in the following pages. It is recognised that the Group is exposed to a number of risks which are wider than those identified here. The risks disclosed are those of most concern to the Board and, also, those that have been the subject of debate at recent Board or Audit Committee meetings. However, no risk management strategy can provide absolute assurance against loss.

Through its management of the business units, the Group has an established risk management process for identifying, assessing, evaluating and managing significant risks whereby the Executive Directors, in conjunction with the Board and Audit Committee, seek to identify, assess and manage risk.

The Chairman of the Board has overall responsibility for the establishment and oversight of the Group's risk management framework. His role is to set the tone and influence the culture of risk management within the Group, determine the Group's risk priorities and monitor and manage the fundamental risks which the business faces through clear delegation of responsibility to each member of the Executive team.

All the Executive Directors are responsible for identifying, evaluating and mitigating risk in a timely manner, ensuring that there is an open and receptive approach to solving risk problems in the Group, embedding risk management as part of the system of internal controls within the Group and regularly updating the Board on the status of risks and controls where important issues are identified.

Significant risks, which are defined with reference to magnitude of impact and likelihood of occurrence, are escalated to the Executive Chairman and Chief Finance officer and, if appropriate, formally reviewed by the Board to assess the potential financial impact on the Group and to determine the optimum course of action to address these risks. The Risk register is regularly reviewed by the Executive Team to assess the significance of each risk and what mitigating action may be required.

Read more about how the Group manages risk in the Corporate Governance report on page 33.

The Audit Committee advises the Board of Directors on matters of risk management. It has its own report, which can be read on pages 39 and 40.

The principal risks facing the Group, and the strategies put in place to mitigate them, are described in the following table.

Ref	Risk Factors that may impact the business	Impact (1 – 5)	Likelihood (1 – 5)	Rating (1 – 25)	Impact and Current mitigation What we are doing to minimise the risk	Further actions required
1	Working Capital and liquidity risk	5	5	25	The Group has been loss making and the exchange rate environment experienced in 2022 saw further margin pressure. As we were finishing 2022 the easing of the material component shortages and unfulfilled demand from our customers had meant we had ordered stocks in order to meet a sales forecast with increased supplies of finished products. The ability to generate sufficient cash in this period of transformation has been challenged due to the poor financial performance and we have maintained regular communication with our suppliers in order to make sure that we can pay suppliers to agreed terms wherever possible. Where this becomes a challenge then reverting to shareholders or other stakeholders such as our supportive bank may be necessary.	Further engagement with credit reference agencies to update on funding arrangements, improved financials to improve the Group's credit rating, increasing capacity on the invoice discount facility in line with increased debtors and inventory financing to be considered for longer term procurement needs. Resetting of banking covenants in line with revised forecasts and fundraising.
2	Exchange rate risk/currency risk	5	4	20	The majority of the components used in the manufacture of our products are priced in US dollars. We also receive a significant proportion of our revenue in euros from sales into Europe. Unprecedented levels of uncertainty in global economic markets have led to a prolonged weakening in the value of sterling against the USD.  We manage this risk through the matching of foreign currency receipts and payments, where possible, and through hedging using forward exchange contracts to guarantee the future exchange rate at which chosen volumes of currency are exchanged. However,	Continue to closely manage pricing strategies and customer expectations to ensure that increased component costs can be passed on to customers where possible.  Continue to closely monitor competitors' prices to react quickly and appropriately to increase or decrease our prices. Continued regular placing of for-

Ref	Risk Factors that may impact the business	Impact (1 – 5)	Likelihood (1 – 5)	Rating (1 – 25)	Impact and Current mitigation What we are doing to minimise the risk	Further actions required
					if the value of sterling against the US dollar remains depressed, and this cannot be passed on through price rises, this may have a material adverse effect on our results.	ward contracts and reviewing of hedging policy to ensure adequate and meeting the company requirement and current foreign currency markets.  The Group has adjusted its financial plans to enable delivery of a satisfactory financial result going forward at current FX rates.
3	Cyber & Information Security	4	4	16	Use of IT exposes the Group to cyber and information security attacks potentially leading to data breaches and loss of confidential information. This could hinder competitiveness and risk reputational damage and subsequent financial loss. Continued regulatory focus on this area increases the risk over time. Increased investment in technology and training to prevent cyber and security attacks and educating about cyber security dangers and being alert to potential cyber security attacks. A mitigating action is that our Antivirus software has both malware and spyware protection included and introduction of two factor authentication. Tenders from potential customers have started to focus on this as a requirement. The Group's desire to refocus on Connected homes during 2023 may increase its need for compliance.	Development of cyber security roadmap working toward Cyber Essentials accreditation – this is starting to appear on some tenders and contracts.  Examine the feasibility of taking out Cyber insurance.  Continue to work with external consultants, to ensure we have a wide source of expertise knowledge.  Consider the appointment of a GDPR officer via a qualified external consultant
4	Tool and production equipment replacement	5	3	15	Failure or wear of tools or other production equipment is a risk in any production environment. Key tools on the production lines in Poland are ageing. Increased failures at peak production periods could impact production, especially if multiple failures coincided. The Group has conducted an assessment of wear and tear and has developed a schedule of tool duplication and replacement across the next 18 months. The costs will be within normal budgeting expectations.	Full review and replacement program to be executed, consideration of cash is likely to impact an needs to be considered. Will need to priorities and review risks in full.
5	Product prices from the Group's primary suppliers cannot be reduced	4	3	12	The relationship with the Group's primary products manufacturer is now well established. Whilst progress has been made in increasing production yield and volumes, there remain challenges in levels of utilisation and efficiency in the manufacturing process which continue to impact product costing in the short term. The Group's supply chain and technical teams are working with its primary manufacturing partner to ensure that efficiency is improved to reduce the future production costs. The renewed ability to physically visit factories in anywhere in the world is seen as a very important and welcome development. In addition, the streamlining of product lines is helping with creating economies of scales within manufacturing.	Further pricing and margin improvement initiatives are currently being worked through – examples are the packaging initiatives across all suppliers which should yield price decreases and ongoing discussions with Pace Sensors to improve production efficiencies.
6	Competitor risk	3	4	12	Several home safety product companies are considered to be direct competitors. These companies vary in the relative strength of their product offering, technological investment and corporate strength and over the	Greater concentration on our own product development will be possible as the Techem development work reduces.

Ref	Risk Factors that may impact the business	Impact (1 – 5)	Likelihood (1 – 5)	Rating (1 – 25)	Impact and Current mitigation What we are doing to minimise the risk	Further actions required
					<p>past few years have gained in their connected offerings.</p> <p>Over the past year with high inflation and weakening GBP against the dollar the Group has found it necessary to increase selling prices, closing the price differentiation the group had with competitors. This also leaves more opportunity for cheap 'non branded' competitors to come in underneath us.</p> <p>The Group monitors competitors' offerings and regularly reviews competitor products and pricing. The Group's continued investment in new products and technology provides a barrier to new entrants in the market. High certification costs act as a significant barrier to entry.</p> <p>The Group continues to commit significant resources to research and development and monitors competitor pricing closely.</p>	<p>It is likely that, in a connected product world, our focus will also include more partnerships involving technology, and a greater focus on higher value activities such as sensors, integration, and data. This should widen our applicability and reduce risk.</p> <p>The Group needs to maintain focus on cost efficiencies in the supply chain to remain price competitive.</p> <p>The Group is planning its next generation of products which should be cheaper to build than existing products.</p>
7	Staff retention and recruitment risk	3	4	12	<p>As with most businesses, particularly those operating in a technical field, the Group is dependent on engaging employees with key managerial, engineering and technical skills. The contribution of the Group's dedicated staff and management team has been, and continues to be, critical to the Group's success. If the Group is unable to attract new employees, or retain existing employees, this could have a material adverse effect on the Group's ability to grow or maintain its business.</p> <p>The recent recruitment market has made it even more challenging to recruit and hire in a timely manner the right calibre of personnel and the right skill set</p> <p>The Group places great importance on open communication with its employees, including regular staff updates from the Executive Chairman. The views of staff on various issues were sought in the employee engagement survey taken in 2022 in which 73% of staff participated. The Group aims to offer appropriate remuneration packages and incentive arrangements in order to mitigate this risk and seeks to create a supportive working environment where employees are encouraged to learn and develop in their roles through personal development plans. The Group provided a 4% cost of living rise for all staff (excluding the Executives) in January 2022, and an additional 2% in July 2022 and is reviewing continually pay levels to attract and retain staff. For recruitment, the Group works with a range of recruiters to maximise reach and accommodates a wider range of working pattern preferences. The</p>	<p>Further review of remuneration to keep salaries at market rates.</p> <p>Improved financials will help make the Group more attractive to new employees.</p> <p>Continued engagement with employees and further staff surveys.</p> <p>Continuing refinement of non-financial benefits such as financial advice, an employee rewards and discount programme, more social and wellbeing opportunities.</p> <p>Good communication to staff during consultation periods of redundancy process and following.</p>

Ref	Risk Factors that may impact the business	Impact (1 – 5)	Likelihood (1 – 5)	Rating (1 – 25)	Impact and Current mitigation What we are doing to minimise the risk	Further actions required
					<p>Group's deliberate focus on ESG is also felt to be an attractive part of its offer to potential staff.</p> <p>The long-term incentive plans were re-priced earlier in the year to provide a more achievable plan.</p> <p>Cost savings and headcount reduction in 2023 could create uncertainty and key personnel loss</p>	
8	Continued inflation on costs	4	3	12	<p>With continued uncertainty in global markets and the highest inflation rates seen in decades, there is a risk that this will continue to increase across all of the Groups input costs. FireAngel has the ability to adjust selling prices in 2023 should further unexpected inflation begin to affect margins. However, it must consider competitor pricing and the possible effect on volume should it continue to increase its customer prices.</p> <p>The Group continuously reviews contracts and looks for alternative cheaper suppliers where possible. Energy contracts were locked in until the end of 2023 so will need to be reviewed in 2023 and freight costs have been partially locked in until 2024.</p>	<p>Review transfer pricing on Pace Sensors – this will not impact profit across the Group but requires careful consideration on tax impact.</p> <p>Further review of products line efficiencies.</p> <p>Continue to drive cost down with in the business and improve efficiencies.</p>
9	Risk of recession	3	4	12	<p>Global retraction and decline across the territories in which the Group trades impacting the sales and profit of the business.</p> <p>A proportion of the business is resilient to recession such as legislative driven demand, but any recession may drive trade to cheaper products.</p> <ul style="list-style-type: none"> <li>•The opportunity for cost savings afforded by the Group's connected solution will become more attractive as non-safety critical budgets tighten as evidenced by recent UK customer enquiries.</li> <li>•Many social housing authorities will have ring-fenced fire safety budgets for the fiscal year to utilise.</li> <li>•Existing smoke and CO alarms installed by all manufacturers will continue to reach end of life and require replacement.</li> <li>•increased awareness of the importance of protecting vulnerable people in their homes, particularly in the current climate.</li> </ul>	<p>Cautious planning for 2023/24, in particular, supply chain and procurement, with an assumption that the Group would prefer to be unable to supply all demand (again) rather than be left with too large a stock surplus. Where the Group may have surpluses of stock due to forecasting challenges, the focus will be more towards fast moving items, reducing the chance of build-up of slow-moving stock.</p> <p>Budgeting is cautious showing similar number of products by number as in 2022.</p> <p>Examine the opportunity of offering more opening price point and low entry products and look at other alternative sourcing.</p>
10	Techem Project	3	3	9	<p>Risk that the project is delayed by Techem.</p> <p>It is unlikely that the technical specification cannot be achieved for a technical reason given the joint Phase 1 evaluation phase of the project. Given the motivation and partnership of the parties, as well as the size of the financial opportunity provides sufficient incentive to all parties.</p>	<p>Contractual arrangements provide a €3 million minimum payment if Techem initiated a halt. The project contains much IP which can be reused by FireAngel. The Group would switch all resources to developing its future generation of products more quickly, and it is expected these would generate a significant financial</p>

Ref	Risk Factors that may impact the business	Impact (1 – 5)	Likelihood (1 – 5)	Rating (1 – 25)	Impact and Current mitigation What we are doing to minimise the risk	Further actions required
						opportunity in lieu of the Techem opportunity.
						Reorganisation of the quality function with a closer integration with other functions in the Group.  Heightened IQC to reduce the possibilities of new issues reaching the market-place.

The Statutory Strategic Report comprises the Strategic Review and the Performance Review.  
The Statutory Strategic Report has been approved by the Board.

On Behalf of the Board

*ZA Fox*

**Zoe Fox**  
**Chief Finance Officer**  
5 June 2023

## **Governance**

### **Board of Directors and Company Secretary**

At the date of this report, FireAngel's Board of Directors comprises three Non-Executive Directors and one Executive Director. Membership of the Audit and Remuneration Committees is made up solely of certain of the Independent Non-Executive Directors.

The Board has the breadth and depth of skills necessary to guide the Group as it seeks to take full advantage of new opportunities and contend with new challenges. A brief biography of each of the current Directors is set out below:

#### **Executive Directors**

##### **John Conoley**

###### **Executive Chairman**

Appointed to the Board 22 January 2019, Executive Chairman 01 August 2019

Years on Board – 4

Resigned from Board on the 5 June 2023

Committee Membership- Environmental, Social and Governance, Nominations

John brings significant executive and non-executive experience Board level experience in both fully listed and AIM quoted businesses. He began his career in the IT industry and has worked in a range of industries in technical, sales and manufacturing roles. Since then, John has held general management and director level roles in small and medium-sized private and public companies. Recent public company roles include Chief Executive Officer of Psion PLC, the fully listed international mobile device company, from April 2008 to October 2012 when it was acquired by Motorola; Non-Executive Director of NetDimensions (Holdings) Limited, the AIM -quoted human capital management software company from October 2016 to April 2017 when it was acquired by Learning Technologies plc; and was Executive Chairman then Non-Executive Chairman of Wameja Limited, the AIM and ASX quoted innovative mobile financial services company that was acquired by MasterCard in 2021. He is currently Non-Executive Chairman for dotDigital Group PLC, the market automation platform company listed on AIM.

##### **Zoe Fox**

###### **Chief Finance Officer**

Appointed to the Board – 30 April 2021

Years on Board - 2

Committee Membership- Environmental, Social and Governance, Nominations

Zoe has extensive experience of working as a Finance Director and in the smoke alarm industry. Zoe was appointed as Chief Finance Officer for FireAngel in 2021. For the two years previous to this appointment Zoe held the role of Company Secretary until 30<sup>th</sup> November 2021 and was the Finance Director of the Group's principal subsidiary since 2010. Prior to this she was Finance Director of BRK Brands Europe Limited, part of the Jarden Corporation. Zoe qualified as a Chartered Accountant in 2004 and has a BSc (Hons) degree.

#### **Non-Executive Directors**

##### **Simon Herrick**

###### **Senior Independent Non-Executive Director**

Appointed to the Board – 24 September 2019

Years on Board - 3

Committee Memberships- Audit, Nomination, Remuneration

Simon has over twenty years' experience in financial and operational roles at a senior level. His previous roles include being Chief Financial Officer at Debenhams plc and Chief Executive Officer at Northern Foods plc. Simon is a Fellow of the Institute of Chartered Accountants of England and Wales and holds an MBA from Durham University. He chairs the Audit and Remuneration Committees at FireAngel Safety Technology Group plc.

#### **Other key appointments**

He is a Non-Executive Director of Biome Technologies PLC, Ramsdens Holdings PLC and Christie Group plc and a Director of Sports Punk Limited and Herrick Inc Limited.

##### **Jon Kempster**

###### **Non-Executive Director**

Appointed to the Board - 17 December 2020, Non-Executive Director 30 April 2021

Years on Board – 2

Committee Memberships- Audit, Nomination, Remuneration

Jon is a Chartered Accountant and his career has included CFO Board positions at Frasers Group PLC and Wincanton plc. Jon qualified as a Chartered Accountant at PWC and has a BA (Hons) in Business Studies from Liverpool University. Jon's broad financial knowledge and experience bring additional support to the Board.

**Other key appointments**

Jon is a Non-Executive Director and Chair of the Audit and Risk Committee at DX Group plc. He is, also, a Non-Executive Director and Chair of the Audit Committee at Serinus Energy plc and a Trustee of the Delta plc pension scheme.

**Graham Whitworth,****Non-Executive Director,**

Appointed to the Board- 22 May 2000

Years on Board – 22

Committee Memberships - Nomination

Graham has worked in a number of technology businesses initially in engineering and then IT based design technology roles which has led to the development of a diverse set of international business skills. Graham led the original Sprue Aegis (now FireAngel) IPO and was Group Chief Executive and Chairman until February 2015. He then became Executive Chairman until 22 January 2019 on which date he transitioned to the role of Executive Director. Since 27 May 2020 Graham has been a Non-Executive Director of the Company and continues to be actively engaged in business development responsibilities. Graham's specific responsibility has been to lead the successful engagement with Techem in which role he continues.

**Dawn Williams****Company Secretary**

Dawn joined FireAngel in May 2021 on an interim basis and was appointed Company Secretary on 30 November 2021. She brings Company secretarial and governance experience which has been gained in various FTSE 250 companies. Dawn stepped down from this post 28 February 2023, and Company secretarial duties are now maintained by ONE Advisory Limited, a specialist supplier of such services.



## Governance

### Corporate governance report

#### Introduction

The Board of FireAngel places great importance on effective corporate governance. This is reflected in our governance principles, policies and practices. We believe that effective governance, not only in the boardroom but right across the business, ultimately supports an organisation in improving long-term financial performance. Central to this is the Group's culture. We work hard across the organisation to ensure that we operate with high standards of moral and ethical behavior and that this expectation is clear at all levels, in the way we work, in the way we reward, and in everything we do. An example of this has been the establishment of the ESG committee which is comprised of managers and employees who have specific knowledge or engagement in the 3 ESG pillars.

We are rightly proud of our culture and the high standards with which our employees and the business acts. We also recognise that culture does not stand still. It must evolve as the business grows and as the environment changes to ensure our behaviours remain aligned with our size, structure and interests of our stakeholders. Culture is a continuous journey, and we must invest in our people and structures to ensure this remains central to driving behaviours as the business grows.

As Board, it is our responsibility to ensure that FireAngel practices sound corporate governance. The Group has therefore adopted the Quoted Companies Alliance Corporate Governance Code ("QCA Code"). The QCA Code is a widely recognised benchmark for corporate governance of smaller quoted companies to which the UK Corporate Governance Code is not considered applicable, due to company size. The Board has fully adopted, and is working towards full compliance with, the QCA Code for small and mid-size quoted companies.

The Board regularly reviews the Group's corporate governance policies and procedures to ensure it is compliant with the reporting changes. The Board considers that FireAngel complies with the QCA Code so far as is practicable, having regard to the Group's current stage of development.

The extent of compliance with the ten principles that comprise the QCA Code was most recently reviewed by the Board on 25 April 2023. The results of this review, together with an explanation of any areas of non-compliance, and any steps taken or intended to be taken to move towards full compliance, are set out below:

Principle		Current compliance	Comment and disclosures
<b>Deliver growth</b>			
1	Establish a strategy and business model which promote long-term value for shareholders	Full	The Group's business model and strategy, together with the key risks which impact on achieving these goals, and the mitigating actions being taken to address these risks are documented in the Introduction, Strategic review and Risks and risk management sections of this Annual Report. These disclosures are supplemented by information in the About Us section of our website <a href="http://www.fireangeltech.com">www.fireangeltech.com</a> .
2	Seek to understand and meet shareholder needs and expectations	Full	The Group's commitment and approach to engagement with its shareholders, be it institutional or private investors is documented in the Investor relations section of this corporate governance report of this Annual Report. The success of this engagement is measured through approval of shareholder resolutions recommended by the Board. This is communicated in the Regulatory announcements section of the Investors area of the Group's website <a href="http://www.fireangeltech.com">www.fireangeltech.com</a> .
3	Take into account wider stakeholder and social responsibilities and their implications for long-term success	Full	<p>The Group takes its responsibilities to its different stakeholder groups both internally, its employees, and externally, its suppliers, customers and the community in which it operates seriously. It recognises that these relationships are crucial to its long-term success in fulfilling its mission which is to protect and save lives by making innovative, leading-edge technology home safety products which are simple and accessible. Further details on its approach and actions in relation to wider stakeholder involvement and social responsibilities are detailed in the Environmental, Social and Governance section and Section 172 Companies Act Statement of this Annual Report.</p> <p>Where regulations have been introduced, the Group has taken appropriate steps for having policies relating to Modern Slavery and Whistle Blowing in order to discourage unethical business conduct, thus ensuring its employees are protected. Our annual Modern Slavery Act Statement is published on our website.</p>

4	Embed effective risk management, considering both opportunities and threats, throughout the organisation	Full	The Board in developing and reviewing its Risk management framework seeks to identify, assess and mitigate all risks in order to execute and deliver its strategy. In so doing it considers its wider stakeholder responsibilities and duties to its supply chain. The Group's internal control environment and system of risk management, including the key risks to which the Group is exposed, are documented in this corporate governance report and the Risks and risk management section of this Annual Report.
<b>Maintain a dynamic management framework</b>			
5	Maintain the Board as a well-functioning, balanced team led by the chair	Partial	<p>The role, composition and independence of the Board are documented in this Corporate governance report of this Annual Report and supplemented by information in the Directors section of the Investors area of our website <a href="http://www.fireangeltech.com">www.fireangeltech.com</a>.</p> <p>The Board recognises that the primary responsibility of the chair is to lead the Board effectively and to oversee the adoption, delivery and communication of the Group's corporate governance model. There should be adequate separation from the day-to-day business to be able to make independent decisions. The chair should not normally also fulfil the role of chief executive. This separation of roles will be re-introduced in the Group with Andrew Blazye to be appointed as Non-Executive Chairman and Neil Radley to be appointed as CEO with effect from 7 June 2023, and John Conoley stepping down as Executive Chairman with effect from 5 June 2023. In addition, Board independence and structure, are considered to be sufficiently robust to ensure that independent decisions can be made despite increased day-to-day involvement by the chair.</p>
6	Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	Full	<p>The Board believes that the current composition of Directors have the necessary up to date experience, skills and capabilities needed to deliver the strategy of the Group for the benefit of shareholders and the wider stakeholder community over the medium to long term. The experience and skills of each Director are described in the Board of Directors section of the Governance section of this Annual Report and supplemented by information in the Directors section of the Investors area of our website <a href="http://www.fireangeltech.com">www.fireangeltech.com</a>. The roles of the Senior Independent Non-Executive Director and the Company Secretary, together with a description of the ongoing education of the Directors, are detailed in this corporate governance report of this Annual Report.</p> <p>As required the Board will seek expert advisors to update on its responsibilities and any changes in governance and legislation.</p> <p>FireAngel's newly appointed Company Secretary, ONE Advisory Limited assist with ensuring that Board procedures are followed and that the Group complies with all applicable rules, regulations and obligations governing its operation, as well as helping to maintain excellent standards of corporate governance. ONE Advisory also provides support and assistance with Market Abuse Regulation compliance and shareholder meetings.</p>
7	Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	Partial	The understanding, effectiveness and contribution of each Director is kept under constant review with each Director's performance being reviewed before any proposal for re-election at the Annual General Meeting.
8	Promote a corporate culture that is based on ethical values and behaviours	Full	The Group's corporate culture permeates everything the Group does. It is evident in the Business Model set out in the Introduction section of this Annual Report, in the Environment, Social and Governance section. Based upon the feedback received from employees through the staff engagement surveys, the Board assesses the culture to be strong.
9	Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	Full	It is incumbent on the Group to maintain governance structures and processes which fit with its corporate culture and are appropriate to their size, complexity and capacity, appetite and tolerance for risk. The Board structure, its committees, their roles and members, and the roles of Directors with specific remits, are described in this Corporate governance report and in the individual committee reports of this Annual Report. The terms of ref-

			erence of the committees are detailed in the Resources section of our website <a href="http://www.fireangeltech.com">www.fireangeltech.com</a> . These governance structures will evolve and be updated in parallel with its objectives, strategy and business model to reflect the development and transformation of the Group.
<b>Build trust</b>			
10	Communicate how the Group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	Full	The Group's approach and actions in relation to wider stakeholder engagement are detailed in the Section 172 statement of this Annual Report. Details of all shareholder communications are provided on the Group's website, including historical annual reports, general meetings and the outcome of all general meeting votes. The Group's regulatory RNS and RNS Reach announcements are also listed in the Regulatory announcements section of the Investors area of our website <a href="http://www.fireangeltech.com">www.fireangeltech.com</a> .

The Group's corporate governance disclosures include the Corporate Governance Report, the Audit Committee Report and the Remuneration Committee Report.

#### Leadership and operation of the Board

The Board usually have ten full meetings scheduled in a year, with a mix of attendance in person and by video, expected where possible. In addition, further ad hoc board meetings are called to address exceptional or administrative matters, or to enable focused discussion on a specific matter. Further informal calls and meetings between members of the Board are normal.

All Directors are expected to devote such time as is necessary for the proper performance of their duties. After taking into consideration the availability and time commitment demanded of individual members, the Chairman was satisfied that the members of the Board were able to devote sufficient time and resource to perform their roles for the Group.

The 'chief operating decision making' authority is the Board which delegates day-to-day responsibility for managing the Group to the Executive Management Team ('EMT') led by the Executive Chairman or CEO. The Executive Chairman or CEO leads the trading review and senior leadership meetings of the Group to ensure operational targets are met or exceeded. Details of the EMT and trading review meetings are set out below.

The EMT is responsible for developing and implementing the strategy approved by the Board and led by the Executive Chairman. In particular, it is responsible for ensuring that the Group's budget and forecasts are properly prepared, that targets are met, and for generally managing and developing the business within the overall budget. Any changes in strategy or significant deviation from budget require explanation to, and approval of, the Board.

The EMT typically meets fortnightly and comprises the two Executive Directors, with other senior managers attending as appropriate.

Whilst in 2022 two business unit directors collectively managed the Group's business units, from the start of 2023 this has centralized on one Group Sales Director. Trading review meetings are also held weekly and include key managers from each of the departments across the business. Business unit reviews are typically held once per quarter and together with the trading review meetings, this provides the forum for the EMT to ensure a consistent implementation of FireAngel's business agenda across the organisation. Business unit meetings are also attended by other senior departmental managers as required.

All Directors have access to the advice and services of the Company Secretary. Both the appointment and removal of the Company Secretary are matters reserved for the Board. All Directors have the benefit of directors' and officers' liability insurance and are entitled to take independent professional advice at the Group's expense. The Directors keep their skills up to date through regular updates from the Group's advisory team, review of relevant publications, and attendance at appropriate seminars and market updates.

Simon Herrick is the Senior Independent Non-Executive Director of the Group and provides a communication channel between the Chairman and the Non-Executive Directors and is available to discuss matters with shareholders when required.

#### The Board agenda

The Board's responsibilities include:

- setting and monitoring the strategic objectives of the Group and reviewing individual management performance;
- monitoring the risks to achieving the strategic objectives;
- providing entrepreneurial leadership within a framework of prudent and effective controls for risk assessment and management;
- ensuring that appropriate resources are in place and being managed effectively for the Group to create long-term shareholder value; and
- approving annual budgets and investments in the Group's technology roadmap.

The agenda for each Board meeting is reviewed by the Executive Chairman or Chairman to ensure that sufficient time is given to consideration of the most significant issues. The Board receives the minutes of all Board Committee meetings at the next Board meeting following the Board Committee meeting. The culture of the Board is such that Non-Executive Directors are encouraged to constructively challenge the performance of management through rigorous discussion and debate in meeting the goals and objectives agreed to achieve the Group's strategy.

## Board meetings

During 2022 matters dealt with by the Board included:

- reviewing the banking facilities including banking covenants, CBILS loan, invoice financing and standby letter of credit
- review and monitoring of Group strategy and progress against business objectives;
- operational and financial performance of the Group;
- review the Group's budget for 2023;
- approval of financial statements and dividend policy;
- risk management oversight and review of risk activities;
- approval of large contracts and bids;
- consideration of Audit and Remuneration Committee reports and recommendations;
- audit planning;
- review of corporate governance matters and reporting including a review of compliance with the QCA Code for small and mid-size quoted companies,
- Review of Environmental, Social and Governance activities within the Group and consideration of ESG committee reports and recommendations;
- reviewing the Group's Health & Safety Policy;
- the re-appointment of RSM UK Audit LLP as external auditor, upon the recommendation of the Audit Committee;
- review of the Group's product development roadmap and technological developments in the industry.
- review of 2022 Modern Slavery statement
- reviewing .S.172 statement;
- cyber security review
- employee engagement review

Excluding ad hoc Board meetings for general administrative matters, the number of Board and Board Committee meetings during 2022 attended in person or by video conference or telephone is set out as follows:

	Total number of meetings		
	Board	Audit Committee	Remuneration Committee
<b>JR Conoley<sup>2</sup></b> <i>Executive Chairman</i>	<b>11</b>	-	-
<b>Zoe Fox</b>	<b>11</b>	<b>3</b>	-
<b>G Collinson<sup>1</sup></b>	<b>3</b>	<b>1</b>	<b>1</b>
<b>SE Herrick</b> <i>Chairman of Audit and Remuneration Committees</i>	<b>11</b>	<b>3</b>	<b>5</b>
<b>J Kempster</b>	<b>11</b>	<b>3</b>	<b>5</b>
<b>GRA Whitworth</b>	<b>10</b>	-	-

1. Number of meetings eligible to attend before resignation as a Non-Executive Director, Board: 3; Audit Committee:1, Remuneration Committee: 1
2. Number of meetings eligible to attend before resignation as an Executive Director, Board: 11; Audit Committee: nil, Remuneration Committee: nil

There were 11 board, 3 audit committee and 5 remuneration committee meetings in the year all of which were appropriately attended.

## Board Committees

The Group has two standing Board Committees: an Audit Committee and a Remuneration Committee. The roles and activities of those Committees are included in the respective Committee reports on pages 39 to 44.

The functions of a nominations committee have generally been undertaken by the Group Board as a whole due to the size of the Group and the size and composition of its Board. A formal process for evaluating the Board will be undertaken by the Nominations Committee when new structures and relationships are established. In the meantime, the effectiveness and contribution of each Director is monitored and kept under constant review with each Director's performance being reviewed before any proposal for re-election at the Annual General meeting. The nomination committee meetings are held as part of the board meetings.

## Directors' conflicts of interest

Training on the Companies Act 2006 has been given to all Directors on the provisions within, and Directors are reminded of their duties at each Board meeting. All Directors maintain conflicts of interest declarations and any planned changes in their interests, including directorships outside the Group, are notified to the Board. None of the relationships declared are considered to be of a detrimental nature to FireAngel's business and as such none are deemed to impact on the independence of the Directors. Any conflicts are declared at the first Board meeting at which the Director becomes aware of a potential conflict.

The beneficial interests of all Directors in the share capital of the Group are set out on page 47 of the Annual Report.

## Effectiveness and ensuring the Board is effective

The Board has considered that there is no one individual or interest group dominating the decision-making process. Certain Board changes have been agreed, with Andrew Blayze (ex-Chair of Universe plc) to be appointed as Non-Executive Chairman and Neil Radley (ex-CEO of

Universe plc) to be appointed as CEO with effect from 7 June 2023, and John Conoley stepping down as Executive Chairman with effect from 5 June 2023.

The independence of all Non-Executive Directors is reviewed and evaluated annually as part of the appraisal of each Director. Simon Herrick and Jon Kempster have served on the Board between three and four years and between two and three years respectively and are considered independent. Graham Whitworth has served on the Board as a Non-Executive Director for less than three years. The Board does not view Graham Whitworth as independent as he had served in executive roles within the Group. Each Non-Executive Director has different and complementary skills and experiences which allow each issue facing the Board to be viewed and addressed from a variety of perspectives. Glenn Collinson had served on the Board between two and three years prior to his resignation in April 2022.

The Board considers that its size and composition are appropriate and that the balance of qualifications and experience appropriately reflects the financial, sector specific, technology and general international business skills required for it to discharge its duties and responsibilities effectively.

In advance of each meeting, Board members are provided with accurate, timely and clear information including operational updates and details of the financial performance and position of the Group. In this way, informed decisions and discussions can take place which enable the Board to properly discharge its duties.

Should they wish to, Non-Executive Directors are able to influence agendas for Board discussions and to ensure the amount of time spent reviewing strategic and operational issues is appropriately balanced. From time to time, the Board meets off site to review and discuss specific business issues.

In the event that Directors are unable to attend a meeting or a conference call, they receive and read the papers for consideration and have the opportunity to relay their comments to the Chairman.

All new Directors undertake a formal and comprehensive induction to the Group which is designed to develop their knowledge and understanding of the Group's culture and operations. Non-Executive Directors have regular opportunities to meet with senior managers to ensure they have a thorough understanding of the Group, its operations and markets.

All Directors are expected to devote such time as is necessary for the proper performance of their duties. With the exception of Graham Whitworth, whose time commitment is longer, the Non-Executive Directors' commitment approximates to two days per month. Executive Directors are expected to work full time.

#### **Performance evaluation**

The Remuneration Committee regularly reviews and evaluates the performance of Directors and senior managers. The most recent review concluded that the Board and its individual members continue to operate effectively with robust constructive challenge from the Non-Executive Directors.

Subjects covered during the most recent review included a general overview as to the operation of the Board, opinions on shareholder relationships, views on the Board's input into strategy discussions, governance and compliance, risk management and succession planning. The Board culture and relationships with senior management were also considered.

#### **Internal control**

The Board acknowledges its responsibility for safeguarding the investment of shareholders and the Group's assets. It has established processes for identifying, evaluating and managing the significant risks facing the Group.

The Board has overall responsibility for ensuring the Group maintains an adequate system of internal control and risk management, whilst the Audit Committee reviews its effectiveness on behalf of the Board. The implementation of internal control systems is the responsibility of management.

The Group's system of internal control is designed to help ensure:

- the effective and efficient operation of the Group by enabling management to respond appropriately to significant risks to achieving the Group's business objectives;
- the safeguarding of assets from inappropriate use or from loss or fraud and ensuring that liabilities are identified and managed;
- there is high quality of internal and external financial reporting;
- compliance with applicable laws and regulations and with internal policies on the conduct of the Group's business; and
- the ability to recover in a timely manner from the effects of disasters or major accidents which originate from outside the Group's direct control.

The Directors believe the internal control environment is generally adequate and appropriate given the size and complexity of the Group.

The principal risks and uncertainties facing the Group, together with mitigating actions taken to address those risks, are set out on pages 26 to 30. These reflect the risks of most concern to the Group, as considered at recent Board and Audit Committee meetings.

Given the Group's size and complexity, it does not have a separate internal audit function. The external auditor reports to the Audit Committee (and to the Board) on any controls which, during the course of its audit work, it has identified as requiring improvement. The Group then takes prompt action to address any control deficiencies. The Audit Committee reviews the need for a separate internal audit function on an annual basis. Its most recent review concluded that the reporting lines within the Group, and the level of control exercised by the management team, are both sufficiently robust to make an internal audit function neither necessary nor cost effective at this time. The

Directors have taken steps to ensure that the Group has an appropriate control environment for its size and complexity. The management team will ensure that the internal control environment develops appropriately with the size of the Group, with respect to the identification, evaluation and monitoring of risk.

#### **Investor relations**

The Board believes it is important to have open communications with shareholders and seeks to ensure that these are informative and transparent. The Executive Directors make themselves available to, and expect to meet with, major institutional shareholders at least twice per year to discuss the published financial results. In line with the Group's commitment to ensuring appropriate communication structures are in place for all sections of its shareholder base..

The Executive Directors also attend private investor seminars and events. From time to time, where appropriate, the Group may consult with major shareholders on any significant issues.

Members of the Board develop an understanding of the views of major shareholders through direct contact that may be initiated by the Group's broker or through shareholder feedback following investor roadshows, and through analysts' and brokers' briefings. The Group also regularly hosts investor days at its Coventry head office and seeks investor feedback on its performance. Where voting decisions are not in line with the Group's expectations, the Board will engage with any dissenting major shareholder to understand and address any issues. The Senior Independent Non-Executive Director is the main point of contact for such matters.

#### **Whistleblowing procedures**

The Board has adopted a whistleblowing policy which provides a mechanism for all employees to raise concerns to the Non-Executive Directors, in strict confidence and without recrimination, regarding any unethical business practices, fraud, misconduct or wrongdoing. Any such incident would be addressed confidentially by the Audit Committee. There were no whistleblowing reports during 2022 nor to the date of this report.

#### **Anti-bribery and anti-corruption policy**

The Board is committed to the fundamental values of integrity, transparency and accountability. As such it seeks to prohibit bribery and corruption in any form, whether direct or indirect. The Group aims to create and maintain a trust-based and inclusive internal culture in which bribery and corruption is not tolerated.

The Group would cease to trade with any third party it had reasonable grounds to suspect was involved in bribery or corruption. It would not hesitate to take legal and/or disciplinary action against employees or third parties who breach the Group's bribery and corruption policy.

By Order of the Board

#### **The Board of Directors**

5 June 2023

## Governance

### Audit Committee report

On behalf of the Board, I am pleased to present the Audit Committee report for the year ended 31 December 2022 which provides information about the Audit Committee, its principal duties, and the specific matters it has considered during the year.

The Group's Audit Committee comprises:

- Simon Herrick, Chairman of the Committee, Senior Independent Non-Executive Director; and
- Jon Kempster, Non-Executive Director.

All the Committee members are Independent Non-Executive Directors and have no personal or financial interests, other than as shareholders, in the matters considered by the Committee.

The Audit Committee operates within the remit delegated by the Board, which is set out in formal terms of reference. A copy of the terms of reference can be obtained from the Corporate Governance section within the Investors area of the Group's website ([www.fireangeltech.com](http://www.fireangeltech.com)).

Neither the Chairman nor any other Executive Director attend meetings other than by invitation of the Committee members. The Committee invites the auditor to attend certain meetings.

In accordance with best practice, the Audit Committee is required to comprise at least one financially qualified member (as recognised by the Consultative Committee of Accountancy Bodies). I am deemed by the Board to have recent and relevant financial experience as a qualified chartered accountant with extensive experience in the financing and management of businesses generally.

The Committee's key objective is the provision of effective financial governance and assistance to the Board in ensuring the integrity of the Group's financial reporting. The Committee oversees the external audit process and reviews the Group's risk management framework, the effectiveness of its risk management processes and the system of internal control. Its principal duties are to:

- monitor the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance and review significant financial reporting judgements contained therein;
- consider whether in its view the Annual Report taken as a whole is fair, balanced and understandable and provides the information necessary to assess the Group's performance, business model and strategy, the ultimate approval of which is decided by the Board;
- review the effectiveness of the Group's financial reporting and the internal control and risk management policies and systems;
- review annually, the need for an internal audit function;
- make recommendations to the Board for a resolution to be put to shareholders for their approval in general meeting, on the appointment of the external auditor and approval of its remuneration and terms of engagement;
- review the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- review the appropriateness of accounting policies;
- develop and implement a policy on the engagement of the external auditor to supply non-audit services, taking into account relevant guidance regarding the provision of non-audit services by the external audit firm; and
- review the arrangements by which staff may in confidence raise concerns about possible improprieties.

#### Key considerations in 2022

During the year the Committee met three times and considered the following matters:

- the suitability of the Group's accounting policies and practices;
- the half-year and full-year financial results, including the appropriateness of using the going concern concept
- the auditor's report for 2021;
- the evaluation of the performance and independence of RSM UK Audit LLP as the Group's external auditor;
- the review and approval of the external auditor's plan and costs for 2022, which detailed the proposed audit scope and risk and governance assessment;
- the review and approval of the external auditor's fees for 2022;
- the internal control environment across the Group and
- Review of the Business Risk register.

#### Significant financial statement reporting issues

The Audit Committee looks carefully at those aspects of the financial statements which require significant accounting judgements or where there is estimation uncertainty. The Audit Committee also reviews the draft of the external Auditor's Report on the financial statements, with particular reference to those matters reported as carrying risks of material misstatement. The Audit Committee discusses the range of possible treatments both with management and with the external auditor and satisfies itself that the judgements made by management are robust and should be supported.

#### Financial Reporting

The Committee concluded that the Annual Report and Financial Statements, taken as whole, were fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's business model, strategy and performance.

The Committee considered the budgets for 2023 and 2024 and the debt financing arrangements and the fundraising announced earlier today and concluded that the going concern basis is appropriate. In addition, the Committee reviewed the full-year and half-year results announcement, Annual Report and Financial Statements and considered reports from the external auditors identifying accounting or judgemental issues requiring its attention.

The Committee also reviewed the Strategic Report and concluded that it presented a useful and fair, balanced and understandable review of the business.

**Internal controls**

The Board of Directors, advised by the Audit Committee, has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. Details of the system of internal control, the principal risks facing the Group, and the strategies put in place to mitigate them, are set out in the Risk and Risk Management section on pages 26 to 30.

**Audit independence**

The Audit Committee and the Board place great emphasis on the objectivity of the external auditor in its reporting to shareholders.

The Audit Partner is present at Audit Committee meetings as required to ensure full communication of matters relating to the audit. The overall performance of the auditor is reviewed annually by the Audit Committee, taking into account the views of Committee members and senior finance personnel covering overall quality, independence and objectivity, business understanding, technical knowledge, quality and continuity of personnel, responsiveness and cost effectiveness. The Audit Committee also has discussions with the auditor, without management being present, on the adequacy of controls and on any judgemental areas. The scope of the forthcoming year's audit is discussed in advance by the Audit Committee. Audit fees are approved by the Audit Committee.

RSM UK Audit LLP was appointed as auditor in 2001. This appointment has not been subject to a tender process since that date although, from time to time, the Board has benchmarked the audit cost with third parties. The Committee has concluded that RSM UK Audit LLP continues to provide an effective audit and the Committee and Board will recommend their reappointment at the 2023 Annual General Meeting. The Group Audit Partner is required to rotate after a maximum period of five years in the role. Mr. Graham Bond became the new Group Audit Partner in 2021.

Other than the audit, the Audit Committee is required to give prior approval of all work carried out by the auditor and its associates. Part of this review is to determine that other potential providers of the services have been adequately considered. These controls provide the Audit Committee with confidence in the independence of the auditor in its reporting on the audit of the Group.

**Non-audit services**

RSM UK Audit LLP no longer provide non-audit services to the Group.

By Order of the Board

**Simon Herrick**

**Chairman of the Audit Committee**

5 June 2023



## Governance

### Remuneration Committee report

#### Introduction

On behalf of the Board, I am pleased to present the Remuneration Committee report for the year ended 31 December 2022, which provides information about the Remuneration Committee, the remuneration policies approved and applied by the Board, and the actual remuneration of Directors earned during the year. The report is divided into two sections: a policy report, which sets out the approach to remuneration, and a remuneration report, which details amounts paid to the Directors during 2022.

#### Basis of preparation

This report follows the principles of the Companies Act 2006. The Directors have chosen to apply these principles as best practice and in order to provide greater transparency to shareholders. This includes details of the Committee's policy on Directors' remuneration, which will be put to an advisory vote at the 2023 Annual General Meeting.

#### Remuneration Committee

The Group's Remuneration Committee comprises:

- Simon Herrick, Chairman of the Committee, Senior Independent Non-Executive Director; and
- Jon Kempster, Non-Executive Director.

All the Committee members are Independent Non-Executive Directors and have no personal or financial interests, other than as shareholders, in the matters considered by the Committee. Glenn Collinson, an Independent Non-executive Director who served on the Remuneration Committee resigned on 14<sup>th</sup> April 2022.

The Remuneration Committee operates within the remit delegated by the Board, which is set out in formal terms of reference. The remuneration of Non-Executive Directors is a matter for the Chairman and the other Executive member of the Board. No Director or manager is involved in any decision regarding their own remuneration. A copy of the terms of reference can be obtained from the Corporate Governance section within the Investors area of the Group's website ([www.fireangeltech.com](http://www.fireangeltech.com)).

The Executive Directors do not attend meetings other than by invitation of the Committee members and are not present at any discussion of their own remuneration.

#### Remuneration philosophy

The Remuneration Committee's policy is to attract and retain individuals of the highest calibre by offering remuneration packages competitive with comparable publicly quoted companies, and to drive the Group's financial performance by providing arrangements which fairly and responsibly reward individuals for their contribution to the success of the Group. Performance-related bonuses and long-term equity-based remuneration linked to a demanding profit target represent a significant proportion of Executive Directors' potential remuneration, which aligns the interests of the individuals with those of the shareholders.

The Committee continues to seek to ensure that the remuneration of Executive Directors, as well as the wider senior management team, is sufficient to attract, retain and motivate quality individuals. The principal duties of the Remuneration Committee are to:

- consider and make recommendations to the Board on the policy for the remuneration package of the Executive Directors;
- determine the whole remuneration package for senior executives;
- recommend to the Board the remuneration package for the Chairman;
- determine the terms and conditions of service contracts for senior executives;
- determine the design, conditions and coverage of the annual long-term incentive schemes for senior executives and to approve total and individual payments under these schemes;
- determine targets for any annual and long-term incentive schemes;
- determine the issue and terms of all share-based plans available to all employees; and
- determine compensation in the event of termination of service contracts of any senior executive.

#### Remuneration policy framework

The Group is committed to achieving sustained improvements in performance. This depends crucially on the individual contributions made by the executive team and by employees at all levels. The Board believes that an effective remuneration strategy plays an essential part in the future success of the Group. Accordingly, the remuneration policy reflects the following broad principles:

- the remuneration of Executive Directors and senior managers reflects their responsibilities and contains incentives to deliver the Group's performance objectives without encouraging excessive risk taking;
- remuneration must be capable of attracting and retaining the individuals necessary for business success;
- remuneration should be based on both individual and Group performance, both in the short and long term;
- the system of remuneration should establish a close alignment of interest between senior executives and shareholders by ensuring a significant proportion of senior executive remuneration is generated from equity-based incentives; and
- when determining remuneration, the Committee will take into account pay and employment conditions in the market.

The Group has a clearly defined strategy to drive the business forward by understanding the product needs of our customers, focussing on product innovation and working to develop market-leading positions in each of the markets we serve. Our remuneration policy supports the delivery of this strategy and aligns the interests of Directors and shareholders. This is achieved by short-term profit-based bonus incentives and longer-term share-based incentive plans which focus on delivering key business objectives, profitable growth and strong shareholder returns.

The structure of executive remuneration is in line with that of many established UK quoted companies balancing fixed remuneration, annual bonus and long-term performance share awards. The link of remuneration outcomes to long-term performance is primarily through the LTIP which has stretching targets based on the growth in the Group's Total Share Holders Return (TSR) and the Earnings per Share (EPS). The Committee recognises the risk of target-based plans

and addresses this risk through careful consideration in the choice and pitching of performance targets, the ability to exercise discretion, the attachment of malus and clawback provisions to Long Term Incentive Plan awards and the application of a shareholding guideline. In the light of this remuneration structure and the substantial shareholdings of both the Executive Chair and CFO, the Committee is satisfied that the executive directors are well aligned with the long-term performance of the Group. The Committee will take into account periodic external comparisons to examine current market trends and practices at equivalent roles in similar companies.

The Committee aims to achieve an appropriate balance between fixed and variable remuneration, and between variable remuneration based on short-term and long term performance. The Committee monitors the market competitiveness of the overall remuneration package for each member of the Group's senior management team in order to ensure the Group is able to retain and attract new talent as required.

#### Group employee considerations

The Group employs people across four countries with the majority of staff based in the UK. Inevitably remuneration arrangements differ to reflect local markets, but a common theme applied to employees at all levels is the Group's aim to offer competitive levels of remuneration, benefits and incentives to attract and retain employees. At more senior levels, remuneration has a larger variable proportion dependent on the Group's financial performance.

#### Shareholder views

The Committee has considered the guidance provided by shareholder advisory groups in preparing this policy and has followed this insofar as it is appropriate in the context of the Group's business. The Committee continues to engage with and welcome an open dialogue and input from shareholders on the remuneration policies of the Group.

#### Key considerations in 2022

During the year the Committee met 5 times and considered the following matters:

- consideration of the terms and conditions for Executive Director and Non-Executive Director appointments; and
- approval of the performance criteria and share option awards under the FireAngel Safety Technology Group 2015 Long-Term Incentive Plan. And resetting of 2020 and 2021 LTIP awards;
- Approve 2022 pay increases;
- Consider 2023 pay rises and 2022 and 2023 Bonus schemes;

The following tables set out the key elements of the Group's remuneration policy for Directors.

#### Remuneration policy for Non-Executive Directors

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Fees	To reward individuals for fulfilling the relevant role and to attract individuals with the skills and calibre required	The Committee makes recommendations to the Board on the remuneration of the Non-Executive Directors. The level of remuneration is set within a limit approved from time to time by shareholders. Non-Executive Directors are paid a base fee covering Board and committee membership. In addition, reasonable business expenses may be reimbursed.	Fees are set at a level appropriate for the role and are reviewed regularly, taking into account fees payable to Non-Executive Directors of companies of a similar size and complexity	Evaluation of overall contribution to the Board

#### Remuneration policy for Executive Directors

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Salary	It is essential that the Group pays competitive salaries to attract and retain individuals of the right calibre to develop and execute the business strategy	Salary levels are set using careful judgement, taking into account the scope of the role and responsibilities, performance, experience, potential, retention issues and salaries elsewhere in the Group and in the market place. Judgement will be informed, but not led, by reference to companies of similar size and complexity. Salaries are reviewed annually either in March or October taking into account the financial performance of the Group. Salary increases are not automatic. In exceptional circumstances, salaries may be increased on other dates in the year	Annual salary increases will not normally exceed average increases for employees in other appropriate parts of the Group. On occasion, increases may be larger where the Committee considers this to be necessary to align with market rate or exceptional performance. Circumstances where this may apply include: growth into a role to reflect a change in scope of role and responsibilities or where market conditions indicate lack of competitiveness and the Committee judges that there is a risk in relation to attracting or retaining Executives. Where the Committee exercises its discretion to award increases above the average for other employees, the resulting salary will not exceed the competitive market range	Overall contribution to the Group. Individual performance is the primary consideration in setting salary alongside overall affordability and market competitiveness

Benefits	To provide market competitive benefits sufficient to recruit and retain	Benefits include life assurance and medical insurance	Benefits will be market competitive taking into account the role and the local market	None
Pension	To provide market competitive pension arrangements sufficient to recruit and retain	New Executive Directors of the Group are offered membership of the Group's defined contribution pension plan. Pension contributions are based only on an individual's salary	The maximum employer contribution to the Group's defined contribution pension arrangements is 10% of gross salary	None
Annual performance-related bonus	To incentivise and reward execution of the business strategy, delivery of financial performance targets and the Group's strategic plan	In line with the scheme covering other senior members of staff, performance-related bonuses for the Executive Directors are based on the achievement of specific financial targets for the Group and agreed personal objectives	Bonus potential is capped at an appropriate level to encourage outperformance of budgeted targets. This is usually capped at a maximum pay out of 200%.	Bonus payments are at the discretion of the Remuneration Committee and take into account the overall financial performance of the Group
Share Schemes	To incentivise and reward execution of the business strategy, delivery of financial performance targets and the Group's strategic plan	Under the Long-Term Incentive Plan, selected employees are entitled to exercise an option to receive a certain number of shares at any time after a three-year vesting period, at a cost to the employee of the nominal value of the shares. The number of shares awarded at the end of the three-year period is dependent on the achievement of certain performance criteria.	Value of shares at time of vesting less nominal value.	Vesting of the awards is dependent on achievement of total shareholder return on a pro-rata basis.

Details of the Directors' emoluments are given below.

**a) Remuneration**

	2022					2021				
	Salary, fees and car allowances £000	Benefits £000	Bonuses <sup>1</sup> £000	Pension allowance <sup>2</sup> £000	2022 Total £000	Salary, fees and car allowances £000	Benefits £000	Bonuses <sup>1</sup> £000	Pension allowance <sup>2</sup> £000	2021 Total £000
<b>Executive Directors</b>										
JR Conoley (resigned 5 June 2023)	281	4	10	17	312	251	3	-	14	268
Z Fox <sup>3</sup>	194	5	10	19	228	127	4	-	13	144
<b>Non-Executive Directors</b>										
G Collinson (resigned 14 April 2022)	12	-	-	-	12	36	-	-	-	36
SE Herrick	41	-	-	-	41	36	-	-	-	36
J Kempster <sup>4</sup>	38	-	-	-	38	119	-	-	-	119
GRA Whitworth	136	2	-	-	138	115	7	-	-	122
<b>Total</b>	<b>702</b>	<b>11</b>	<b>20</b>	<b>36</b>	<b>769</b>	<b>684</b>	<b>14</b>	<b>-</b>	<b>27</b>	<b>725</b>

- Bonuses are paid or accrued based on the achievement of agreed personal objectives and corporate performance metrics.
- Pension allowance includes both contributions to the Group's defined contribution pension scheme and cash payments in lieu of contributions.
- Zoe Fox was appointed as Chief Finance Officer on 30 April 2021
- Jon Kempster was appointed as Chief Finance Officer on 17 December 2020 and stepped down from this position on 30 April 2021 when he was immediately appointed as a Non-Executive Director.

## b) Share schemes

### Directors' interests in unvested and vested share option awards

	Number of awards over shares at 1 Jan 2022	Awards granted in the year	Awards waived in the year	Awards exercised in the year	Number of awards over shares at 31 Dec 2022	Expiry date	Exercise price (pence)
<b>2014 EMI</b>							
GRA Whitworth	125,000	-	-	-	125,000	28/04/2024	200
Zoe Fox	31,944	-	-	-	31,944	28/04/2024	200
<b>2015 LTIP</b>							
JR Conoley	5,000,000	-	-	-	5,000,000	30/11/2030	2
JR Conoley	1,821,272	-	-	-	1,821,272	08/07/2031	2
ZA Fox	100,000	-	100,000	-	-	02/08/2029	-
ZA Fox	1,311,316	-	-	-	1,311,316	08/07/2031	2
ZA Fox	-	1,000,000	-	-	1,000,000	28/04/2032	2
<b>Share matching scheme</b>							
JR Conoley	281,514	-	-	-	281,514	01/06/2030	2
JR Conoley	25,000	-	-	-	25,000	03/07/2030	2
JR Conoley	49,660	-	-	-	49,660	18/12/2030	2

Further information on the Group's share schemes is given in note 33 of the financial statements.

The employee share matching incentive scheme was closed following the release of the Group's audited final results for the year ended 31 December 2020. Zoe Fox cancelled her 100,000 LTIP shares on 29<sup>th</sup> April 2022

## c) Service contracts

There are no service contracts for Directors with notice periods in excess of twelve months. The notice periods under the service agreements for Executive Directors and letters of appointment for Non-Executive Directors are as follows:

	Notice period
JR Conoley (resigned 5 June 2023)	6 months
ZA Fox	6 months
SE Herrick	3 months
J Kempster	3 months
GRA Whitworth	*

\* Graham's contract expires on 29 January 2024 and can be extended by mutual consent.

### Policy on exit payments

The notice periods the Group is required to give to Executive Directors under their contracts of employment is as set out above. Payment in lieu of notice includes the value of salary in the notice period, bonus, benefits, car allowance and pension contributions. Both mitigation and the staggering of payments through the notice period will be considered by the Committee where appropriate, as will the funding of professional fees. Should additional compensation matters arise, such as a settlement or compromise agreement, the Committee would exercise judgement and take into account the specific commercial circumstances.

The Committee has the discretion to preserve incentive awards pro-rated to service. In exercising its discretion on incentive awards, the Committee will have regard to performance, the circumstances of the Director leaving the Group and the terms of the relevant service agreement.

For share options, the rules state that unvested awards may be preserved at the Committee's discretion according to the circumstances. In such cases, vesting will be at the normal date, subject to the established performance conditions, and pro-rata to the duration of employment in the performance period. In cases such as death and terminal illness, the Committee also has the discretion to vest the awards immediately.

In the event of a change of control of the Group, all share option awards may be permitted to vest in full at the discretion of the Remuneration Committee.

### Policy on new appointments

Newly appointed Executive Directors will be awarded a remuneration package which is consistent with the policy and principles as set out in this report. Base salary may be set at a level higher or lower than previous incumbents and in certain circumstances, to facilitate the recruitment of individuals of the required calibre, the Committee may use its discretion to make individual additional incentive awards. This level of discretion is considered appropriate given the Group's growth strategy.

By Order of the Board

Simon Herrick  
Chairman of the Remuneration Committee  
5 June 2023

## Governance

### Statutory Directors' report

The following matters are reported by the Directors in accordance with the Companies Act 2006 requirements in force at the date of this Annual Report.

#### Principal activities

The principal activities of FireAngel Safety Technology Group plc (the 'Company') and its subsidiary companies (the 'Group') are set out within the Statutory Strategic Report, which comprises the Strategic Review, the Performance Review, the Section 172 Companies Act Statement and the Risks and Risk Management section, on pages 7 to 30.

#### Review of business and future developments

The consolidated income statement for the year ended 31 December 2022 is set out on page 56.

A review of the Group's business activities during the year and its prospects for the future can be found in the Strategic Review and the Performance Review on pages 7 to 19. The information required by Schedule 7 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 including likely future developments and trading outlook has been included in the Separate Strategic Report on pages 7 to 25 in accordance with section 414C (11) of the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

#### Engagement with suppliers, customers and others in a business relationship

The board understands the need to forge constructive relationships with suppliers, customers and other key stakeholders. Details of this are supplied in the Section 172 statement on page 20.

#### Key performance indicators

The Board's principal objective is to increase shareholder value. The Directors measure the Group's progress in achieving this objective principally using the following indicators (as reflected in this Annual Report):

- **Sales performance.** Sales are reviewed each week to assess individual business unit performance against budget and to ensure all sales opportunities are being appropriately pursued. The Group seeks to build long-term customer relationships and maximise the sales mix of its higher margin products.
- **Gross margin percentage.** Gross margins are reviewed each week to assess individual business unit performance and to identify areas to improve the profitability of the Group. Different market segments have varying gross margin opportunities, depending on the level of competition in that market and the positioning of the Group's products and brands.
- **Adjusted gross margin percentage.** The adjusted gross margin of the Group is measured to understand underlying business performance before the impact of non-underlying items.
- **Operating result.** The fixed costs of the business are carefully managed to ensure that, in conjunction with the gross profit generated, the Group can return an acceptable operating result.
- **Underlying operating result.** The operating performance of the Group before the impact of non-underlying items is monitored to better understand the underlying trends in operating results.
- **Underlying EBITDA.** The underlying cash generation of the business is measured through operational cash flows represented by underlying EBITDA.
- **Basic EPS.** The Group seeks to reward its shareholders with an annual dividend where possible.
- **Net working capital.** The Group seeks to proactively manage its working capital to ensure that it minimises its asset base to maximise cash flow from which to pay dividends.
- **Investment in research and development.** The Group's principal source of product differentiation is through investment in its technology base, rather than simply price. The Board regularly reviews the Group's product roadmap to ensure its internal investment is focused on the right areas and that products come to market on time.
- **Staff turnover.** Turnover is reviewed as part of the monthly management information pack and is reviewed to highlight underlying trends and resources.
- **Order fulfillment (in time and in full deliveries).** Reviewed in the monthly management pack where orders performance regarding delivery times and fulfillment vs the customer expectations are monitored
- **Returns.** The Group collects and records various data around the product customer returns such as batch codes and reported faults this is reviewed monthly looking for trends

These key performance indicators are kept under constant review and further commentary can be found in the Performance Review on pages 12 to 19.

### Streamlined Energy and Carbon Reporting (SECR)

The Group appreciates its responsibility to ensure operating activities are undertaken in an environmentally conscious manner. Therefore, the Group ensures all relevant environmental legislation is complied with and, where possible exceeded. Actions and initiatives have been implemented to reduce energy consumption such as Hybrid working patterns leading to less travel, consolidation of UK warehouses into one premises based in Gloucester reducing the requirements for internal transfers and shipments and we are in talks with our customers to reduce the number of deliveries.

This report was produced in accordance 'GHG Reporting Protocol - Corporate Standard' methodology and have used the 2022 UK Government's conversion factors for company reporting. The Group has not undertaken any energy efficiency saving initiatives during the period.

SECR regulations came into force 1 April 2019, requiring companies to disclose UK energy use and greenhouse gas emissions. Details of the group SECR results have been reported in the tables below.

Energy consumption used to calculate emissions	2022	2021	Change
	KWh	kWh	%
Gas (kWh)	84,156	119,244	(29%)
Electricity (kWh)	202,126	195,098	4%
Transport fuels (kWh)	170,704	155,159	10%
<b>Total energy consumption</b>	<b>456,986</b>	<b>469,501</b>	<b>(3%)</b>

Business Carbon Footprint	2022	2021	Change
	tCO2e	tCO2e	%
Emissions from combustion of gas (Scope 1)	15.4	21.8	(29%)
Emissions from other activities the company owns or controls including operation of facilities (Scope 1)	4.8	4.7	2%
Emissions from purchased electricity (Scope 2)	39.1	41.4	(6%)
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing of the fuel (Scope 3)	37.4	34.1	10%
<b>Total gross Scope 1, Scope 2 &amp; Scope 3 emissions</b>	<b>96.7</b>	<b>102</b>	<b>(5%)</b>
<b>Total gross GHG emissions per unit turnover/revenue (tCO2e/£M)</b>	<b>1.68</b>	<b>2.35</b>	<b>(29%)</b>
<b>Total gross GHG emissions tCO2e by FTE – Full time equivalent employees (tCO2e/FTE)</b>	<b>0.76</b>	<b>0.82</b>	<b>(2%)</b>

Scope 1: Direct Greenhouse Gas emissions are emissions issued from sources directly controlled by FireAngel, such as stationary combustion equipment used for building heating.

Scope 2: Indirect Energy Emissions are emissions issued from electricity production, or from the imported heat or vapor consumed in the buildings and equipment operation, provided by an external entity (sources out of the organizational boundaries).

Scope 3: Other indirect Greenhouse Gas emissions are emissions issued from Fire Angel activities but from sources controlled by external enterprises, such as waste disposal (transport and processing) and the transportation means of employees.

### Principal risks and uncertainties

Details of the principal risks and uncertainties considered by the Board to affect the Group, and the related risk mitigation actions, are given on pages 26 to 30.

### Group results and dividends

The financial results for the year and financial position of the Group and the Company are as shown on pages 56 and 59. The consolidated loss after tax for the year was £5.8 million (2021: loss after tax of £3.3 million).

As a result of the loss reported for the year, and consistent with the decision not to pay an interim dividend (2021: nil pence per share), the Directors do not recommend payment of a final dividend for the year (2021: nil pence per share). The total dividend payable for 2022 was therefore nil pence per share (2021: nil pence per share).

### Financial instruments

The Group's financial risk management objectives and policies, including the policy for hedging future foreign exchange rate risk, are outlined in note 4 to the financial statements. The Group does not adopt hedge accounting and all future contracts beyond the balance sheet date are marked-to-market at the balance sheet date with the net gain or loss on those contracts taken through the income statement in the period.

### Research and development expenditure

The Group has continued to invest in research and development of both software and hardware products during the year. The people and non-people costs of product development on specific identifiable projects are capitalised in accordance with the accounting policy set out on page 62. General research costs undertaken in respect of the Group's principal activities are charged through the income statement as incurred.

### Share capital and voting rights

The Company's issued share capital comprises a single class of ordinary shares of 2p each, with 181,066,637 shares in issue and listed on AIM of the London Stock Exchange as at 31 December 2022. No shares were held in treasury. Details of movements in the issued share capital can be found in note 31 to the financial statements.

Each share carries the right to one vote at general meetings of the Company. Holders of the shares are entitled to receive the Group's annual report. They are also entitled to attend and speak at general meetings of the Company, to appoint one or more proxies or, if they are corporations, corporate representatives, and to exercise voting rights. They have the right to ask questions at the Annual General Meeting relating to the business of the meeting and for these to be answered, unless such answer would interfere unduly with the business of the meeting, involve the disclosure of confidential information, if the answer has already been published on the Group's website or if it is not in the interests of the Group or the good order of the meeting that the question be answered. All issued shares are fully paid up and carry no additional obligations or special rights. The full rights are set out in the Company's Articles of Association (the 'Articles'), the latest copy of which can be found in the Incorporation section of the Investors area of the Group's website at [www.fireangeltech.com](http://www.fireangeltech.com). There

are no restrictions on transfers of shares in the Company, or on the exercise of voting rights attached to them, other than those which may from time to time be applicable under existing laws and regulations.

#### Control and share structure

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year, are shown in note 31 to the financial statements. The Company has one class of ordinary share which carries no right to fixed income.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles and prevailing legislation. The Directors are not aware of any agreements between shareholders of the Company's shares that may result in restrictions on the transfer of securities or voting rights.

Details of employee share schemes are set out in note 33 to the financial statements. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

#### Directors' interests in shares

Interests of the Directors and their connected persons in the issued share capital of the Company as at 31 December 2022 were as follows:

	2022 Number of shares held	2022 Interests in share schemes	2022 Total interests in shares	2021 Total interests in shares
G Collinson	-	-	-	62,832
JR Conoley	1,539,053	7,177,446	8,716,499	8,366,909
ZA Fox	88,828	2,343,260	2,432,088	1,495,677
SE Herrick	-	-	-	-
J Kempster	99,167	-	99,167	31,417
GRA Whitworth	3,829,111	125,000	3,954,111	3,855,781
	5,556,159	9,645,706	15,201,865	13,812,616

Since the year end to 5 June 2023, the interests of the Directors and their connected persons in the issued share capital of the Company have not changed.

#### Significant shareholdings

As at 5 March 2023, the Company was aware of the following holdings, excluding holdings of Directors and their connected persons, of 3% or more of the Company's issued share capital:

	Number of shares	% of total voting rights	Nature of interest
Ademco 4 Limited	42,307,931	23.4	Direct
Downing LLP	28,479,704	15.7	Indirect
Canaccord Genuity Group Inc	20,862,500	11.5	Indirect
BGF Investment Management Limited	18,250,965	10.1	Indirect
Killik & Co LLP	10,494,879	5.8	Direct

#### Agreements affected by change of control

Other than some customer and supplier contracts that have an option to be terminated, the Company is not a party to any agreements which take effect, alter or terminate upon a change of control of the Company following a takeover bid. There are no agreements between the Company and its Directors or employees providing compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

## Board of Directors

All Directors were in office throughout the year ended 31 December 2022 with the exception of the following resignation during the year:

- Glenn Collinson resigned on 14<sup>th</sup> April 2022

Details and biographies of the current Directors and Company Secretary are shown on page 31.

The powers of the Company's Directors and rules that apply to changes in the Directors are set out in the Company's Articles. Any changes to the Articles would require the consent of the Company's shareholders.

The Board may delegate to a Director holding any executive office any of the powers, authorities and discretions exercisable by the Board for such time and on such terms and conditions as it thinks fit. The Board may revoke or alter the terms and conditions of the delegation and may retain or exclude the right of the Board to exercise the delegated powers, authorities or discretions collaterally with the Executive Director.

The Company's Articles require that a minimum of one-third of the Directors must retire by rotation at each Annual General Meeting, or if their number is not three or a multiple of three, then the number nearest to but not exceeding one-third shall retire from office, excluding Directors who are retiring and standing for election at the first Annual General Meeting following their appointment to the Board. If the number of Directors subject to retirement by rotation is fewer than three, one of such Directors shall retire. At the forthcoming Annual General Meeting, Simon Herrick and Graham Whitworth will retire and stand for re-election.

The Company's shareholders may by ordinary resolution appoint any person to be a Director. The Company must not have less than two directors holding office at any time. The Company may by ordinary resolution from time to time vary the minimum and/or the maximum number of directors.

## Conflicts of interest

The Group has procedures in place for managing conflicts of interests. If a Director becomes aware that they, or a connected party have an interest in an existing or proposed transaction with the Group, they should notify the Company Secretary as soon as possible. Directors have a continuing obligation to update any changes to conflicts and the Board formally reviews any such conflicts periodically.

## Directors' and officers' liability insurance

The Group maintains a management protection policy including directors' and officers' liability insurance which is reviewed annually. The insurance covers the Directors and officers of the ultimate holding company of the Group, FireAngel Safety Technology Group plc, and its subsidiaries, against the costs of defending themselves in civil proceedings taken against them in their capacity as a director or officer of a Group company and in respect of damages or civil fines or penalties resulting from the unsuccessful defence of any proceedings. The indemnity was in force throughout the financial year and is currently in force.

No indemnity is provided for the Group's auditor.

## Employment policies

Details of the Group's policy in respect of employment and training are given in the Corporate social responsibility section on page 11.

The Group employed an average of 161 people in 2022 (2021: 153).

The Group has established employment policies that comply with current legislation and codes of practice, including in the areas of health and safety and equal opportunities. The Group consults employees on developments and changes to take account of their views when making decisions that may impact their interests.

The Group has in place a Diversity and Equality Policy which sets out the Group's approach to equal opportunities and avoidance of discrimination at work. This policy confirms the Group's commitment to treating employees fairly and inclusively, ensuring that all decisions on recruitment, selection, training, promotion, career opportunities, pay and other terms and conditions are based solely on objective and job-related criteria. The Group is committed to offering employment to suitably qualified people with disabilities and making reasonable adjustments to the working environment to accommodate their needs.

## Policy on payment of suppliers

The Group's policy during the year was to pay suppliers in accordance with agreed terms. At 31 December 2022, the Group had 49 days' purchases outstanding in trade payables (2021: 21 days'). The increase was due to the easing of pressures within the supply chain, in particular of longer component lead times which previously resulted in increased credit exposure in addition to purchasing components on the open market with minimal credit terms.

## Going concern

The Group has seen an increase in revenue of 32% on the prior year and is delivering on its gross margin improvement plan which has layered in an additional £6 million of profit from self-help measures over 2021 and 2022 of which it is estimated approximately £3.4 million is within 2022, such as customer price increases and moving to higher value activities as detailed in the Board of Directors' statement. However, this has not been sufficient to turn the Group back into profit in 2023 because of the impact of disrupted supply chain, high inflation and volatile currency movements during the year. The weakened GBP against the USD, the PPV incurred to source scarce components and high inflation costs have offset much of the additional profit generated from increased revenue and gross margin improvement plans. The Group is continuing to deliver the gross margin improvement plan, improving margins through 2023 to 2024 and the continued growth in the business underpinned by recent announcements of the British Gas 3-year contract, government agency contract in the Middle East and the signing of the production and delivery contracts for the Techem project. A further cost savings and restructuring of the business has been undertaken in Q2 2023 with an estimated saving of approximately £1.5 million on overheads and administration costs, including approximately £1.0 million in headcount savings, and an additional £1.0 million in reduced capital expenditure, expected in 2023. The forecasts have been prepared taking this into consideration and management's extensive industry knowledge, allied to the possibility of uncertainty in today's markets.

The Directors have reviewed the forecast sales growth, budgets and cash projections for the period to June 2024 including sensitivity analysis on the key assumptions such as the potential impact of reduced sales and margins for the next twelve months and beyond. The base case scenario reflects the remaining uncertainty regarding supply chain and inflation. Various plausible but severe downside scenarios were then applied to the base case linked to the trading conditions seen in the 2022 financial year, assuming revenues would not see the expected growth, that margins may deteriorate, and GBP may weaken



compared to USD. The results of the cash forecasts showed sufficient cash headroom throughout the outlook period. The base case was then reverse stress tested and the level of deterioration required for the Group to exceed the banking headroom was deemed to be unlikely.

The Directors have assessed both the discretionary and the non-discretionary cash requirements of the Group during this period. In determining whether the Group and Parent Company's financial statements can be prepared on a going concern basis, the Directors considered the Group's business activities, together with the factors likely to affect its future development, performance and position. During 2022, the Group met all banking covenants which relate to the CBILs loan, excluding Q4 2022 which was waived by the bank. There has been a further waiver in Q1 2023 of banking covenants agreed and reset from June 2023 to align with revised forecasts and provide additional headroom from those previously agreed. The Group has continued to benefit from a supportive relationship with its bank and the Directors reviewed the financial position of the Group, its cash flows, borrowing facilities and banking covenants. The key factors considered by the Directors were the:

- implications of the current economic environment and future uncertainties around the Group's revenues and profits by undertaking forecasts and projections on a regular basis;
- impact of global component shortages impacting the supply of products and costs
- impact of the competitive environment within which the Group operates;
- impact of any further COVID-19 and related global supply chain issues; and
- potential actions that could be taken in the event that revenues or gross profits are worse than expected, to ensure that operating profit and cash flows are protected
- the ability to raise additional funds through an issue of shares including the willingness of certain investors to underwrite a substantial element of a proposed fundraising

Based on the cash flow forecasts, the Group is anticipated to absorb cash in H1 2023 starting to generate cash from H2 2023 through 2024 and beyond and has been successful therefore in the waived bank covenants for Q1 2023 and resetting the banking covenants from June 2023 for the CBILs loan to accommodate the change in the business' working capital profile and current currency rates. The Group will continue to use an invoice discount facility provided by the bank and the facility is expected to renew as usual in 2023. These facilities by themselves do not, however, provide the Group with the necessary headroom to deliver the strategy and higher growth for the business. The Company has approved on 5 June 2023 the details of a placing, subscription and open offer to raise £6.1 million (gross), £5.4 million net, in order to reduce net debt (excluding lease liabilities), support the increased working capital and investment requirements for its strategic ambitions. There are contractual commitments from certain existing shareholders, new investors and the subscriber by means of a placing and subscription of up to 120,711,091 new ordinary shares. Siterwell, a long term manufacturing partner, has agreed to subscribe for 55,322,431 ordinary shares of 2 pence each for the total consideration of £2.8 million subject to clawback by qualifying shareholders under the open offer. Following completion of the fundraising, the Board has committed to undertake a strategic review to explore options to realise value for all shareholders, including the possible sale of the Company.

The Directors have reasonable expectations that the Group and the Company have adequate resources to continue operations for the period of at least one year from the date of approval of these financial statements. The Directors have not identified any material uncertainties that may cast doubt over the ability of the Group and the Company to continue as a going concern and the Directors continue to adopt the going concern basis in preparing these financial statements.

Accordingly, the full year accounts for 2022 have been prepared on the going concern basis.

#### **Annual General Meeting**

The notice convening the Annual General Meeting is distributed separately to shareholders at least 20 working days before the meeting. Separate resolutions are proposed on each substantially separate issue. Details of the resolutions passed at the 2023 Annual General Meeting will be made available on the Company's website after the meeting.

#### **Post balance sheet events**

Information on any events occurring after the balance sheet date is described in note 35 to the financial statements.

#### **Auditor**

RSM UK Audit LLP has indicated its willingness to continue in office and a resolution that it be reappointed as auditor will be proposed at the forthcoming Annual General Meeting.

#### **Statement as to disclosure of information to the auditor**

The Directors who were in office on the date of approval of these financial statements have confirmed, that as far as they are aware, there is no relevant audit information of which the Company's auditor is unaware.

Each Director has confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant information and to establish that it has been communicated to the Company's auditor.

#### **Forward-looking statements**

This report may contain certain statements about the future outlook for FireAngel Safety Technology Group plc. Although the Directors believe their expectations are based on reasonable assumptions, any statements about future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

The Directors' Report has been approved by the Board.

On Behalf of the Board

*ZA Fox*

**Zoe Fox**  
**Chief Finance Officer**  
5 June 2023

## **Statement of Directors' responsibilities**

The Directors are responsible for preparing the Statutory Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors have elected under company law and are required by the AIM rules of the London Stock Exchange to prepare the Group financial statements in accordance with UK-adopted International Accounting Standards and have elected under company law to prepare the company financial statements in accordance with UK-adopted International Accounting Standards and applicable law.

The Group and Company financial statements are required by law and UK-adopted International Accounting Standards to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK-adopted International Accounting Standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the 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 the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the FireAngel Safety Technology Group plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On Behalf of the Board

**Zoe Fox**  
**Chief Finance Officer**  
5 June 2023

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIREANGEL SAFETY TECHNOLOGY GROUP PLC

### Opinion

We have audited the financial statements of FireAngel Safety Technology Group plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company cash flow statements, the consolidated statement of changes in equity, the company statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Accounting Standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities 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.

### Summary of our audit approach

<b>Key audit matters</b>	<b>Group</b> <ul style="list-style-type: none"><li>• Revenue recognition</li><li>• Going concern</li><li>• Impairment of product development costs</li></ul> <b>Parent Company</b> <ul style="list-style-type: none"><li>• Impairment of intercompany receivables</li></ul>
<b>Materiality</b>	<b>Group</b> <ul style="list-style-type: none"><li>• Overall materiality: £301,000 (2021: £195,000)</li><li>• Performance materiality: £226,000 (2021: £146,000)</li></ul> <b>Parent Company</b> <ul style="list-style-type: none"><li>• Overall materiality: £155,600 (2021: £97,500)</li><li>• Performance materiality: £116,000 (2021: £73,100)</li></ul>
<b>Scope</b>	Our audit procedures covered 96% of revenue, 93% of total assets and 99% of loss before tax.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the group and parent company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Revenue recognition

<b>Key audit matter description</b>	<p>The group entered a significant contract in the prior year which involves the development of a new generation smoke alarm. The contract involves judgement in the identification of performance obligations and significant estimation in measuring revenue to be recognised in the period.</p> <p>The revenue recognised from this contract in the year of £2.5m has been detailed in Note 7 and the summary of significant accounting policies in note 2 and critical accounting estimates and areas of judgement in note 3.</p>
<b>How the matter was addressed in the audit</b>	<p>Our work has included but was not restricted to:</p> <ul style="list-style-type: none"><li>• Reviewing management's assessment of the contract and treatment under IFRS 15 <i>Revenue from contracts with customers</i>.</li><li>• Review of the key judgements in respect of recognition of revenue, including the performance obligations and the determination of the transaction price.</li><li>• Review of the discount rate used to discount the financing element of the accrued royalty income in relation to the long-term contract.</li><li>• Review of the disclosures in respect of revenue and the associated critical accounting estimates and judgements.</li></ul>

## Going concern

<b>Key audit matter description</b>	<p>It is the responsibility of the directors to form an opinion on whether the going concern basis of accounting is appropriate and to identify and disclose any material uncertainties that may cast significant doubt on the group's or parent company's ability to continue as a going concern.</p> <p>When planning our current year audit, we identified a significant risk that there may be material uncertainties regarding the availability of funds required to meet the group's operational cash requirements and to deliver the group's strategy.</p> <p>The directors have set out their assessment of going concern in the summary of significant accounting policies in note 2.</p>
<b>How the matter was addressed in the audit</b>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"><li>• Obtaining and reviewing the cash flow forecasts prepared by management for the period to 30 June 2024.</li><li>• Checking the mathematical accuracy of the cash flow forecasts.</li><li>• Reviewing cash flow forecasts in light of our understanding of the business to identify and challenge the key assumptions therein.</li><li>• Obtained and reviewed signed placing letters underwriting the fundraise to the value of £5.4m (net of costs).</li><li>• Considering the impact of management's sensitivities on the forecast cash flows and covenant compliance (including downside scenarios relating to both revenue and gross margins).</li><li>• Adjusting the cash flow forecasts for our own sensitivities to consider potential uncertainties within management's forecasts.</li><li>• Reviewing the calculations supporting management's cost reduction plan which included reduction in overheads and headcount to assess whether the reductions in the forecast are reasonable.</li><li>• Reviewing the key terms of banking facilities including obtaining signed covenant waivers from the bank for both 31 December 2022 and for 31 March 2023, obtaining confirmation that the bank covenants had been reset and reviewing management's forecasted covenant compliance under the newly agreed covenants.</li><li>• Review of the disclosures within the financial statements to assess whether they accurately reflect management's assessment of going concern, including any uncertainties.</li><li>• Obtaining written representations from those charged with governance about their plans for the future including their feasibility.</li></ul> <p>Key observations in relation to our evaluation of the directors' assessment are that the ability of the company to continue as a going concern is dependent on the success of management's current cost reduction plan, compliance with revised bank covenants and the group's ability to raise additional funding from existing or new shareholders.</p>

## Impairment of product development costs

<b>Key audit matter description</b>	<p>The group continues to develop new products and has capitalised product development costs with a carrying value of £10.1m at the reporting date, of which £2.9 million relates to projects where amortisation has not yet commenced. In accordance with the stated accounting policy, management only capitalises these costs on the basis that it is probable that the asset created will generate future economic benefits and management is required to consider whether there are any indicators of impairment for each asset at each reporting date. As a result of these considerations, the group has recorded an impairment charge of £0.9m as disclosed in note 18.</p> <p>The recovery of these assets in future periods is dependent upon the successful completion of and product sales from each project. The potential for impairment is one of the most significant risks of material misstatement due to the quantum of the costs capitalised in respect of certain individual projects and also due to the exercise of management judgement regarding the inherently uncertain future outcomes relating to the adoption of new technologies and future sales performance.</p> <p>The directors have explained the estimation uncertainties relevant to their impairment considerations in note 3, and detailed analysis of the amounts capitalised is set out in note 18.</p>
<b>How the matter was addressed in the audit</b>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"><li>• Reviewing product development expenditure during the year with management to understand progress and to identify areas of greater potential risks.</li><li>• Obtaining and reviewing management's impairment assessment for all projects within capitalised product development costs and performing the following audit work:<ul style="list-style-type: none"><li>○ For projects where amortisation has not yet commenced, we challenged management's assessment and corroborated explanations to supporting evidence where available, including key assumptions relating to future revenue, and considered any contradictory evidence.</li><li>○ For projects where amortisation has commenced, we reviewed the sales levels and margin achieved (including comparing the prior year forecast to actual results for the year) on products using the technology and compared the margins achieved to assess the period over which capitalised costs will be recovered.</li></ul></li><li>• Reperformance of management's impairment calculations and assessing whether the impairment in the period was accurately calculated.</li><li>• Review of the discount rate used to discount the expected future cash flows within the model.</li><li>• Considering the adequacy of disclosures and whether they are in accordance with the applicable financial reporting framework.</li></ul>

## Impairment of intercompany receivables

<b>Key audit matter description</b>	<p>As at 31 December 2022 the parent company financial position includes amounts owed by subsidiary undertakings of £26.6 million which is interest free and repayable on demand.</p> <p>Due to the size of the balance owed by the subsidiary undertakings and the degree of judgement and estimation needed to calculate an appropriate expected credit loss provision this matter is one of the most significant risks of material misstatement for the parent company.</p> <p>On 31 December 2022, the gross amount owed by subsidiary undertakings was £42.3 million and the ECL recorded was £15.7 million as detailed in Note 22.</p>
<b>How the matter was addressed in the audit</b>	<p>We obtained management's calculation of the Expected Credit Loss ("ECL") and the underlying calculations prepared to support the carrying value of the balance and performed work as follows:</p> <ul style="list-style-type: none"> <li>• We assessed the reasonableness of the recovery scenarios considered by management and the probabilities assigned thereon.</li> <li>• We reviewed and challenged the assumptions and estimates utilised in the model.</li> <li>• We recalculated the amount of the ECL provision.</li> <li>• We considered the adequacy of the disclosures and whether they were in accordance with the applicable financial reporting framework.</li> </ul>

## Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	<b>Group</b>	<b>Parent company</b>
<b>Overall materiality</b>	£301,000 (2021: £195,000)	£155,600 (2021: £97,500)
<b>Basis for determining overall materiality</b>	5% of Loss before tax	5% of net assets (restricted for purposes of providing a group opinion)
<b>Rationale for benchmark applied</b>	Loss before tax is considered the most appropriate benchmark for the users of the financial statements.	Net assets are considered to be the most appropriate benchmark for the parent company as It is a primarily a holding company.
<b>Performance materiality</b>	£226,000 (2021: £146,000)	£116,000 (2021: £73,100)
<b>Basis for determining performance materiality</b>	75% of overall materiality	75% of overall materiality
<b>Reporting of misstatements to the Audit Committee</b>	Misstatements in excess of £15,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £7,780 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

## An overview of the scope of our audit

The group consists of 3 components, located in the United Kingdom and Canada. The coverage achieved by our audit procedures was:

	<b>Number of components</b>	<b>Revenue</b>	<b>Total assets</b>	<b>Loss before tax</b>
<b>Full scope audit</b>	2	96%	93%	99%
<b>Total</b>	<b>2</b>	<b>96%</b>	<b>93%</b>	<b>99%</b>

Analytical procedures at group level were performed for the remaining component.

## 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. For an explanation of how we evaluated management's assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting and our key observations arising in respect to that evaluation, please see the going concern key audit matter.

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.

## 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.

## Opinions on other matters prescribed by the Companies Act 2006

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

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

## 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 their 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 50, 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.

## Auditor's responsibilities for the audit of the financial statements

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

## The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory framework;

- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the audit engagement team included:
<b>UK-adopted IAS and Companies Act 2006</b>	Review of the financial statement disclosures and testing to supporting documentation; Completion of disclosure checklists to identify areas of non-compliance
<b>Tax compliance regulations</b>	Inspection of advice received from external tax advisors; Consideration of whether any matter identified during the audit required reporting to an appropriate authority outside the entity
<b>Product certification requirements</b>	Inquiry of management and those charged with governance.

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
<b>Revenue recognition</b>	Certain audit procedures performed in relation to revenue recognition are documented in the key audit matters section of our audit report.  In respect of other elements of revenue our procedures included but were not limited to the use of data analytics and substantive testing to test assertions over revenue (including cut off) and to identify and investigate any transactions outside of the normal revenue cycle and reviewing the completeness and accuracy of rebate arrangements.
<b>Impairment of product development costs</b>	The audit procedures performed in relation to impairment of product development costs are documented in the key audit matters section of our audit report.
<b>Management override of controls</b>	Testing the appropriateness of journal entries and other adjustments; Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### Use of our report

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

*G Bond*

Graham Bond FCA (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
14th Floor  
20 Chapel Street  
Liverpool  
L3 9AG  
5 June 2023

**Consolidated income statement**  
For the year ended 31 December 2022

	Note	2022			2021		
		Before non-un- derlying items	Non-underlying items (note 8)	Reported	Before non-un- derlying items Restated	Non-underlying items (note 8)	Reported Restated
		£000	£000	£000	£000	£000	£000
<b>Revenue</b>	6	<b>57,461</b>	-	<b>57,461</b>	43,472	-	43,472
Cost of sales	9	(47,414)	54	(47,360)	(33,393)	22	(33,371)
<b>Gross profit</b>		<b>10,047</b>	<b>54</b>	<b>10,101</b>	10,079	22	10,101
Operating expenses	9	(15,362)	(1,127)	(16,489)	(13,580)	(280)	(13,860)
Other operating income	10	834	-	834	82	-	82
Other operating expenses	10	(358)	-	(358)	-	-	-
<b>Loss from operations</b>	9	<b>(4,839)</b>	<b>(1,073)</b>	<b>(5,912)</b>	(3,419)	(258)	(3,677)
Interest received on discounted cash flows	12	227	-	227	91	-	91
Finance costs	12	(422)	-	(422)	(124)	-	(124)
<b>Loss before tax</b>		<b>(5,034)</b>	<b>(1,073)</b>	<b>(6,107)</b>	(3,452)	(258)	(3,710)
Income tax credit	13	262	-	262	430	-	430
<b>Loss attributable to equity owners of the Parent</b>		<b>(4,772)</b>	<b>(1,073)</b>	<b>(5,845)</b>	(3,022)	(258)	(3,280)
Basic earnings per share	15			(3.2)			(2.0)
Diluted earnings per share	15			(3.2)			(2.0)

All amounts stated relate to continuing activities.

2021 finance costs have been restated to split out the interest received on discounted cash flows element.

**Consolidated statement of comprehensive income**  
For the year ended 31 December 2022

	2022 £000	2021 £000
Loss for the year	(5,845)	(3,280)
<b>Items that may be reclassified subsequently to profit and loss:</b>		
Exchange differences on translation of foreign operations (net of tax)	85	32
<b>Total comprehensive loss for the year</b>	<b>(5,760)</b>	<b>(3,248)</b>



## Consolidated and Company statement of financial position

As at 31 December 2022

		Consolidated		Company	
	Note	2022 £000	2021 £000	2022 £000	2021 £000
<b>Non-current assets</b>					
Goodwill	17	169	169	-	-
Other intangible assets	18	10,197	11,825	-	-
Purchased software costs	18	1,192	1,625	-	-
Property, plant and equipment	19	2,175	3,242	-	-
Trade and other receivables	22	-	-	26,609	-
Shares in subsidiaries	20	-	-	856	675
		13,733	16,861	27,465	675
<b>Current assets</b>					
Inventories	21	8,061	3,737	-	-
Trade and other receivables	22	13,804	9,430	-	34,969
Current tax asset		690	464	-	-
Derivative financial assets	23	-	291	-	-
Cash and cash equivalents		1,431	3,294	4	2
		23,986	17,216	4	34,971
<b>Total assets</b>		<b>37,719</b>	<b>34,077</b>	<b>27,469</b>	<b>35,646</b>
<b>Current liabilities</b>					
Trade and other payables	28	(13,805)	(8,135)	-	-
Lease liabilities	24	(397)	(456)	-	-
Provisions	27	(502)	(1,012)	-	-
Invoice discounting facilities	24	(3,451)	-	-	-
Loans and borrowings	24	(664)	(480)	-	-
Derivative financial liabilities	23	(1,563)	-	-	-
		(20,382)	(10,083)	-	-
<b>Net current assets</b>		<b>3,604</b>	<b>7,133</b>	<b>4</b>	<b>34,971</b>
<b>Non-current liabilities</b>					
Loans and borrowings	24	(2,133)	(2,743)	-	-
Lease liabilities	24	(94)	(492)	-	-
Provisions	27	(471)	(541)	-	-
		(2,698)	(3,776)	-	-
<b>Total liabilities</b>		<b>(23,080)</b>	<b>(13,859)</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>		<b>14,639</b>	<b>20,218</b>	<b>27,469</b>	<b>35,646</b>
<b>Equity</b>					
Called up share capital	31	3,621	3,621	3,621	3,621
Share premium account		30,009	30,009	30,009	30,009
Currency translation reserve		238	153	-	-
Retained earnings		(19,229)	(13,565)	(6,161)	2,016
<b>Total equity attributable to equity holders of the Parent Company</b>		<b>14,639</b>	<b>20,218</b>	<b>27,469</b>	<b>35,646</b>

The Company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own statement of comprehensive income. The result for the year dealt with in the financial statements of the Company was a loss of £8,358,006 (2021: loss of £3,882,562).

The financial statements and notes to the accounts on pages 56 to 89 were approved and authorised for issue by the Board of Directors on 5 June 2023 and were signed on its behalf by:

*S. E. Herrick*  
Simon Herrick  
The Board of Directors

*ZA Fox*  
Zoe Fox  
Chief Finance Officer

Company registered number: 3991353

**Consolidated and Company cash flow statement**  
For the year ended 31 December 2022

	Note	Consolidated		Company	
		2022 £000	2021 £000	2022 £000	2021 £000
<b>Loss before tax</b>		<b>(6,107)</b>	(3,710)	<b>(8,358)</b>	(3,883)
Finance expense	12	<b>195</b>	33	<b>14</b>	-
<b>Operating loss for the year</b>		<b>(5,912)</b>	(3,677)	<b>(8,344)</b>	(3,883)
Adjustments for:					
Depreciation of property, plant and equipment, and right-of-use assets	19	<b>1,465</b>	1,420	-	-
Amortisation of intangible assets	18	<b>2,069</b>	1,876	-	-
Loss on disposal of non-current assets		<b>19</b>	47	-	-
Non-underlying items	8	<b>1,073</b>	258	-	-
Cash flow relating to non-underlying items	8	<b>(582)</b>	(1,242)	-	-
Decrease/ (Increase) in fair value of derivatives	23	<b>1,854</b>	(984)	-	-
Provision against intercompany receivables		-	-	<b>8,344</b>	3,883
<b>Operating cash flow before movements in working capital</b>		<b>(14)</b>	(2,302)	-	-
Movement in inventories	21	<b>(4,270)</b>	2,909	-	-
Movement in receivables	22	<b>(4,147)</b>	732	<b>16</b>	(8,995)
Movement in payables	28	<b>5,673</b>	(4,714)	-	-
<b>Cash (used in)/ generated by operations</b>		<b>(2,758)</b>	(3,375)	<b>16</b>	(8,995)
Income taxes received	13	<b>39</b>	645	-	-
<b>Net cash (used in)/ generated by operating activities</b>		<b>(2,719)</b>	(2,730)	<b>16</b>	(8,995)
<b>Investing activities</b>					
Capitalised development costs	18	<b>(928)</b>	(1,529)	-	-
Purchase of property, plant and equipment	19	<b>(436)</b>	(434)	-	-
<b>Net cash used in investing activities</b>		<b>(1,364)</b>	(1,963)	-	-
<b>Financing activities</b>					
Repayment of loan	25	<b>(426)</b>	(2,600)	-	-
Drawdown of loan	24	-	3,200	-	-
Repayment of invoice finance	25	<b>55,854</b>	42,989	-	-
Drawdown of invoice finance	25	<b>(52,403)</b>	(45,528)	-	-
Proceeds from issue of ordinary shares (net of expenses)		-	8,995	-	8,995
Repayment of lease obligations	19	<b>(457)</b>	(441)	-	-
Interest paid	12	<b>(422)</b>	(124)	<b>(14)</b>	-
<b>Net cash generated by/(used in) financing activities</b>		<b>2,146</b>	6,491	<b>(14)</b>	8,995
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<b>(1,937)</b>	1,798	<b>2</b>	-
Cash and cash equivalents at beginning of year	22	<b>3,294</b>	1,466	<b>2</b>	2
Non-cash movements – foreign exchange		<b>74</b>	30	-	-
<b>Cash and cash equivalents at end of year</b>		<b>1,431</b>	3,294	<b>4</b>	2

**Consolidated statement of changes in equity**  
For the year ended 31 December 2022

	Share capital £000	Share premium account £000	Currency translation reserve £000	Retained earnings £000	Total £000
<b>Balance at 1 January 2021</b>	<b>2,531</b>	<b>22,104</b>	<b>121</b>	<b>(10,568)</b>	<b>14,188</b>
Loss for the year	-	-	-	(3,280)	(3,280)
Net foreign exchange gains from overseas subsidiaries	-	-	32	-	32
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>32</b>	<b>(3,280)</b>	<b>(3,248)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Issue of equity shares	1,090	-	-	-	1,090
Premium arising on issue of equity shares	-	8,711	-	-	8,711
Share issue expenses	-	(806)	-	-	(806)
Credit in relation to share-based payments	-	-	-	283	283
<b>Total transactions with owners in their capacity as owners</b>	<b>1,090</b>	<b>7,905</b>	<b>-</b>	<b>283</b>	<b>9,278</b>
<b>Balance at 31 December 2021</b>	<b>3,621</b>	<b>30,009</b>	<b>153</b>	<b>(13,565)</b>	<b>20,218</b>
Loss for the year	-	-	-	(5,845)	(5,845)
Net foreign exchange gains from overseas subsidiaries	-	-	85	-	85
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>85</b>	<b>(5,845)</b>	<b>(5,760)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Credit in relation to share-based payments	-	-	-	181	181
<b>Total transactions with owners in their capacity as owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>181</b>	<b>181</b>
<b>Balance at 31 December 2022</b>	<b>3,621</b>	<b>30,009</b>	<b>238</b>	<b>(19,229)</b>	<b>14,639</b>

**Company statement of changes in equity**  
For the year ended 31 December 2022

	Share capital £000	Share premium account £000	Retained earnings £000	Total £000
<b>Balance at 1 January 2021</b>	<b>2,531</b>	<b>22,104</b>	<b>5,616</b>	<b>30,251</b>
Loss for the year	-	-	(3,883)	(3,883)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>(3,883)</b>	<b>(3,883)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Issue of equity shares	1,090	-	-	1,090
Premium arising on issue of equity shares	-	8,711	-	8,711
Share issue expenses	-	(806)	-	(806)
Credit in relation to share-based payments	-	-	283	283
<b>Total transactions with owners in their capacity as owners</b>	<b>1,090</b>	<b>7,905</b>	<b>283</b>	<b>9,278</b>
<b>Balance at 31 December 2021</b>	<b>3,621</b>	<b>30,009</b>	<b>2,016</b>	<b>35,646</b>
Loss for the year	-	-	(8,358)	(8,358)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>(8,358)</b>	<b>(8,358)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Credit in relation to share-based payments	-	-	181	181
<b>Total transactions with owners in their capacity as owners</b>	<b>-</b>	<b>-</b>	<b>181</b>	<b>181</b>
<b>Balance at 31 December 2022</b>	<b>3,621</b>	<b>30,009</b>	<b>(6,161)</b>	<b>27,469</b>

## Notes to the financial statements

For the year ended 31 December 2022

### 1. Principal activities

FireAngel Safety Technology Group plc (the 'Company') is registered and domiciled in England and Wales, having been incorporated under the Companies Act, company registration number 3991353. The Company is a public company limited by shares and is listed on the Alternative Investment Market ('AIM') of the London Stock Exchanges. The Company's registered office and the address of its principal place of business is The Vanguard Centre, Sir William Lyons Road, Coventry, West Midlands, CV4 7EZ.

The Company and its subsidiary undertakings (the 'Group') are in the business of the design, sale and marketing of smoke, heat and CO alarms and accessories sold under the brands of FireAngel, FireAngel Pro and Specification, AngelEye and Pace Sensors. The Group also operates its own CO sensor manufacturing facility in Canada.

### 2. Summary of significant accounting policies

The Group has adopted the accounting policies set out below in preparation of the consolidated financial statements. All of these policies have been applied consistently throughout the periods presented.

#### *Basis of preparation*

These consolidated financial statements are prepared in accordance with UK – adopted International Accounting Standards. The financial statements are presented in thousands (£'000) unless otherwise indicated. The consolidated financial statements are prepared on a historical cost basis with the exception of derivative financial instruments that are measured at fair value.

The preparation of financial statements requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where the Group's assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

#### *Basis of consolidation*

The consolidated financial statements of the Group incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year.

#### *Subsidiaries*

Subsidiaries are entities over which the Group has power to govern the financial and operating policies so as to obtain economic benefits from their activities. Subsidiaries are consolidated from the date on which control is obtained (the acquisition date) up until the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, contingent consideration and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities assumed in a business combination are initially measured at fair value at the acquisition date.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

Intra-group transactions, balances, and unrealised gains and losses on transactions between Group companies are eliminated on consolidation.

#### *Going concern*

The Group has seen an increase in revenue of 32% on the prior year and is delivering on its gross margin improvement plan which has layered in an additional £6 million of profit from self-help measures over 2021 and 2022 of which it is estimated approximately £3.4 million is within 2022, such as customer price increases and moving to higher value activities as detailed in the Board of Directors' statement. However, this has not been sufficient to turn the Group back into profit in 2023 because of the impact of disrupted supply chain, high inflation and volatile currency movements during the year. The weakened GBP against the USD, the PPV incurred to source scarce components and high inflation costs have offset much of the additional profit generated from increased revenue and gross margin improvement plans. The Group is continuing to deliver the gross margin improvement plan, improving margins through 2023 to 2024 and the continued growth in the business underpinned by recent announcements of the British Gas 3-year contract, government agency contract in the Middle East and the signing of the production and delivery contracts for the Techem project. A further cost savings and restructuring of the business has been undertaken in Q2 2023 with an estimated saving of approximately £1.5 million on overheads and administration costs, including approximately £1.0 million in headcount savings and an additional £1.0 million in reduced capital expenditure, expected in 2023. The forecasts have been prepared taking this into consideration and management's extensive industry knowledge, allied to the possibility of uncertainty in today's markets.

The Directors have reviewed the forecast sales growth, budgets and cash projections for the period to June 2024 including sensitivity analysis on the key assumptions such as the potential impact of reduced sales and margins for the next twelve months and beyond. The base case scenario reflects the remaining uncertainty regarding supply chain and inflation. Various plausible but severe downside scenarios were then applied to the base case linked to the trading conditions seen in the 2022 financial year, assuming revenues would not see the expected growth, that margins may deteriorate, and GBP may weaken compared to USD. The results of the cash forecasts showed sufficient cash headroom throughout the outlook period. The base case was then reverse stress tested and the level of deterioration required for the Group to exceed the banking headroom was deemed to be unlikely.

The Directors have assessed both the discretionary and the non-discretionary cash requirements of the Group during this period. In determining whether the Group and Parent Company's financial statements can be prepared on a going concern basis, the Directors considered the Group's business activities, together with the factors likely to affect its future development, performance and position. During 2022, the Group met all banking covenants which relate to the CBILs loan, excluding Q4 2022 which was waived by the bank. There has been a further waiver in Q1 2023 of banking covenants agreed and reset from June 2023 to align with revised forecasts and provide additional headroom from those previously agreed. The Group has continued to benefit from a supportive relationship with its bank and the Directors reviewed the financial position of the Group, its cash flows, borrowing facilities and banking covenants. The key factors considered by the Directors were the:

- implications of the current economic environment and future uncertainties around the Group's revenues and profits by undertaking forecasts and projections on a regular basis;

- impact of global component shortages impacting the supply of products and costs
- impact of the competitive environment within which the Group operates;
- impact of any further COVID-19 and related global supply chain issues; and
- potential actions that could be taken in the event that revenues or gross profits are worse than expected, to ensure that operating profit and cash flows are protected
- the ability to raise additional funds through an issue of shares including the willingness of certain investors to underwrite a substantial element of a proposed fundraising

Based on the cash flow forecasts, the Group is anticipated to absorb cash in H1 2023 starting to generate cash from H2 2023 through 2024 and beyond and has been successful therefore in the waived bank covenants for Q1 2023 and resetting the banking covenants from June 2023 for the CBILs loan to accommodate the change in the business' working capital profile and current currency rates. The Group will continue to use an invoice discount facility provided by the bank and the facility is expected to renew as usual in 2023. These facilities by themselves do not, however, provide the Group with the necessary headroom to deliver the strategy and higher growth for the business. The Company has approved on 5 June 2023 the details of a placing, subscription and open offer to raise £6.1 million (gross), £5.4 million net, in order to reduce net debt (excluding lease liabilities), support the increased working capital and investment requirements for its strategic ambitions. There are contractual commitments from certain existing shareholders, new investors and the subscriber by means of a placing and subscription of up to 120,711,091 new ordinary shares. Siterwell, a long term manufacturing partner, has agreed to subscribe for 55,322,431 ordinary shares of 2 pence each for the total consideration of £2.8 million subject to clawback by qualifying shareholders under the open offer. Following completion of the fundraising, the Board has committed to undertake a strategic review to explore options to realise value for all shareholders, including the possible sale of the Company.

The Directors have reasonable expectations that the Group and the Company have adequate resources to continue operations for the period of at least one year from the date of approval of these financial statements. The Directors have not identified any material uncertainties that may cast doubt over the ability of the Group and the Company to continue as a going concern and the Directors continue to adopt the going concern basis in preparing these financial statements.

Accordingly, the full year accounts for 2022 have been prepared on the going concern basis.

#### *Changes in accounting policies and disclosures*

##### *New standards, amendments and interpretations adopted by the Group*

The following new standards and amended standards, none of which have had a material impact on these financial statements, are mandatory and relevant to the Group for the first time for the financial period commencing 1 January 2022:

- Amendments to IFRS 3 – Reference to Conceptual Framework
- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to IFRS 2018-2020

#### *Accounting standards in issue but not yet effective*

At the date of authorisation of these financial statements the following standards and interpretations, which have not been applied in these financial statements and which are considered potentially relevant, were in issue but not yet effective:

- Amendments to IAS 12 – Deferred tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 8 – Definition of Accounting Estimates
- Amendments to IAS 1 – Disclosure of Accounting Policies

The Directors anticipate that the adoption of the amendments to standards in future periods will have no material impact on the recognition and measurement of assets, liabilities and the associated performance of the Group or the Company when the relevant standards and interpretations come into effect.

#### *Revenue recognition*

Revenue is recognised when revenue and associated costs can be measured reliably and future economic benefits are probable. Revenue is measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, net of rebates and settlement discounts, VAT and other sales related taxes.

Revenue represents income derived from contracts for the provision of goods and services, over time or at a point in time, by the Group, to customers in exchange for consideration in the ordinary course of the Group's activities.

Contracts with customers are assessed to identify performance obligations for both the transfer of goods or for the provision of services. Goods and services are distinct and accounted for as separate performance obligations if the customer can benefit from them either on their own or together with other resources that are readily available to the customer and they are separately identifiable in the contract. The Group has determined that all of these contracts include a single performance obligation as the promises within the contracts are not separately identifiable.

Revenue is recognised as performance obligations are satisfied as control of the goods and services is transferred to the customer. For each performance obligation within a contract, the Group determines whether it is satisfied over time or at a point in time.

Performance obligations are satisfied over time if one of the following criteria is satisfied:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as it performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and it has an enforceable right to payment for performance completed to date.

For each performance method to be recognised over time, the Group recognises revenue using an input method, based on costs incurred or as a proportion of estimated total contract costs or physical proportion of contract work completed in relation to the total. Revenue and attributable margin are calculated by reference to reliable estimates of transaction price and total expected costs and are therefore recognised progressively as costs are incurred or work is completed.

When it is considered probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group has determined that most of its contracts satisfy the point in time criteria as the sales of goods are recognised when control has been transferred to the customer. For the majority of customers this is when goods are delivered and title has passed. For others it is when goods are delivered for shipment by our contract manufacturers, depending upon the terms and conditions of the sales contract as to when the risks and rewards of ownership are transferred.

#### *Revenue recognition – warranty obligations*

IFRS 15 'Revenue from customer contracts' provides guidance on the treatment of warranties provided on the sale of goods. The Group sells products with warranties ranging from one to ten years.

The longer-term warranties are usually applicable to products with either long-term sealed batteries or sealed CO sensors that degrade over time. The performance of either the battery or the sensor for the warranted period of time is integral to the overall performance of the product and is a key feature of the product at the point of sale.

The Directors have considered the guidance within IFRS 15 as to whether these warranties are assurance type or service type. Assurance warranties solely warrant that the product will function as sold, whilst service warranties provide a higher level of assurance. Assurance warranties are not separate performance obligations, whilst service warranties are considered separate performance obligations and revenue attributes to the service element should be spread over the service period.

On the basis that the majority of warranties provided by the Group solely warrant that the product will operate as sold, the Directors have concluded that these warranties are assurance type warranties and do not represent a separate performance obligation.

#### *Government Grants*

The Group has received grant funding from the UK and Canadian Governments. Government income is recognised within other income in profit or loss on a systematic basis over the periods in which the Group recognises costs for which the grants are intended to compensate.

#### *Interest income*

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

#### *Accounting for discretionary payments made to customers*

The Group made discretionary payments in total amounting to £0.6 million (2021: £0.5million) to certain UK retailers in respect of maintaining the ongoing relationship with these customers and to secure promotional activities during the year. Such costs are taken to the income statement in the year to which they relate and are recorded in operating expenses.

#### *Goodwill*

Goodwill arising on consolidation represents the excess of the consideration transferred and the fair value of any previous interest in the acquired entity over the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is separately disclosed.

Goodwill is recognised as an asset and reviewed for impairment at least annually. It is allocated to cash-generating units which represent the Group's investment in each country of operation. Impairment losses are recognised immediately in profit or loss and are not subsequently reversed.

#### *Other intangible assets – internally-generated intangible assets*

Expenditure on research activities is recognised through the income statement as incurred.

Expenditure arising from the Group's development of future products is capitalised only if all the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits;
- the development cost of the asset can be measured reliably;
- the Group has the intention to complete the asset and the ability and intention to use or sell it;
- the product or process is technically and commercially feasible; and
- sufficient resources are available to complete the development and to either sell or use the asset.

Where these criteria have not been achieved, development expenditure is recognised through the income statement in the period in which it is incurred.

Development expenditure is written off, except where the Directors are satisfied as to the innovative nature and technical, commercial and financial viability of clearly defined projects whose outcome can be assessed with reasonable certainty. In such cases, identifiable people and non-people costs by product/technology are capitalised and carried forward to be amortised over the expected life of the product over which the Group is expected to benefit from sales of such products.

The Directors estimate that the useful economic lives of these various intangible assets are between seven and 15 years. Amortisation commences from the date of first sale of the related product. Intangible assets are described in note 18 to the financial statements.

Directly attributable costs in bringing the Group's manufacturing assets in to use at Flex and our Far East based supplier have been amortised using a straight-line method as the Board believes this is most appropriate given forecast production volumes. These assets are being amortised over five years.

#### *Other intangible assets – computer software*

Software capitalised is amortised at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its estimated useful life of four years.

#### *Other intangible assets – purchased software costs*

Software purchased relating to the Connected Homes base platform is amortised on a straight-line basis over its estimated useful economic life of seven years

#### *Plant, equipment and tooling*

All plant, equipment, tooling, fixtures and fittings, motor vehicles, office equipment and right-of-use assets are stated at cost less accumulated depreciation and any recognised impairment loss. A right-of-use asset is recognised at commencement of the lease and initially measured at the amount of the lease liability, plus any incremental costs of obtaining the lease and any lease payments made at or before the leased asset is available for use by the Group. The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Subsequent costs, including replacement parts and major inspections, are capitalised only when it is probable that such costs will generate future economic benefits. Any replaced parts are derecognised. All other costs of repairs and maintenance are charged through the income statement as incurred.

Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Manufacturing tooling	5 years
Fixtures and fittings	4 years
Motor vehicles	4 years
Office equipment	3 years
Right-of-use assets	over the period of the lease

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Investment made in manufacturing tooling at Flex, the Group's primary manufacturing partner for smoke alarms and connected products, is depreciated over five years. Regular reviews are conducted to ensure that any obsolete assets are appropriately recognised in the financial statements.

#### *Impairment of plant and equipment and intangible assets (including goodwill)*

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Intangible assets with an indefinite useful life and other intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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

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

#### *Leases*

On commencement of a contract which gives the Group the right to use assets for a period of time in exchange for consideration, the Group recognises a right-of-use asset and a lease liability unless the lease qualifies as a 'short-term' lease (where the term is twelve months or less with no option to purchase the lease asset) or a 'low-value' lease (where the underlying asset is £4,000 or less when new).

The lease liability is initially measured at the present value of the lease payments during the lease term discounted using the interest rate implicit in the lease, or the incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. The lease term is the non-cancellable period of the lease plus extension periods that the Group is reasonably certain to exercise and termination periods that the Group is reasonably certain not to exercise. Lease payments include fixed payments, less any lease incentives receivable, variable lease payments dependent on an index or a rate and any residual value guarantees.

The lease liability is subsequently increased for a constant periodic rate of interest on the remaining balance of the lease liability and reduced for lease payments. Interest on the lease liability is recognised in profit or loss. Variable lease payments not included in the measurement of the lease liability as they are not dependent on an index or rate, are recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

#### *Functional and presentation currency*

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in sterling, which is the functional currency of the Group and the Group's presentational currency.

#### *Foreign currency transaction and balances*

Foreign currency transactions are translated at the exchange rate prevailing on the date of the transaction. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the exchange rate prevailing at the reporting date. Non-monetary assets and liabilities carried at values that are denominated in foreign currencies are translated at the rates prevailing at the date when the values were determined. Gains and losses arising on retranslation are included in the income statement for the period, except for exchange differences on non-monetary assets and liabilities, which are recognised directly in other comprehensive income when the changes in fair value are recognised directly in other comprehensive income.

On consolidation, the assets and liabilities of the Group's overseas operations are translated into the Group's presentational currency at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period. All resulting exchange differences are recognised in other comprehensive income. All exchange differences arising, if any, are transferred to the Group's foreign exchange reserve and are recognised as income or as expenses in the period in which the operation is disposed of, or when control, significant influence or joint control is lost.

The Group has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRS as sterling denominated assets and liabilities.

#### *Retirement benefit costs*

For defined contribution schemes the amount charged through the income statement in respect of pension costs and other post retirement contributions is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

#### *Taxation*

The tax expense represents the sum of the current tax expense and deferred tax expense.

#### *Current tax*

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

#### *Deferred tax*

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited through the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity, or items charged or credited directly to other comprehensive income, in which case the deferred tax is also recognised in other comprehensive income. Tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority, and the Group intends to settle its tax assets and liabilities on a net basis.

#### *Financial instruments*

Financial assets and financial liabilities are recognised when the Group has become a party to the contractual provisions of the instrument.

##### *a) Financial assets*

The Group categorises its financial assets as: fair value through profit and loss or at amortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets include 'trade receivables' and 'cash and cash equivalents'.

##### *b) Trade and other receivables*

Trade and other receivables are initially measured at their transaction value and are subsequently measured at amortised cost. Under IFRS 9 the expected credit loss model requires the Group to consider expectations of future events when determining its expectations of impairment. In 2022 the intercompany loan between Company and the trading entity has been classified as a non-current asset due to it being unlikely this will be repaid in the next 12 months.

##### *c) Financial assets at fair value through profit and loss*

Financial assets at fair value through profit and loss are financial assets held for trading. Assets in this category are classified as current assets if expected to be settled within twelve months, otherwise they are classified as non-current. The only assets/liabilities currently held in this category are forward currency derivatives (described further below) and cash and cash equivalents.

##### *d) Impairment of financial assets*

The Group and the Company recognise an impairment loss on financial assets using the expected credit loss model by assessing the probability that the counterparty will be unable to settle their contractual cash flow at the contractual due dates. The Group applies the simplified method and calculates expected credit losses based upon the lifetime expected credit loss.

##### *e) Financial liabilities and equity*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial liabilities comprise of trade and other payables, lease liabilities, loans and borrowings.

An equity instrument is any contract that gives a residual interest in the assets of the Group after deducting all its liabilities.

Derivative financial liabilities are measured at fair value through profit and loss; all other financial liabilities are measured at amortised cost.



Group borrowings, namely bank loans and invoice discounting facilities, are initially recognised at fair value and are subsequently carried at amortised cost. Fees paid on the arrangement of the loan facility are recognised as transaction costs and spread over the life of the arrangement.

#### *f) Recognition and measurement*

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit and loss' category are presented in the income statement within 'Cost of sales' in the period in which they arise as these assets relate to the purchase of goods.

#### *g) Trade payables*

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year.

The likelihood of default and expected recoverable amounts are assessed using reasonable and supportive past and forward-looking information that is available without undue cost. The output of the expected credit loss model is a probability-weighted amount determined from a range of outcomes.

#### *Inventories*

Inventories are stated at the lower of historical cost and net realisable value. Cost comprises direct material cost and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs to completion and selling costs to be incurred. The Group's approach to inventory provisioning is described in note 21.

#### *Forward currency derivatives*

The Group enters into derivative foreign currency forward contracts which are classified as financial instruments at fair value through profit and loss. They are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Fair value gains and losses are recognised in profit and loss.

The Group does not have the right of offset between such derivatives, and so all derivatives that are financial assets are shown separately from all derivatives that are financial liabilities, at each period end.

The Group has also entered in to boosted forward contracts in 2022 which gives the group the right but not the obligation to buy currency at a more beneficial forward rate provided the contract trades within the contracts pre-defined range. If the contract matures outside of this pre-defined range then the right to buy at the boosted rate is cancelled and replaced by an obligation to buy currency at the strike rate.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and in hand and other short-term deposits held by the Group with maturities of less than three months.

#### *Provisions*

Provisions for product warranty claims are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reliably estimated. It is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the provision is based on the present value of future outflows, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The increase in the provision due to passage of time is recognised as an interest expense.

#### *Equity instruments*

Equity instruments issued by the Company are recorded at fair value on initial recognition net of transaction costs.

#### *Share-based payment transactions*

The Group issues equity-settled share options to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of instruments that will eventually vest with a corresponding adjustment to equity. Fair value is measured by use of the Black-Scholes model and subsequently used in the Monte-Carlo simulation. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

Non-vesting and market vesting conditions are taken into account when estimating the fair value of the option at grant date. Service and non-market vesting conditions are taken into account by adjusting the number of options expected to vest at each reporting date.

The relevant charge is posted through the trading company (FireAngel Safety Technology Ltd) and subsequently through the parent (Company) as shares in subsidiaries.

#### *Operating segments*

IFRS 8 requires the presentation of segmental information in relation to the Group in the Annual Report on the same basis as information reported to the Board. The Chief Operating Decision Maker ('CODM') has been determined to be the Board which delegates day-to-day responsibility for managing the Group to the Executive Management Team ('EMT') led by the Executive Chairman. Assessment of performance is based wholly on the overall activities of the Group. The Board considers that there is one identifiable operating segment as there are no separately identifiable business segments that are engaged in providing individual products or services, or a group of related products and services, that are subject to risks and returns that are different to the core business.

#### *Non-underlying items*

The Group discloses certain financial information both including and excluding non-underlying items. The presentation of information excluding non-underlying items allows a better understanding of the underlying trading performance of the Group and provides consistency with the Group's internal management reporting. Non-underlying items are identified by virtue of their size, nature or incidence and the Directors consider that these items should be separately identified so as to facilitate comparison with prior periods and to assess the underlying trends in the financial performance of the Group.

### 3. Critical accounting estimates and areas of judgement

#### Impacting the Group

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

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

#### *European Partner Revenue recognition*

In April 2021 the Group signed a long-term partnership agreement with, Techem, to provide a fully funded research and development programme for a new generation smoke alarm.

Consideration has been given as to whether to adopt IFRS15 revenue recognition accounting principles or IFRS 11 joint venture accounting treatment. The Group has concluded that Techem are in control of the design phase and thus do not require a unanimous consent of both parties which is required to adopt IFRS 11 treatment.

The assessment of the dominant factor in the contract requires significant judgement. The Group have looked at the promises within the contract (product design phases, licences and warranties) on their own merit to analyse if they are distinct or whether they need to be treated as one combined performance obligation. The Group has concluded that as the product design, development, prototypes and licences are not distinct in the context of the contract, there is a single combined performance obligation.

The assessment of the dominant factor also requires significant judgement and on the balance of evidence the Group has taken the view that the development services are dominant looking at both the contractual prices and level of effort required to deliver the development services to the customer. The Group has considered how the performance obligation is satisfied by analysing the transfer of control of the intellectual property to the customer. The asset created has no alternative use for FireAngel, that is only Techem can use the product prototype and designs and FireAngel has an enforceable right to payment for performance completed. As such the Group has concluded that the Group's performance creates an asset that Techem controls as it is created. Therefore, the licences (Background IP and Foreground IP) should be evaluated under paragraphs 31-38 of IFRS 15, rather than the licence guidance in paragraphs B58- B61. The Group has decided that the most appropriate methodology to recognise revenue over time is the input methodology which is based upon the Group's efforts to satisfy the performance obligation.

Using the input methodology, the Group have needed to consider the accuracy of forecasted development costs. These forecasts are built from the ground up and are the Group's best estimate of costs to complete the development phase. Any changes in the total design phase costs will have an impact of the timing of revenue recognition.

The Group has also had to consider the value prescribed to the royalty fees earned during the contract. The contract between the two parties guarantees a minimum royalty fee of €3 million. The minimum royalty fee of €3m has been included in the initial contract consideration which is being recognised as described above. This amount will be payable as products are sold and therefore the contract includes a significant financing element. Once the minimum royalty fee has been received the intellectual property transfers to the German service provider and FireAngel is granted a licence to use this IP for the development, manufacture and sale of FireAngel's own products. No value has been attributed to the non-cash consideration represented by the Group's future rights over this IP as until development is completed no reliable assessment of fair value can be made and therefore it is not yet probable that there will not be a significant reversal of any amount recognised.

The Group has now recognised £3.6 million (56%) of the total consideration of the contract and expects to recognise the remaining £2.7 million over the next three years.

#### *Impairment of non-financial assets*

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets (including goodwill) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and other intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately through the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

During 2022, the Group recognised an impairment charge of £0.9 million against its capitalised intangible product development costs after a thorough review of product lines and future development costs (see note 18).

The Board notes that the Group has a significant value of intangible assets on the balance sheet at the year end. Connected homes intangible assets with a net book value of £2.5 million are not yet being amortised as they are currently being developed for sale. Connected home intangible assets with a net book value of £2.6 million are being amortised. The Board expects that in future, the vast majority of products sold will in some way be connected (through Wi-safe 2, Z-wave or Zigbee technology) and given that the Group already has a connected homes technology product offering which is working, the Board believes that the carrying value of connected homes technology intangibles is not impaired. In reaching this conclusion, the Board also acknowledges the losses incurred by the Group over the past three years and the heightened risk of impairment that this leads to.

#### Deferred tax recognition

At 31 December 2022 there is a deferred tax asset of £2.8 million (2021: £1.5 million) which has not been recognised as the timing of utilisation is uncertain. Deferred tax assets should only be recognised where they are more likely than not to be realised. Whilst the Group expects a return to profitability in the future, the generous deduction available for research and development expenditure means that it is likely to be several years before these losses will need to be accessed.

#### Impacting the Company only

##### Recoverability of intercompany receivables

Amounts owed by subsidiary undertakings represent interest-free loans made to the Company's main subsidiary undertaking. The gross loan advanced by the Company is £42.3 million.

In accordance with IFRS 9 'Financial Instruments', as the subsidiary undertaking cannot repay the loan at the reporting date, the Company has made an assessment of expected credit losses. Having considered multiple scenarios on the manner, timing, quantum and probability of recovery of the receivables, a lifetime expected credit loss ('ECL') of £15.7 million has been provided.

The calculation of the allowance for lifetime expected credit losses requires a significant degree of estimation and judgment, in particular determining the probability-weighted likely outcome for each scenario considered. The Directors' assessment of ECL included repayment through future cash flows over time (which are inherently difficult to forecast for the Company given the timing of take up of its connected homes technology) and also the amount that could be realised through an immediate sale of the subsidiary undertaking. The Directors' assessment of repayment through future cash flows included a scenario where the loan was not recovered in full. The provision is sensitive to the key assumptions inherent in the calculation.

The carrying value of amounts owed by subsidiary undertakings at 31 December 2022, net of provisions, was £26.6 million (2021: £35.0 million) and is disclosed in note 22 to the financial statements.

#### 4. Financial risk management

The Group's operations expose it to a variety of financial risks that include the effects of changes in market prices including foreign exchange rate risk, credit risk and liquidity risk. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group by monitoring these risks and taking appropriate action where necessary.

##### Liquidity risk

Management's objective is to meet its liabilities as they fall due whilst maintaining sufficient headroom to enable the Board to react to unexpected changes in market conditions. Management monitors its cash flows through the preparation of forecasts on a weekly and monthly basis. Cash forecasts are based on historic trading levels, expected settlement of supplier balances and collection of trade receivables as they fall due. Subject to unforeseen adverse trading conditions, the cash flows from operations are not expected to change significantly from the level of underlying business performance.

##### Maturity analysis

The table below analyses the Group's financial liabilities on a contractual gross undiscounted cash flow basis into maturity groupings based on amounts outstanding at the reporting date up to the contractual maturity date.

	Within 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Total
2022	£000	£000	£000	£000	£000
Trade payables	7,476	-	-	-	7,476
Loans and borrowings including contractual interest payments	3,874	435	2,410	-	6,719
Accruals	3,920	-	-	-	3,920
Other payables	649	-	-	-	649
Lease liabilities	231	181	95	-	507
Derivative financial Liabilities	1,077	486	-	-	1,563
<b>Financial liabilities</b>	<b>17,227</b>	<b>1,102</b>	<b>2,505</b>	<b>-</b>	<b>20,834</b>

	Within 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Total
2021	£000	£000	£000	£000	£000
Trade payables	3,465	-	-	-	3,465
Loans and borrowings including contractual interest payments	130	385	3,062	-	3,577
Accruals	3,587	-	-	-	3,587
Other payables	678	-	-	-	678
Lease liabilities	246	251	507	-	1,004
Derivative financial Liabilities	-	-	-	-	-
<b>Financial liabilities</b>	<b>8,106</b>	<b>636</b>	<b>3,569</b>	<b>-</b>	<b>12,311</b>

The Group would normally expect that sufficient cash is generated in the operating cycle to meet the contractual cash flows as disclosed above through effective cash management. In addition, the Group maintained a £7.5 million invoice discounting facility, of which £3.5 million was drawn down at the year end, with HSBC UK Bank plc secured on UK and international trade debtors which can be accessed as required.

##### Foreign currency risk

The Group operates in a number of markets across the world and is exposed to foreign exchange risk arising from various currency exposures in particular, with respect to the US dollar and euro. The Group is exposed to foreign currency risk arising from recognised assets and liabilities as well as commitments arising from future trading transactions. The Group has a forward hedging policy, which aims to mitigate the risk of currency fluctuations by locking into

current rates for future periods on a set percentage of expected future currency flows. The weakening or strengthening of sterling against the US dollar or Euro during the year increases or decreases the committed sterling cost of forward contracts entered into in accordance with the Group's policy to hedge future US dollar purchase and Euro sale requirements.

The notional principal amounts of the outstanding foreign currency forward contracts at 31 December 2022 were US \$30.3 million (2021: US \$18.5 million) and £1.3 million (2021: £nil).

#### *Sensitivity analysis*

The Group derived the following sensitivities based on the forward rates readily available for the US dollar and euro. Management believes that these most closely reflect the probable performance of the various economies in which the Group's financial assets and liabilities are located.

Year on year averages show a 10% weakening of sterling compared to the US dollar and a 2% strengthening of sterling compared to the Euro between 2021 and 2022. The approximate impact on the Group's operating result in 2022 from a 10% change in the value of the US dollar and a 2% change in the value of the Euro on a full year basis is approximately £4.0 million and £0.3 million respectively.

#### *Interest rate risk*

The Group regularly reviews its exposure to fluctuations in underlying interest rates and will take appropriate action if required to minimise the impact on the performance and financial position of the Group.

At the year ended 31 December 2022 the Group had interest bearing loan facilities totalling £6.2 million with an average position of £5.5m throughout 2022. The Bank of England base rate has increased 3.25% throughout 2022 which on a full year basis would approximately lead to an increased finance cost of £0.2 million. At the year end loan position every 1% increase in the Bank of England base rate, the finance costs will go up by £0.1 million on a full year basis.

#### *Credit risk*

Group credit risk predominantly arises from trade and other receivables and cash and cash equivalents. The Company's credit risk arises solely from amounts receivable from subsidiary undertakings.

Credit exposure is managed on a Group basis. External credit ratings are obtained for new customers and the Group's policy is to assess the credit quality of each customer internally before accepting any terms of trade. Internal procedures take into account the customer's financial position as well as their reputation within the industry and past payment experience where relevant. There are continued monitoring of existing customers external credit rating to help mitigate future possible credit losses.

Cash and cash equivalents and derivative financial instruments are all held with an AA- rated bank, HSBC UK Bank plc.

The Group's maximum exposure to credit risk relating to its financial assets is equivalent to their carrying value as disclosed below. All financial assets have a fair value which is equal to their carrying value.

	2022 £000	2021 £000
<i>Maximum exposure to credit risk</i>		
Trade receivables and other debtors	13,290	9,011
Cash and cash equivalents	1,431	3,294
Derivative financial assets	-	291
	<b>14,721</b>	<b>12,596</b>

The Company's credit risk arises exclusively through its intercompany balances which stand at £26.6 million (2021: £35.0 million). For the Company, impairment losses on financial assets measured at amortised cost relate solely to amounts due from fellow group companies and total £15.7 million at 31 December 2022 (2021: £7.3 million). The impairment loss recorded against amounts due from fellow group companies is calculated based on lifetime expected credit losses.

## **5. Capital management**

The Group's main objective when managing capital is to protect returns to shareholders by ensuring the Group will continue to trade profitably in the foreseeable future and cash is managed on a conservative basis.

The Group manages its capital with regard to the risks inherent in the business and the sector within which it operates by monitoring its cash balances on a daily basis.

The Group considers its capital to include called up share capital, share premium account, currency translation reserve and retained earnings.

## **6. Revenue and segmental reporting**

The Group sells and distributes home safety products and accessories in the UK, Continental Europe and certain other countries and undertakes manufacturing activities in Canada. Its major customers are based throughout the UK, Continental Europe and in a number of other countries outside Continental Europe. Financial information is reported to the Board on a consolidated basis with revenue and operating profit stated for the Group.

IFRS 8 requires the presentation of segmental information in relation to the Group in the Annual Report on the same basis as information reported to the Board. The Chief Operating Decision Maker ('CODM') has been determined to be the Board which delegates day-to-day responsibility for managing the Group to the Executive Management Team ('EMT') led by the Executive Chairman.

Based on the information on which strategic and operating decisions are made, the CODM considers that there is one identifiable operating segment as there are no separately identifiable business segments that are engaged in providing individual products or services, or a group of related products and services, that are subject to risks and returns that are different to the core business of the home safety products market in Europe.

Revenue and gross profit for each of the Group's business units are reviewed by the Board and rolled up into consolidated financial information with non-business unit costs included to arrive at the results that investors see. Business unit reporting to the Board generally excludes information on overheads by business and other income statement information, which is all reported on a consolidated basis. Assets and liabilities are also generally reported to the Board on a consolidated basis.

	2022 £000	2021 Restated £000
<b>Revenue from continuing operations</b>		
Business Units:		
UK Trade	9,655	9,820
UK Retail	19,776	15,835
UK Fire & Rescue Services	3,266	2,377
UK Utilities	3,487	1,829
International	16,349	10,891
Techem	2,517	1,043
Pace Sensors	2,411	1,677
<b>Total revenue from external customers</b>	<b>57,461</b>	<b>43,472</b>

All business units, excluding Pace Sensors and our European Partner, earn revenue from the sale of smoke, heat and CO alarms and accessories to end customers. Pace Sensors earns revenue from the manufacture and sale of CO sensors to a third-party CO detector assembler based in China. Revenue from our European Partner is derived from a research and development programme for a new generation smoke alarm, for further details see note 7.

As of 1 January 2022, the business has reassigned a number of customers to different business units. Four customers with a combined revenue of £1 million in 2021 which were previously reported within the UK Trade business unit are now reporting through the Utilities business unit. Similarly two customers with a combined revenue of £0.2 million in 2021 which were previously reported within the UK Trade business unit are now reporting through the UK retail business unit. The 2021 sales comparatives have been adjusted accordingly.

For 2022, revenues of approximately £6.6 million were derived from one external customer (2021: £4.7 million from one external customer), which individually contributed over 10% of total revenue of the Group. These revenues are attributable to the UK Retail business unit. An analysis of the Group's revenue is as follows:

	2022 £000	2021 £000
<i>Continuing operations:</i>		
UK	36,184	29,861
Continental Europe	18,542	11,839
Rest of World	2,735	1,772
	<b>57,461</b>	<b>43,472</b>

Non-current assets, excluding deferred tax assets, for UK and overseas territories are as follows:

	2022 £000	2021 £000
<i>Continuing operations:</i>		
UK	13,491	16,671
Canada	242	190
<b>Non-current assets</b>	<b>13,733</b>	<b>16,861</b>

## 7. Revenue recognition – Techem

In April 2021 the Group signed a long-term partnership agreement with Techem to provide a research and development programme for a new generation smoke alarm. The Group has looked at the individual element of the contract and has concluded that there are no separate performance obligations and as such the contract forms one central non-distinct performance obligation.

In order to determine the total revenue associated with this contract the Group has amalgamated the already agreed background IP and minimum royalty amounts with the forecasted fees for the product development phases. The payment structure agreed in the contract dictates that consideration will be received at contract milestones during the development phase and once product starts to be delivered. As a result of the payment schedule within the contract it has been determined the contract includes a significant financing element. Therefore, the expected cash flows have been discounted using the Group's own borrowing rate at the contract's inception. These discounted amounts will be recognised as interest earned using the same phasing methodology as revenue.

To determine the phasing of the revenue recognition the Group has chosen to adopt the input methodology approach as this is based upon direct efforts to satisfy the dominant component of the performance obligation which is the product design element. This methodology dictates that progress be measured by viewing current spend against total projected development spend. At the end of 2022 the Group has calculated it is 56% (2021: 17%) of the way through its development process based on this methodology.

The contract between the two parties guarantees a minimum royalty fee of €3 million. The minimum royalty fee of €3 million has been included in the initial contract consideration which is being recognised as described above. This amount will be payable as products are sold and therefore the contract includes a significant financing element. The Group currently values the consideration of the design and development phase of the contract at £6.9 million (£6.3 million

in revenue and £0.6 million as interest receivable). The Group has recorded a net contract asset of £1.3 million (2021: £0.1 million) as the contract billing arrangements at specific milestones does not mirror the accounting treatment of performance obligation satisfaction.

Once the minimum royalty fee has been fully paid the intellectual property transfers to Techem and FireAngel will be granted a licence to use this IP for the development, manufacture and sale of FireAngel's own products. No value has been attributed to the non-cash consideration represented by the Group's future rights over this IP as until development is completed no reliable assessment of fair value can be made and therefore it is not yet probable that there will not be a significant reversal of any amount recognised.

	2022 £000	2021 £000
Revenue Recognised	2,517	1,043
Costs Recognised	(1,299)	(437)
<b>Gross profit Attributable to contract</b>	<b>1,218</b>	<b>606</b>
Revenue Recognised - cumulative	3,560	1,043
Interest income recognised - cumulative	318	91
<b>Total Consideration</b>	<b>3,878</b>	<b>1,134</b>
Billing to date	(2,546)	(1,060)
<b>Accrued income</b>	<b>1,332</b>	<b>74</b>

#### 8. Non-underlying items

	2022 £000	2021 £000
<b>Within cost of sales</b>		
Commercial distributor settlements (note a)	-	66
Provision against stock and disposal costs (note b)	(54)	(88)
	(54)	(22)
<b>Within operating expenses</b>		
Impairment of intangible assets (note c)	916	-
Impairment of tangible assets	30	(3)
Share-based payment charges	181	283
	1,127	280
<b>Total non-underlying items</b>	<b>1,073</b>	<b>258</b>

a. Customer settlements relating to the battery impedance totalled £nil for the year (2021: £0.1 million). There was no cash impact in 2022 relating to these settlements.

b. During 2022 the Group was able to sell stock lines that had previously been impaired which resulted in a non-underlying credit of £0.1 million (2021: £0.1 million credit). The cash impact in 2022 for disposing of stock previously provided for was nil.

c. Intangible capitalised development assets of £0.9 million were impaired during the year as a result of a thorough review of products line an future development costs. There was no cash impact in 2022. The prior year charge was £nil.

#### 9. Loss from operations

The following table analyses the nature of expenses:

	2022 £000	2021 £000
Staff costs (note 11)	8,307	6,932
Depreciation and amortisation (notes 18 and 19)		
- Owned assets	3,089	2,851
- Right-of-use assets	445	445
Non capitalised lease costs	17	17
Premises costs	1,019	920
Cost of inventories recognised as an expense	41,104	29,785
Inventory provision recorded in year, excluding non-underlying charges	100	100
Techem costs recognised (note 7)	1,299	437
Distribution costs	1,325	1,075
Marketing and trade contributions	1,246	1,008
Professional fees, excluding Non-Executive Directors	856	722
Research and development costs	145	177
Non-underlying items excluding staff costs (note 8)	892	(25)
Foreign exchange revaluations and mark-to-mark movements	113	(430)
Other net expenses/costs	3,416	3,217
<b>Total cost of sales, operating expenses and net other operating income/ expenses</b>	<b>63,373</b>	<b>47,231</b>

Loss from operations has been arrived at after charging:

	2022 £000	2021 £000
Net foreign exchange losses/ (gains) excluding foreign currency forward transactions	1,823	589
Research and development costs	145	177
Amortisation and impairment of intangible assets	2,985	1,876
Depreciation of owned assets	1,020	975
Depreciation on right-of-use assets	445	445

Amounts payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services are set out below:

	2022 £000	2021 £000
<b>Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts</b>	<b>45</b>	<b>39</b>
<b>Fees payable to the Company's auditor and their associates for other services to the Group:</b>		
The audit of the Company's subsidiaries	98	81
<b>Total audit fees</b>	<b>143</b>	<b>120</b>

Taxation services	-	30
<b>Total non-audit fees</b>	<b>-</b>	<b>30</b>

#### 10. Other operating income and expenses

Due to the global supply chain shortages faced in 2022 the Group incurred additional costs to maintain a supply of critical components. During the second half of the year the Group was able to sell a surplus of some of these components for £0.8 million to a third party recognising £0.5 million profit on these transactions. The Group has not recognised these sales as revenue as it does not view these as part of the business' ordinary activities (either past, current or future planned)

Furlough payments of £nil (2021: £0.1million) were received under the Canadian Emergency Wage Subsidy. The scheme enabled employers to retain staff despite the economic impact of COVID-19 through government grants relating to wage subsidies. As per the accounting policies adopted, the grant received was recognised in the profit and loss in 'other income' as the related salaries for the furloughed employees were recognised.

#### 11. Staff costs

The average monthly number of employees (including Executive and Non-Executive Directors) within the Group was as follows:

	2022 Number	2021 Number
Manufacturing (Pace Sensors)	32	22
Technology	46	41
Administration	49	49
Sales and marketing	23	27
Executive and Non-Executive Directors	5	6
Warehousing	6	7
	<b>161</b>	<b>152</b>

The aggregate remuneration for the above persons (excluding Non-Executive Directors) comprised:

	2022 £000	2021 £000
Wages and salaries	7,658	6,787
Social security costs	703	674
Other pension costs	242	238
Share-based payment expense	181	283
<b>Total remuneration</b>	<b>8,784</b>	<b>7,982</b>
<b>Less:</b>		
Capitalised product development costs (note 18)	(477)	(1,050)
<b>Total remuneration charged to the income statement</b>	<b>8,307</b>	<b>6,932</b>

Throughout 2022 the Company had no employees (2021: nil)

## 12. Finance costs

	2022 £000	2021 £000
Interest expense on bank borrowings	(398)	(84)
Lease liability interest expense	(24)	(40)
Interest received on discounted cash flows	227	91
<b>Total finance costs</b>	<b>(195)</b>	<b>(33)</b>

## 13. Income tax

	2022 £000	2021 £000
<i>Current tax</i>		
UK corporation tax credit	(307)	(434)
UK – adjustments in respect of prior periods (credit)/charge	51	16
Foreign tax charge	(6)	(12)
	(262)	(430)
<i>Deferred tax (note 29)</i>		
Origination and reversal of temporary differences	-	-
Adjustments in respect of prior periods	-	-
<b>Income tax credit</b>	<b>(262)</b>	<b>(430)</b>

Domestic income tax is calculated at 19% (2021: 19.00%) of the estimated assessable profit or loss for the year.

The tax credit for the year can be reconciled to the profit per the consolidated income statement as follows:

	2022 £000	%	2021 £000	%
<b>Loss before tax</b>	<b>(6,107)</b>		<b>(3,710)</b>	
Tax at the domestic income tax rate of 19.00% (2021: 19.00%)	(1,158)		(705)	
Tax effect of expenses that are not deductible in determining taxable profit	35		60	
Effect of allowance for capitalised development expenditure	(169)		(187)	
Adjustments in respect of prior periods	51		16	
Deferred tax not recognised	997		544	
Impact of foreign tax rates	(25)		(30)	
Difference in current and deferred tax rates	19		(351)	
Effect of tax rate change on opening patent box set-off	0		279	
Other adjustments	(12)		(56)	
<b>Tax credit and effective tax rate for the year</b>	<b>(262)</b>	<b>4%</b>	<b>(430)</b>	<b>12%</b>

The weighted average applicable tax rate was 4% (2021: 12%). The tax credit for 2022 is largely due to enhanced research and development tax relief schemes and operating losses in the year of £6.1 million.

Tax losses are, where possible, realised during the year through surrender for research and development tax credits. There are no time restrictions on the utilisation of tax losses going forward.

At 31 December 2022 there is a deferred tax asset of £2.8 million (2021: £1.5 million) which has not been recognised as the timing of utilisation is uncertain. This was calculated using a corporation tax rate of 25%. Deferred tax assets should only be recognised where they are more likely than not to be realised. Whilst the Group expects a return to profitability in the future, the generous deduction available for research and development expenditure means that it is likely to be several years before these losses will need to be accessed.

The income tax charged to equity during the year was as follows:

	2022 £000	2021 £000
<i>Deferred tax</i>		
Share-based payments	-	-
<b>Income tax charge</b>	<b>-</b>	<b>-</b>



#### 14. Dividends

As a result of the loss reported for the year, and consistent with the decision not to pay an interim dividend (2021: nil pence per share), the Directors do not recommend payment of a final dividend for the year (2021: nil pence per share). The total dividend payable for 2022 is therefore nil pence per share (2021: nil pence per share)

#### 15. Earnings per share

	2022 £000	2021 £000
Earnings from continuing operations		
<b>Earnings for the purposes of basic and diluted earnings per share (loss for the year attributable to owners of the Parent)</b>	<b>(5,845)</b>	<b>(3,280)</b>
Number of shares	'000	'000
Weighted average number of ordinary shares – basic calculation	181,067	160,308
Dilutive potential ordinary shares from share options	-	-
<b>Weighted average number of ordinary shares – diluted calculation</b>	<b>181,067</b>	<b>160,308</b>

  

	2022 Pence	2021 Pence
Basic earnings per share	(3.2)	(2.0)
Diluted earnings per share	(3.2)	(2.0)

Basic EPS is calculated by dividing the earnings attributable to ordinary owners of the parent by the weighted average number of shares outstanding during the period.

Diluted EPS is calculated on the same basis as basic EPS but with a further adjustment to the number of weighted average shares in issue to reflect the effect of all potentially dilutive share options. The number of potentially dilutive share options is derived from the number of share options and awards granted to employees and Directors where the exercise price is less than the average market price of the Company's ordinary shares during the period. Under IFRS no allowance is made for the dilutive impact of share options which reduce a loss per share. The basic and diluted EPS measures are therefore the same for the year ended 31 December 2022 and 31 December 2021.

## 16. Financial instruments

	Assets at fair value through profit and loss £000	Financial assets at amortised cost £000	Total £000
<b>2022 Financial assets</b>			
Trade receivables and other debtors	-	13,290	13,290
<b>Total</b>	<b>-</b>	<b>13,290</b>	<b>13,290</b>

	Assets at fair value through profit and loss £000	Financial assets at amortised cost £000	Total £000
<b>2021 Financial assets</b>			
Trade receivables and other debtors	-	9,011	9,011
Derivative financial assets	291	-	291
<b>Total</b>	<b>291</b>	<b>9,011</b>	<b>9,302</b>

	Liabilities at fair value through profit and loss £000	Financial liabilities held at amortised cost £000	Total £000
<b>2022 Financial liabilities</b>			
Trade payables	-	7,481	7,481
Loans and borrowings	-	6,248	6,248
Other payables/ accruals	-	4,564	4,564
Lease liabilities	-	491	491
Derivative financial liabilities	1,563	-	1,563
<b>Total</b>	<b>1,563</b>	<b>18,784</b>	<b>20,347</b>

	Liabilities at fair value through profit and loss £000	Financial liabilities held at amortised cost £000	Total £000
<b>2021 Financial liabilities</b>			
Trade payables	-	3,464	3,464
Loans and borrowings	-	3,223	3,223
Other payables/ accruals	-	4,266	4,266
Lease liabilities	-	948	948
<b>Total</b>	<b>-</b>	<b>11,901</b>	<b>11,901</b>

At 31 December 2022 the Company held financial assets held at amortised cost in the form of intercompany balances to the value of £26.6 million (2021: £35.0 million).

### Credit risk management

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, which are set out below.

	2022 £000	2021 £000
Trade and other receivables	13,290	9,011
<b>Total</b>	<b>13,290</b>	<b>9,011</b>

The Group has applied the IFRS 9 simplified approach in measuring the lifetime expected credit losses for trade receivables. The credit loss provision has been calculated using a provision matrix based on the Group's historic default rates over the expected life of the asset and is adjusted where needed for forward looking estimates. The expected losses are based on the experience over the past twelve months with trade receivables grouped together on similar credit risk and aging.

As at 31 December 2022 a credit loss provision of £49,000 (2021: £56,000) was held against the exposure of potential bad debts. The reconciliation of the credit provision movement during 2022 can be seen in note 22.

## 17. Goodwill

	£000
<b>Cost and carrying value</b>	
Cost and carrying value of goodwill at 31 December 2022 and 2021	<b>169</b>

The goodwill above relates solely to Pace Sensors.

### *Group impairment test*

At times during the year, the market capitalisation of the Group approached the value of Group net assets. IAS 36, Impairment of Assets, states that if the market capitalisation falls below the value of Group net assets this may be an indicator of impairment and accordingly the Directors have performed an impairment test on the primary cash-generating unit of the Group (being FireAngel Safety Technology Limited). The test did not indicate any such impairment and the key disclosures relating to the test are set out below.

The carrying amount of the cash-generating unit assets and liabilities at 31 December 2022 amounted to £19.5 million. The recoverable amount of the cash-generating unit is determined based on a value-in-use calculation which uses cash flow projections based on financial budgets and business plans approved by the Directors covering a four-year period. Cash flows beyond that period have been extrapolated using a steady 2.0% (2021: 2.0%) per annum growth rate, which the Directors consider to be specific to the business and does not exceed the UK long-term average growth rate.

The key inputs to the cash flow forecasts are:

- forecasted changes in revenue taking into account future expectations of revenue streams and sales mix linked to the Board's strategic plans;
- forecasted changes in gross margin taking into account expected improvements in production efficiencies and sales mix;
- future anticipated capital expenditure; and
- requirements for working capital based on revenue growth.

The key assumptions used in the cash flow projections are a terminal value applied after five years (2021: five years) assuming a 8.0 times (2021: 7.5 times) multiple and pre-tax weighted average cost of capital of 14.5% (2021: 12.0%) cross-referenced to comparable companies operating within the sector. The other key assumptions have been assigned values by the Directors using estimates based on past experience and expectations of future performance.

Based on these assumptions, the value-in-use calculation amounted to £28.1 million compared with the carrying amount of £19.5 million. The Directors believe that, based on the sensitivity analysis performed and described below, any reasonably possible change in the key assumptions on which the recoverable amounts are based would not cause the Group's net asset value to exceed the recoverable amount. As a result, there is no impairment in the period (2021: no impairment).

In assessing the impact on the value-in-use calculation of changes in the assumptions used, the Directors considered the following sensitivities:

- a restriction in the gross margin in 2024 and thereafter to that expected to be achieved in 2023;
- an increase in overheads in 2024 and in each year thereafter;
- an increase in capital expenditure in 2024 and in each year thereafter; and
- an increase in working capital required as a percentage of revenue in 2023/2024 and maintained thereafter.

In performing this sensitivity analysis, the Directors noted the significant headroom of the value-in-use calculation compared with the carrying value in each of the scenarios above.

## 18. Other intangible assets

	Product development costs £000	Purchased soft- ware costs £000	Computer software costs £000	Total £000
<b>Cost</b>				
At 1 January 2021	19,770	2,899	324	22,993
Additions	1,465	-	64	1,529
At 31 December 2021	21,235	2,899	388	24,522
Additions	904	-	24	928
Disposals	(2,923)	-	(9)	(2,932)
<b>At 31 December 2022</b>	<b>19,216</b>	<b>2,899</b>	<b>403</b>	<b>22,518</b>
<b>Amortisation</b>				
At 1 January 2021	8,088	840	268	9,196
Amortisation for the year	1,328	434	28	1,790
Impairment for the year	86	-	-	86
At 31 December 2021	9,502	1,274	296	11,072
Amortisation for the year	1,601	433	35	2,069
Impairment for the year	916	-	-	916
Disposals	(2,923)	-	(5)	(2,928)
<b>At 31 December 2022</b>	<b>9,096</b>	<b>1,707</b>	<b>326</b>	<b>11,129</b>
<b>Carrying amount</b>				
At 31 December 2021	11,733	1,625	92	13,450
<b>At 31 December 2022</b>	<b>10,120</b>	<b>1,192</b>	<b>77</b>	<b>11,389</b>

The amortisation charge of £2,069,000 (2021: £1,790,000) and impairment charge of £916,000 (2021: £86,000) have been recognised within operating expenses.

A summary of intangible costs as at 31 December 2022 is given in the table which follows.

Except as outlined below, intangible assets are typically amortised over seven to twelve years depending on the Group's assessment of the likely period of time over which the benefit from the technology is expected to be realised.

### *Impairment review*

During 2022, the Group recorded an impairment charge of £0.9 million (2021: £0.1 million) against projects which were no longer considered to be commercially viable after a thorough review of product lines.

As part of the impairment review, the Group compared the net book value of each intangible asset with the discounted cash flows which are expected to be derived from the sale of products over the next one to five years that use the relevant intangible asset. The review was based on a discounted cash flow model using a pre-tax discount rate of 18% and included associated overhead costs. Sensitivity analysis has been performed on pre-tax discount rates which shows that pre-tax discount rates would need to exceed 29% to cause an impairment of more than 1% of the current net book value of intangible assets. Similarly further sensitivity analysis was performed on sales revenue which showed no material impairment at 80% of the forecast sales revenues.

The purpose of this review is to ensure that the value of the intangible asset is likely to be recovered within the foreseeable future. In many cases, the expected gross profit over the next two to three years from the sale of products that use the intangible asset is materially greater than the net book value of the individual intangible asset on the balance sheet. This provides significant comfort that the carrying value of the intangible is recoverable and, therefore, is not impaired.

Assessing the potential sales of products such as the Group's connected homes technology is inherently more difficult than products where the run rate of sales is already well known and the pattern of sales is established. The Board expects that the take up of connected homes technology products will increase over time as the technology becomes mainstream. The Company did not have any other intangible assets in either 2022 or 2021.

	Projects being amortised									Projects not currently being amortised			
	Connected homes £000	Gen5 CO Alarms £'000	Wi-safe 2 £000	Nano £000	Mains powered £000	Smoke sens- ing products £000	Manufac- turing setup costs £000	Other £000	Total £000	Future projects £000	Connected homes £000	Total £000	Grand total £000
<b>Cost</b>													
At 1 January 2022	6,447	-	1,923	1,599	1,280	1,976	2,410	1,284	16,919	5,033	2,182	7,215	24,134
Projects amortised in 2022	91	3,881	-	-	-	-	268	92	4,332	(4,239)	(93)	(4,332)	-
Disposal	(76)	-	(182)	-	-	(1,199)	-	(550)	(2,007)	(916)	-	(916)	(2,923)
Technical costs capitalised	-	-	-	-	-	-	-	-	-	241	186	427	427
Employment costs capitalised	-	-	-	-	-	-	-	-	-	227	250	477	477
Total additions	-	-	-	-	-	-	-	-	-	468	436	904	904
<b>At 31 December 2022</b>	<b>6,462</b>	<b>3,881</b>	<b>1,741</b>	<b>1,599</b>	<b>1,280</b>	<b>777</b>	<b>2,678</b>	<b>826</b>	<b>19,244</b>	<b>346</b>	<b>2,525</b>	<b>2871</b>	<b>22,115</b>
<b>Amortisation</b>													
At 1 January 2022	3,000	-	1,661	606	595	1,850	1,909	1,112	10,733	43	-	43	10,776
Projects Amortised in 2022	-	-	-	-	-	-	-	43	43	(43)	-	(43)	-
Charge	965	226	120	153	136	31	339	64	2,034	-	-	-	2,034
Impairment	-	-	-	-	-	-	-	-	-	916	-	916	916
Disposals	(76)	-	(182)	-	-	(1,199)	-	(550)	(2,007)	(916)	-	(916)	(2,923)
<b>At 31 December 2022</b>	<b>3,889</b>	<b>226</b>	<b>1,599</b>	<b>759</b>	<b>731</b>	<b>682</b>	<b>2,248</b>	<b>669</b>	<b>10,803</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,803</b>
<b>Carrying amount</b>													
At 1 January 2021	3,447	-	262	993	685	126	501	172	6,186	4,990	2,182	7,172	13,358
<b>At 31 December 2022</b>	<b>2,573</b>	<b>3,655</b>	<b>142</b>	<b>840</b>	<b>549</b>	<b>95</b>	<b>430</b>	<b>157</b>	<b>8,441</b>	<b>346</b>	<b>2,525</b>	<b>2,871</b>	<b>11,312</b>

## Projects being amortised

The following is a high-level summary of the projects being amortised which are set out in the table above.

### *Connected homes technology*

This technology connects FireAngel's alarm devices to the cloud via its interface gateway technologies. Access to the cloud removes the need for landlords to access properties for maintenance as well as providing risk analysis on a property-by-property basis via the Group's intuitive software dashboards. The Group has continued to develop its B2B offering with a particular focus on capturing and analysing trends in environmental data. During 2022 the development of our B2B mobile application was undertaken, which incorporates bespoke NFC capabilities. This technology, when combined with our new range of carbon monoxide alarms, can provide detailed environmental data, alongside product performance data, which allows us to identify residence at increased risk of damp, mould or excessive cold. This offering will be further enhanced by the launch of our 2nd Generation gateway which incorporates cellular technology to connect to FireAngel's cloud services and is particularly tailored to the social landlord market. The development of this product, saw some delays in 2022, but is now scheduled for launch in 2023.

### *Gen 5 CO Alarms*

Gen 5 are Fireangel's latest generation of CO alarms, the family of products consists of a range of units all built around the same core CO sensing technology. The products incorporate advanced diagnostic features, a low-level CO warning and have been designed to comply to the latest CO compliance standard (EN50291-1 2018).

### *Wi-safe 2*

Wi-safe 2 is the Group's primary protocol that allows its interconnected alarms to communicate with one another. This is a core element of the Group's wider Connected Homes strategy.

### *Nano*

Developed in house by FireAngel's wholly-owned subsidiary in Canada, Pace Sensors, the Nano went into production into finished CO detectors in November 2016. Updated in 2019, this new generation of sensor is incorporated within the Group's new Gen5 Carbon Monoxide alarm range which were released in the second quarter of 2022. The sensor will also be a core component of the new Multi-sensor alarm being developed for Techem Energy Services GmbH.

### *Mains-powered products*

Mains-powered products include FireAngel Specification and FireAngel Pro ranges which were relaunched in 2019 and complete the Group's product suite.

### *Smoke-sensing products*

This consists of FireAngel's own-brand heat and optical product ranges. This core technology forms an integral part of FireAngel's new Multi-sensor alarm being developed for Techem Energy Services GmbH.

### *Manufacturing setup costs*

These are the costs incurred by the Group's technical and project management teams in preparing its Polish manufacturing partner to produce FireAngel products and in preparing the Group's Far East based supplier to produce replacements to the BRK range and recently launched Gen 5 Carbon Monoxide range. Such costs have been included within intangible assets and are being amortised over five years.

### *Other projects*

This includes FireAngel's 10-year life CO alarm as well as well as internally developed testing equipment.

## Projects not currently being amortised

Product development costs and other intangible assets not yet available for use are regularly tested for impairment. This assessment includes consideration of the likely costs of completing the project, the time to market and an assessment of the potential sales and gross profit opportunity using the relevant technology.

### *Future projects*

The Gen 6 product platform will include the Group's next generation smoke, heat, CO and multi-sensor connected alarms. These new products will be based on a new technology platform that will allow the Group to develop new products using 'bookshelf' technologies created as part of this project. As well as standalone smoke, heat and CO alarms, multi-sensor alarms incorporate all three of these sensing technologies in a single product. This enables the device use CO and heat to augment smoke measurements to improve the rapid detection of fires, while further reducing the incidence of false alarms. The platform will include the next generation of the Group's bespoke wireless protocol, further enhancing the capabilities of our connected offering. The product platform will also incorporate enhanced data logging of environmental events and the ability for wireless diagnostic downloads to a smartphone; enabling service technicians to easily access diagnostic data on the alarm without the need to remove it from the base. Development of the Gen6 platform is expected to begin in late 2023.

## 19. Property, plant and equipment

	Tooling £000	Office equip- ment £000	Motor vehi- cles £000	Fixtures & fittings £000	Right-of-use assets £000	Total £000
<b>Cost</b>						
At 1 January 2021	4,251	1,379	7	347	2,054	8,038
Additions	296	138	-	-	7	441
Disposals	(77)	(19)	-	-	(7)	(103)
At 31 December 2021	4,470	1,498	7	347	2,054	8,376
Additions	20	416	-	-	-	436
Disposals	(68)	(134)	-	-	-	(202)
<b>At 31 December 2022</b>	<b>4,422</b>	<b>1,780</b>	<b>7</b>	<b>347</b>	<b>2,054</b>	<b>8,610</b>
<b>Accumulated depreciation</b>						
At 1 January 2021	1,724	1,163	7	198	683	3,775
Depreciation charge for the year	846	97	-	32	445	1,420
Impairment	44	-	-	-	-	44
Disposals	(77)	(19)	-	-	(7)	(103)
Effect of exchange rates	-	(2)	-	-	-	(2)
At 31 December 2021	2,537	1,239	7	230	1,121	5,134
Depreciation charge for the year	841	144	-	35	445	1,465
Impairment	30	-	-	-	-	30
Disposals	(62)	(132)	-	-	-	(194)
<b>At 31 December 2022</b>	<b>3,346</b>	<b>1,251</b>	<b>7</b>	<b>265</b>	<b>1,566</b>	<b>6,435</b>
<b>Net book value</b>						
At 31 December 2021	1,933	259	-	117	933	3,242
<b>At 31 December 2022</b>	<b>1,076</b>	<b>529</b>	<b>-</b>	<b>82</b>	<b>488</b>	<b>2,175</b>

The total depreciation expense of £1,465,000 (2021: £1,420,000) has been charged to operating expenses.

There are no material capital commitments at the balance sheet date.

The following table breaks down the net book value of right-of-use assets by category:

	2022 £000	2021 £000
<b>Carrying amount of right-of-use assets by category:</b>		
Land and buildings	460	881
Plant and machinery	21	30
Vehicles	7	22
<b>Total carrying amount presented within property, plant and equipment</b>	<b>488</b>	<b>933</b>

The following depreciation and interest have been charged to profit and loss in the period:

	2022 £000	2021 £000
<b>Depreciation charge for the year included in operating expenses</b>		
Land and buildings	424	422
Plant and machinery	9	9
Vehicles	12	14
<b>Total depreciation charge on leased assets</b>	<b>445</b>	<b>445</b>
	<b>2022 £000</b>	
<b>Interest expense for the year recognised in finance costs</b>		
Land and buildings	23	
Plant and machinery	1	
Vehicles	-	
<b>Total interest expense on lease liabilities</b>	<b>24</b>	

The Group has entered into a number of lease commitments which range in length between 1 and 6 years. These are primarily property leases used for operations in the UK & Canada and will most likely be renewed upon expiry. The Company did not have any other tangible assets in either 2022 or 2021.

Total cash outflows for all lease arrangements was £472,000 (2021: £458,000)

## 20. Shares in subsidiaries

Company	2022 £000	2021 £000
<b>Cost</b>		
At 31 December	856	675
<b>Accumulated impairment</b>		
At 31 December	-	-
<b>Net book value</b>	<b>856</b>	<b>675</b>

The share-based payments in 2022 totalling £180,524 were issued from the parent company. These related to the 2015 Long-Term Incentive Plan nominal cost options awarded on 2 August 2019, 30 November 2020, 8 July 2021 and 4 May 2022, and option awards under the Company's share matching scheme since May 2020.

The Group has two non-trading subsidiary companies, AngelEye Corporation and AngelEye Incorporated, both registered in North America. The Company's subsidiaries as at 31 December 2022 were as follows:

Name of subsidiary	Registered office (see footnote)	Place of incorporation (or registration) and operation	Proportion of ownership interest %	Proportion of voting power held %	Principal activity
FireAngel Safety Technology Limited	1	UK	100	100	Distribution of smoke and CO alarms
Pace Sensors Limited	2	Canada	100	100	Manufacture of CO sensors
AngelEye Corporation	3	Canada	100	100	Non-trading
AngelEye Incorporated	4	USA	100	100	Non-trading

1. Vanguard Centre, Sir William Lyons Road, Coventry, CV4 7EZ, UK
2. 3-3165 Unity Dr., Mississauga, ON, L5L 4L4, Canada
3. 82 Bilbermar Drive, Richmond Hill, ON, L4S 1C1, Canada
4. The Corporation Trust Company, 1209 Orange Street, Wilmington, DE, 19801, USA

The results of all subsidiary undertakings are included in the consolidated accounts.

FireAngel Safety Technology Group plc has direct holdings in FireAngel Safety Technology Limited, AngelEye Corporation and AngelEye Incorporated. It has an indirect holding in Pace Sensors Limited, via AngelEye Corporation.

### Company impairment test

As part of the Group impairment test detailed in note 17, the Directors considered the need to impair the carrying value of the Company's shares in its subsidiaries. In common with the conclusion reached in the Group impairment test, no impairment was considered necessary in the period (2021: no impairment).

## 21. Inventories

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Raw materials	177	161	-	-
Work-in-progress	155	98	-	-
Finished goods	8,086	4,026	-	-
<b>Total gross inventories</b>	<b>8,418</b>	<b>4,285</b>	<b>-</b>	<b>-</b>
Inventory provisions	(357)	(548)	-	-
<b>Total net inventories</b>	<b>8,061</b>	<b>3,737</b>	<b>-</b>	<b>-</b>

Pace Sensors Limited, the Group's wholly owned subsidiary in Canada, manufactures CO sensors for use in the Group's CO alarms. The CO sensors are shipped to Pace Technologies, an independent third-party supplier based in China, for assembly into finished CO alarms, which are then purchased by the Group in the UK. The Group does not maintain a provision for unrealised profit in CO sensors within finished CO alarm stock, as CO sensors are sold to an independent third party, Pace Technologies, before being acquired as finished CO alarm products and put into stock by the Group.

Stock impairment costs of £0.1 million were provided in the year (2021: £0.1 million).



## 22. Trade and other receivables

Trade and other receivables comprise:

	Group 2022 £000	Group 2021 Restated £000	Company 2022 £000	Company 2021 £000
Trade receivables	11,565	7,855	-	-
Amounts due from fellow group companies (non-current assets)	-	-	26,609	-
Amounts due from fellow group companies (current assets)	-	-	-	34,969
Other debtors	521	826	-	-
Accrued Income	1,332	74	-	-
Prepayments	386	675	-	-
<b>Trade and other receivables</b>	<b>13,804</b>	<b>9,430</b>	<b>26,609</b>	<b>34,969</b>

2021 has been restated to split out accrued income from trade receivables.

The inter-company balance of £26.6 million has been reclassified in 2022 to non-current assets as the delays encountered monetising the connected home proposition and the general macro-economic environment have meant it is unlikely this will be repaid within a 12 month operating cycle.

Trade and other receivables for the Company represents balances owed to it by fellow Group undertakings.

	Group 2022 £000	Group 2021 Restated £000	Company 2022 £000	Company 2021 £000
Trade receivables and other debtors	11,958	8,937	26,609	34,969
Accrued Income	1,332	74	-	-
Cash and cash equivalents	1,431	3,294	4	2
Derivative financial assets	-	291	-	-
<b>Maximum exposure to credit risk</b>	<b>14,721</b>	<b>12,596</b>	<b>26,613</b>	<b>34,971</b>

The Directors are of the opinion that whilst there are significant concentrations of credit risk, customer payments are closely scrutinised to ensure debts are paid on time and credit limits are reasonably adhered to.

The fair value of the financial assets is not considered to be materially different from their carrying value.

The primary credit risk relates to customers which potentially may be unable to settle their debts with the Group. The average credit period taken on sale of goods is 51 days (2021: 59 days). As at 31 December 2022 a credit loss provision of £49,000 (2021: £56,000) was held against the exposure of potential bad debts. The reconciliation of the credit provision movement during 2022 and the expected credit loss model can be seen below.

	Group £000
Opening credit loss provision 1 January 2022	56
Effect of increase in debtors	29
Effect of reduced provision rate	(36)
<b>Closing credit loss provision 31 December 2022</b>	<b>49</b>

Expected credit loss model	Current £000	0-30 days overdue £000	31-60 days overdue £000	61-90 days overdue £000	91-120 days overdue £000	121+ days overdue £000	Total £000
Trade receivables	11,036	402	239	6	(1)	(117)	11,565
Expected Credit Loss	0.4%	0.7%	0.7%	1.0%	-	-	0.4%
Credit Provision 31 December 2022	44	3	2	-	-	-	49

<b>Expected credit loss model</b>	<b>Current</b>	<b>0-30 days overdue</b>	<b>31-60 days overdue</b>	<b>61-90 days overdue</b>	<b>91-120 days overdue</b>	<b>121+ days overdue</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Trade receivables	7,685	69	64	(30)	7	60	<b>7,855</b>
Expected Credit Loss	0.7%	0.8%	0.8%	0.5%	1.2%	1.5%	<b>0.7%</b>
Credit Provision 31 December 2021	<b>53</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>56</b>

The Directors believe that the carrying value of trade and other receivables represents their fair value. In determining the recoverability of trade receivables the Group considers any change in the credit quality of the receivable from the date credit was granted up to the reporting date. Factors considered include a review of past payment history and the current financial status of customers and the ongoing relationship with the Group. Credit limits are kept under review to ensure customers are not exceeding agreed terms.

Domestic trade debtors are pledged as security to the Group's bankers as part of the Group's banking facilities. The domestic trade debtor balance at 31 December 2022 was £9.3 million (2021: £4.7 million).

At 31 December 2022 £9.4 million (2021: £4.8 million) of trade receivables were denominated in sterling, £0.9 million (2021: £1.6 million) in US dollars and £1.2 million (2021: £1.5 million) in euros.

At 31 December 2022, cash of £0.1 million (2021 cash of £1.3 million) was denominated in sterling, cash of £1.0 million (2021: cash of £1.7 million) in US dollars, cash of £0.1 million (2021: cash of £0.3 million) in Canadian dollars and cash of £0.1 million (2021: overdrawn balance of nil) in euros.

At the year end, all other financial assets held were denominated in sterling.

Amounts owed by fellow group companies represent interest-free loans made to the Company's main subsidiary undertaking. The gross loan advanced by the Company is £42.3 million.

In accordance with IFRS 9 'Financial Instruments', as the subsidiary undertaking cannot repay the loan at the reporting date, the Company has made an assessment of expected credit losses. Having considered multiple scenarios on the manner, timing, quantum and probability of recovery on the receivables, a lifetime expected credit loss of £15.7 million has been provided. Further details are given in note 3.

The carrying value of amounts owed by subsidiary undertakings at 31 December 2022, net of provisions, was £26.6 million (2021: £35.0 million).

## 23. Derivative financial instruments

	<b>2022 £000</b>	<b>2021 £000</b>
<b>Assets</b>		
Foreign currency forward contracts	-	291
<b>Liabilities</b>		
Foreign currency forward contracts	1,563	-

Derivative financial instruments are classified between current and non-current based on the date of their maturity. They are measured at their fair value. The maturity of all forward contracts at each year end was less than twelve months, and therefore all contracts are classified as current.

The notional principal amounts of the outstanding foreign currency forward contracts at 31 December 2022 were US \$30.3 million (2021: US \$18.5 million), sterling of £1.3 million (2021: £nil) and euro of £nil (2021: £nil). The Group entered into a small number of forward contracts to sell euros and purchase sterling in the year due as the US dollar rates at this time were not favourable.

Gains and losses on foreign currency forward contracts are recognised within cost of sales each month, as the forward contracts are utilised to mitigate foreign currency risk associated with product sales and purchases in currencies other than the Group's sterling functional currency.

## 24. Loans and borrowings

	<b>Group 2022 £000</b>	<b>Group 2021 £000</b>	<b>Company 2022 £000</b>	<b>Company 2021 £000</b>
Bank term loan	<b>2,797</b>	3,223	-	-
Invoice discounting facilities	<b>3,451</b>	-	-	-

The Group maintained a £7.5 million invoice discounting facility, of which £3.5 million was drawn down at the year end, with HSBC UK Bank plc secured on UK and international trade debtors which can be accessed as required. This facility incurs interest charges of 3.75% above the Bank of England base rate and is repayable on demand.

The Group also has a Coronavirus Business Interruption Loan Scheme ("CBILS") which incurs interest at 3.99% above the Bank of England base rate and is repayable over the next 5 years. The loan has covenants which are attached to the Group's liquidity ratios.

All loans and borrowings have a fair value which is equal to their carrying value.

At 31 December 2022, the Group had the following lease liabilities totalling £0.5 million:

	Land and buildings £000	Plant and machinery £000	Vehicles £000	Total £000
At 1 January 2021	1,317	35	29	1,381
Additions	-	-	8	8
Accretion of interest	38	1	-	39
Payments	(453)	(10)	(17)	(480)
At 31 December 2021	902	26	20	948
Accretion of interest	24	-	-	24
Payments	(459)	(10)	(12)	(481)
<b>At 31 December 2022</b>	<b>467</b>	<b>16</b>	<b>8</b>	<b>491</b>

Maturity analysis of lease liabilities	Within 6 months £000	6 months to 1 year £000	1 to 5 years £000	Over 5 years £000	Total at 31 December 2022 £000
<b>Payments</b>					
Land and buildings	220	169	87	-	476
Plant and machinery	2	8	8	-	18
Vehicles	4	4	-	-	8
<b>Total payments</b>	<b>226</b>	<b>181</b>	<b>95</b>	<b>-</b>	<b>502</b>
<b>Interest charge</b>					
Land and buildings	(6)	(2)	(1)	-	(9)
Plant and machinery	(1)	(1)	-	-	(2)
Vehicles	-	-	-	-	-
<b>Total interest charge</b>	<b>(7)</b>	<b>(3)</b>	<b>(1)</b>	<b>-</b>	<b>(11)</b>
<b>Total lease liabilities at 31 December 2022</b>	<b>219</b>	<b>178</b>	<b>94</b>	<b>-</b>	<b>491</b>

At 31 December 2021, the Group had the following lease liabilities totalling £0.9 million:

Maturity analysis of lease liabilities	Within 6 months £000	6 months to 1 year £000	1 to 5 years £000	Over 5 years £000	Total at 31 December 2021 £000
<b>Payments</b>					
Land and buildings	230	228	476	-	934
Plant and machinery	1	8	17	-	26
Vehicles	7	5	7	-	19
<b>Total payments</b>	<b>238</b>	<b>241</b>	<b>500</b>	<b>-</b>	<b>979</b>
<b>Interest charge</b>					
Land and buildings	(13)	(10)	(8)	-	(31)
Plant and machinery	-	-	-	-	-
Vehicles	-	-	-	-	-
<b>Total interest charge</b>	<b>(13)</b>	<b>(10)</b>	<b>(8)</b>	<b>-</b>	<b>(31)</b>
<b>Total lease liabilities</b>	<b>225</b>	<b>231</b>	<b>492</b>	<b>-</b>	<b>948</b>

## 25. Changes in liabilities arising from financing activities

	Bank Loans £000	Invoice discounting facility £000	Lease liabilities £000	Total £000
<b>Balance at 1 January 2021</b>	<b>2,623</b>	<b>2,539</b>	<b>1,381</b>	<b>6,543</b>
Drawdown of facility	3,200	42,989	-	46,189
Repayment of facility	(2,600)	(45,528)	-	(48,128)
Capital payments	-	-	(441)	(441)
Interest charge	-	61	40	101
Interest payments	-	(61)	(40)	(101)
Acquisition of leases	-	-	8	8
<b>Balance at 31 December 2021</b>	<b>3,223</b>	<b>-</b>	<b>948</b>	<b>4,171</b>
Drawdown of facility	-	55,854	-	55,854
Repayment of facility	(426)	(52,403)	-	(52,829)
Capital payments	-	-	(457)	(457)
Interest charge	118	155	24	297
Interest payments	(118)	(155)	(24)	(297)
<b>Balance at 31 December 2022</b>	<b>2,797</b>	<b>3,451</b>	<b>491</b>	<b>6,739</b>

## 26. Fair value disclosures

The total net loss on forward contracts recognised in the income statement for the year ended 31 December 2022 was £1.9 million (2021: gain of £1.0 million) and is included within cost of sales.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The following table presents the Group's financial assets and liabilities that are measured at fair value at the last two year ends. All assets and liabilities measured are valued at level 2. This entails using market data at the reporting period end to find the mid-market price of the same contracts at this time and then discounting the cash flows.

Level 2	2022 £000	2021 £000
<b>Assets</b>		
Foreign currency forward contracts	-	291
<b>Liabilities</b>		
Foreign currency forward contracts	1,563	-

There have been no movements between Level 2 and Level 3 during the year.

## 27. Provisions

	FireAngel warranty provisions £000
<b>At 1 January 2021</b>	<b>2,745</b>
Charge in year	-
Utilisation in year	(1,192)
<b>At 31 December 2021</b>	<b>1,553</b>
Charge in year	-
Utilisation in year	(580)
<b>At 31 December 2022</b>	<b>973</b>

The total warranty provision is classified between less than one year and greater than one year as follows:

	2022 £000	2021 £000
Current provision	502	1,012
Non-current provision	471	541
<b>Total warranty provisions</b>	<b>973</b>	<b>1,553</b>

### Review of warranty provision

The Group regularly reviews the return rates of affected products and recalculates the provision based on the changing USD FX rates and supplier pricing which has been particularly affected by the macro-economic factors over the last 12-18 months. The Group expects the provision to be exhausted in 2027 when the final products from 2017 production fall outside of the 10 year warranty period.

The provision was increased by £0.3 million in the year due to the effects of increased product costs and the weakening of sterling. This was offset by a £0.3 million release due to amending terminal return rates in the provision calculation to reflect return patterns seen over the last 12-18 months.

The Company has no provisions for the period ending 31 December 2022 or 31 December 2021.

### 28. Trade and other payables

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Trade payables	7,481	3,465	-	-
Accruals and deferred income	4,564	4,265	-	-
Other tax and social security	1,760	405	-	-
	<b>13,805</b>	<b>8,135</b>	<b>-</b>	<b>-</b>

At 31 December 2022, £0.6 million (2021: £0.7 million) of payables were denominated in sterling, £0.2 million (2021: £nil million) in euros and £6.7 million (2021: £2.7 million) in US dollars. Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases was 24 days (2021: 21 days). This figure is expected to increase in 2023 as the supply chain pressures ease and there is less requirement to help manufacturing partners with extended working capital exposure from longer component lead times.

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

### 29. Deferred tax

Deferred tax has been calculated using a corporation tax rate of 25%.

	2022 £000	2021 £000
Deferred tax liabilities	(2,446)	(3,069)
Deferred tax assets	2,446	3,069
Net position at 31 December	-	-

The movement in the year in the Group's net deferred tax position was as follows:

	2022 £000	2021 £000
At 1 January	-	-
Credit to income for the year	-	-
<b>At 31 December</b>	<b>-</b>	<b>-</b>

The following are the major deferred tax liabilities and assets recognised by the Group and the movements thereon during the period:

Deferred tax liabilities	Derivative financial in- struments £000	Non-cur- rent asset timing £000 dif- ferences	Total £000
At 1 January 2022	19	3,050	3,069
Credit/ (charge) to income for the year	(10)	(613)	(623)
<b>At 31 December 2022</b>	<b>9</b>	<b>2,437</b>	<b>2,446</b>

  

Deferred tax assets	Deferred tax losses £000	Derivative financial in- struments £000	Share- based pay- ments £000	Total £000
At 1 January 2022	2,989	-	80	3,069
Credit to income for the year	(621)	-	(2)	(623)
<b>At 31 December 2022</b>	<b>2,368</b>	<b>-</b>	<b>78</b>	<b>2,446</b>

As at 31 December 2022, there is an unrecognised net deferred tax asset of £2.8 million (2021: £1.5 million). This has not been recognised due to uncertainty as to when the asset will be utilised by the Group. This was calculated using a corporation tax rate of 25%. Whilst the Group expects a return to profitability in the future, the generous deduction available for research and development expenditure means that it is likely to be several years before these losses will need to be accessed.

The Company has no unrecognised deferred tax assets for the period ending 31 December 2022 or 31 December 2021.

### 30. Retirement benefits - defined contribution plan

The Group operates a defined contribution retirement benefit plan. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge of £0.2 million (2021: £0.2 million) represents contributions payable by the Group to the fund for the year. Contributions amounting to £47,000 (2021: £44,000) were payable at the year end.

### 31. Called up share capital

	Company 2022 Number '000	Company 2021 Number '000
<b>Ordinary shares in issue:</b>		
As at 1 January	181,067	126,558
Issue of shares in respect of capital raise	-	54,445
Issue of shares in respect of share options exercised	-	64
<b>As at 31 December</b>	<b>181,067</b>	<b>181,067</b>
<b>Issued and fully paid ordinary shares of 2p each:</b>		
	<b>£000</b>	<b>£000</b>
As at 1 January	3,621	2,531
Issue of shares in respect of capital raise	-	1,089
Issue of shares in respect of share options exercised	-	1
<b>As at 31 December</b>	<b>3,621</b>	<b>3,621</b>

The Company has one class of ordinary share which carries no right to fixed income.

### 32. Reserves

#### *Share premium account*

The share premium account represents the excess of consideration received for shares issued above their nominal value net of transaction costs.

#### *Currency translation reserve*

The currency translation reserve represents the exchange gains and losses that have arisen on the retranslation of overseas operations.

#### *Retained earnings*

Retained earnings represents the cumulative profit and loss net of distributions to owners.

The loss for the financial year dealt with in the Company was £8,358,006 (2021: loss of £3,882,562). As permitted under Section 408 of the Companies Act 2006, a separate profit and loss account has not been presented for the Company.

### 33. Share-based payments

The share-based payments charge of £180,524 (2021: £282,648), included in the consolidated income statement within operating expenses, relates to the 2015 Long-Term Incentive Plan nominal cost options awarded on 2 August 2019, 30 November 2020, 8 July 2021 and 29 April 2022, and option awards under the Company's share matching scheme since May 2020.

	2022		2021	
	Options '000	Weighted average exercise price	Options '000	Weighted average exercise price
Outstanding at 1 January	14,778	8p	9,288	14p
Exercised during the year	-	-	(63)	2p
Granted during the year	2,945	2p	7,650	2p
Expired or lapsed during the year	(731)	3p	(2,097)	16p
<b>Outstanding at 31 December</b>	<b>16,992</b>	<b>7p</b>	<b>14,778</b>	<b>8p</b>
<b>Options exercisable at 31 December</b>	<b>2,162</b>	<b>40p</b>	<b>1,722</b>	<b>50p</b>

None of the options detailed above expired during the year ended 31 December 2022. Details of the share options outstanding at the end of the year are as follows:

Grant date	Outstanding at start of the year	Recategorised during the year	Exercised during the year	Lapsed/ surrendered during the year	Granted during the year	Outstanding at end of the year	Expiry date	Exercise price
<b>Options under LTIPs</b>								
<i>Directors' share options</i>								
25/04/2014	125,000	31,944	-	-	-	156,944	28/04/2024	200p
30/11/2020	5,000,000	-	-	-	-	5,000,000	30/11/2030	2p
08/07/2021	3,132,588	-	-	-	-	3,132,588	08/07/2031	2p
29/04/2022	-	-	-	-	1,000,000	1,000,000	28/04/2032	2p
<i>Employee share options</i>								
25/04/2014	291,279	(31,944)	-	(5,000)	-	254,335	28/04/2024	200p
02/08/2019	585,000	-	-	(140,000)	-	445,000	02/08/2029	2p
08/07/2021	4,338,302	-	-	(441,234)	-	3,897,068	08/07/2031	2p
29/04/2022	-	-	-	(145,000)	1,945,000	1,800,000	28/04/2032	2p
Options under LTIPs	13,472,169	-	-	(731,234)	2,945,000	15,685,935		
<b>Options under share matching scheme</b>								
<i>Directors' share options</i>								
01/06/2020	281,514	-	-	-	-	281,514	01/06/2030	2p
03/07/2020	25,000	-	-	-	-	25,000	03/07/2030	2p
18/12/2020	49,660	-	-	-	-	49,660	18/12/2030	2p
<i>Employee share options</i>								
01/06/2020	176,490	-	-	-	-	176,490	01/06/2030	2p
19/06/2020	544,904	-	-	-	-	544,904	19/06/2030	2p
03/07/2020	49,473	-	-	-	-	49,473	03/07/2030	2p
06/01/2021	103,000	-	-	-	-	103,000	06/01/2031	2p
14/01/2021	76,144	-	-	-	-	76,144	03/07/2031	2p
Options under share matching scheme	1,306,185	-	-	-	-	1,306,185		
Total options	14,778,354	-	-	(731,234)	2,945,000	16,992,120		

As at 31 December 2022, a total of 16,992,120 options were outstanding (2021: 14,778,354) which had an average exercise price of 7p (2021: 8p), and a weighted average remaining contractual life of 8.2 years (2021: 9.0 years).

#### 2014 EMI share options award

The Company has an approved EMI scheme for qualifying UK-based employees which provided for an award of share options based on seniority. Share options vest over three years. If options remain unexercised after a period of ten years from the date of grant, the options usually expire except in exceptional circumstances at the discretion of the Board.

On 30 April 2014, the Company granted awards over 1.46 million shares under the EMI scheme at an exercise price of £2.00 per share. The share options vested evenly over three years and are exercisable for ten years from the date of grant.

#### 2019 share options award

On 2 August 2019, the Company granted awards over a total of 3.4 million shares under its 2015 Long-Term Incentive Plan ('LTIP'). Under the LTIP, selected employees are entitled to exercise an option to receive a certain number of shares at any time after a three-year vesting period, at a cost to the employee of the nominal value of the shares. The number of shares awarded at the end of the three-year period is dependent on the achievement of certain performance criteria.

Vesting of the LTIP awards is dependent on achievement of total shareholder return ('TSR'). If TSR on Shares is 200% or more at the end of three years following the award, all of the shares awarded will vest. If TSR is 100%, then 25% of the awarded shares will vest. Between these points the number of shares that vest will be pro-rata. If TSR is less than 100% then no shares will vest.

#### 2020 share options award

On 30 November 2020, the Company granted an annual award over 5 million shares under its 2015 Long-Term Incentive Plan ('LTIP') to the then Executive Chairman, John Conoley. Under the LTIP, he was entitled to exercise an option to receive shares at any time after a three-year vesting period, at a cost to the employee of the nominal value of the shares. The number of shares awarded at the end of the three-year period is dependent on the achievement of certain performance criteria.

In May 2022, the Company announced it had extended the performance periods of these awards due to prolonged impact of Covid-19 and effects of Russia invading Ukraine. The performance criteria have been amended to be measured from 30 November 2020 to 31 March 2025 (previous measurement period was to 31 March 2024).

Vesting of the LTIP awards is dependent on achievement of total shareholder return ('TSR'). If TSR on Shares is 300% or more at the end of performance criteria period, all of the shares awarded will vest. If TSR is 100%, then 25% of the awarded shares will vest. Between these points the number of shares that vest will be pro-rata. If TSR is less than 100% then no shares will vest.

In 2022, the fair value of these options was determined using the Black Scholes option pricing model and subsequently used in the Monte-Carlo Simulation with principal input assumptions of price 2p, expected volatility of 65.0%, option life 3.25 years and a risk free interest rate factor of 2.019%. Volatility was determined with reference to the movement in the Company share price over 5 years starting from April 2017.

In 2021, the fair value of these options was determined using a monte-carlo model and principal input assumptions into that model include the exercise price 2p, expected volatility of 60.0%, option life 3.5 years. Volatility was determined with reference to the movement in the Company share price over 5 years starting from November 2015.

#### Employee share matching scheme

In May 2020, the Board implemented an employee share-matching incentive scheme. The scheme awards options to acquire shares at nominal value on a one-for-one basis with any shares acquired in the market by the employee, their spouse or civil partner, subject to the discretion of the Board's Remuneration Committee. There is no vesting period or performance criteria for the options under the scheme, therefore the option to acquire shares vests immediately and becomes fully exercisable. The share matching scheme was closed following the release of the Company's audited final results for the year ended 31 December 2020.

#### 2021 share options award

On 8 July 2021, the company granted awards of 7.5 million shares under its 2015 Long-Term Incentive Plan ('LTIP'). Under the LTIP, selected employees are entitled to exercise an option to receive a certain number of shares at any time after a three-year vesting period, at a cost to the employee of the nominal value of the shares. In May 2022, the company announced it had extended the performance periods of these awards due to prolonged impact of covid-19 and effects of Russia invading Ukraine. The performance criteria have been amended to be measured until 31 March 2025 rather than 31 March 2024 and the EPS will now be measured as at 31 December 2024 rather than 31 December 2023.

Vesting of the LTIP awards is dependent on achievement of two metrics, total shareholder return ('TSR') and earnings per share ('EPS'). The maximum number of options that vest and become exercisable into shares at the end of the vesting period is calculated as follows for each performance condition:

Total Shareholder Return (TSR)	% of Options that vest under the TSR performance condition (50% of total award)	Earnings Per Share (EPS)	% of Options that vest under the EPS performance condition (50% of total award)
Less than 100% growth	Nil	Less than 2.2 pence	Nil
100% growth	25%	Between 2.2 pence and 3.2 pence	Between 0% and 25% on a straight-line basis
Between 100% growth and 200% growth	Between 25% and 100% on a straight-line basis	Between 3.2 pence and 4.2 pence	Between 25% and 100% on a straight-line basis
200% growth or more	100%	4.2 pence or more	100%

In 2022, the fair value of these options was determined using the Black Scholes option pricing model and subsequently used in the Monte-Carlo Simulation with principal input assumptions of price 2p, expected volatility of 65.0%, option life 3.25 years and a risk free interest rate factor of 2.019%. Volatility was determined with reference to the movement in the Company share price over 5 years starting from April 2017.

In 2021, the fair value of these options was determined using a monte-carlo model and principal input assumptions into that model include the exercise price 2p, expected volatility of 60.0%, option life 3.25 years. Volatility was determined with reference to the movement in the Company share price over 5 years starting from July 2016.

#### 2022 Share option awards

On 4th May, the company granted awards of 2.9 million shares under its 2015 Long term incentive plan ('LTIP'). Under the LTIP, selected employees are entitled to exercise options to receive a certain number of shares at any time after a three-year vesting period, at a cost of the nominal value of the shares. The number of shares awarded at the end of three-year period is dependent on the achievement of certain performance conditions.

Vesting of the LTIP awards is dependent on achievement of two metrics, total shareholder return ('TSR') and earnings per share ('EPS'). The maximum number of options that vest and become exercisable into shares at the end of the vesting period is calculated as follows for each performance condition. See table above in 2021 share option awards.

The fair value of these options was determined using the Black Scholes option pricing model and subsequently used in the Monte-Carlo Simulation with principal input assumptions of price 2p, expected volatility of 65.0%, option life 3.25 years and a risk free interest rate factor of 2.019%. Volatility was determined with reference to the movement in the Company share price over 5 years starting from April 2017.

#### 34. Related party transactions

Balances and transactions between the Company and its subsidiaries were as follows:

	2022 £000	2021 £000
Impairment of intercompany loan (IFRS 9)	(8,344)	(3,883)
Cash transfer	(16)	8,995
<b>Total transactions between Company and subsidiaries</b>	<b>(8,360)</b>	<b>5,112</b>

#### Remuneration of key management personnel

The remuneration of the key management personnel of the Group, together with the Non-Executive Directors, is set out below.

Details of individual Directors' remuneration are given in the remuneration section of the Remuneration Committee report.



	2022 £000	2021 £000
<b>Remuneration of key management personnel</b>		
Aggregate emoluments (including employers NI)	1,196	927
Company pension contributions	61	54
Sums paid for Non-Executive Directors' services (including employer's NI)	257	313
Share-based payments	118	60
<b>Total remuneration</b>	<b>1,632</b>	<b>1,354</b>
The remuneration in respect of the highest paid Director was:		
	2022 £000	2021 £000
Emoluments	296	254
Defined pension contributions	16	14
	<b>312</b>	<b>268</b>

#### *Share-based payments*

During 2022, the Company granted awards of one million shares to one Executive Director under its 2015 LTIP. These options have an exercise price of the nominal cost of the shares of 2 pence per share and have an expected life of ten years. The share options vest following a performance period of three years and are subject to the achievement of total shareholder return and earnings per share targets (note 33). The element of the share-based payment charge relating to the two Executive Directors is £103,958. For movements in directors share-based payments please refer to the directors remuneration section on page 41

### **35. Post balance sheet events**

As announced on 18 April 2023, the Group signed Production and Delivery contracts with Techem, significantly advancing the progress of this transformational partnership:

- a. The total income opportunity for FireAngel has grown significantly to an aggregate of up to c.\$7.50 per alarm since the original Development Agreement was signed in 2021. This is based on the same previously announced number of units planned for production and reflects inflation, the changing bill of materials and the changed scope as the project has matured to this crucial point of engaging a manufacturing partner
- b. Shipments of the new alarm expected to start in 2024 with production volume building in 2025

The Group has also achieved 2 new contract wins which were announced on 31 March 2023 with British Gas Services Limited and on 12 May 2023 with a government agency in the Middle East, which signify further progress against its strategy to migrate to higher value activities and commercialise its investment in connected technology.

During Q2 2023 the Group has undertaken an extensive review of the its operations and cost base to help ensure that it is best positioned to return to profitable growth as soon as possible, with an estimated saving of approximately £1.5 million on overheads and administration costs, including approximately £1.0 million in headcount savings, and an additional £1.0 million in reduced capital expenditure, expected in 2023.

The Company has approved on 5 June 2023 the details of a placing, subscription and open offer to raise £6.1 million (gross), £5.4 million net, in order to reduce its net debt (excluding lease liabilities) and support the increased working capital and investment requirements for its strategic ambitions. There are contractual commitments from certain existing shareholders, new investors and the subscriber by means of a placing and subscription of up to 120,711,091 new ordinary shares. Siterwell, a long term manufacturing partner, has agreed to subscribe for 55,322,431 ordinary shares of 2 pence each for the total consideration of £2.8 million subject to clawback by qualifying shareholders under the open offer. In addition, the Board has agreed a number of changes, with Andrew Blazye (ex-Chair of Universe plc) to be appointed as Non-Executive Chairman and Neil Radley (ex-CEO of Universe plc) to be appointed as CEO with effect from 7 June 2023, and John Conoley stepping down as Executive Chairman with effect from 5 June 2023. Following completion of the fundraising, the Board has committed to undertake a strategic review to explore options to realise value for all shareholders, including the possible sale of the company.

**Other information**  
**Corporate directory**

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3991353

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## **Other information**

### **Shareholder information**

#### **SHAREHOLDER ENQUIRIES**

Any shareholder with enquiries should, in the first instance, contact the Company's registrar, Neville Registrar, using the address provided in the Corporate directory.

#### **SHARE PRICE INFORMATION**

London Stock Exchange AIM symbol: **FA**.

Information on the Company's major shareholders is available in the Share Details section of the Investors area of the FireAngel Safety Technology Group plc website at [www.fireangeltech.com](http://www.fireangeltech.com).

#### **INVESTOR RELATIONS**

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