Registration number: 06458458

LOCATION SCIENCES GROUP PLC

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

LOCATION SCIENCES GROUP PLC

CONTENTS

LOCATION SCIENCES GROUP PLC

COMPANY INFORMATION

Directors

B Chilcott

K Harrison

N Hogan (resigned 11 February 2021)

D Rae

M Slade

D Williams (resigned 11 February 2021)

Registered Office

First Floor
St James House
St James Square
Cheltenham
Gloucestershire
GL50 3PR

Company Secretary

BPE Secretaries Limited
BPE Solicitors LLP
First Floor
St James' House
St James' Square
Cheltenham
GL50 3PR

Auditors

Hazlewoods LLP
Staverton Court
Staverton
Cheltenham
GL51 0UZ

Bankers

NatWest
21 Gentleman's Walk
Norwich
NR2 1NA

Nominated Advisor

Allenby Capital
5 St Helen's Place
London
EC3A 6AB

Broker

Peterhouse Capital Limited
80 Cheapside
London
EC2V 6EE

2020 was a challenging period for Location Sciences, with the business being significantly adversely impacted by the COVID-19 pandemic. The swift response from the management team, shifting the Group’s resources to revenue growth areas and reducing costs has to a large extent mitigated the virus' impact on the Group's operational and financial performance. However, the expected progress in 2020 did not materialise and the Group’s innovative location verification products have suffered profoundly as result of the restrictions imposed by governments globally on people’s movement imposed to limit the transmission of the virus.

On a more positive note, the Group launched, GeoProtect, which allows brands, agencies and suppliers to check the validity of location based derived audience segments, a review of historical movements in contrast to Verify Proximity, which validates the real time locations of mobile devices as digital advertising campaigns are delivered. This broadens the appeal of the Verify product suite to agencies, brands and suppliers, and gives Location Sciences access to the audience segment industry, which is a significant part of the overall location-based advertising market.

Since the US launch of GeoProtect in June 2020, Location Sciences has secured two key customers:

InMarket, the US leader in 360-degree consumer intelligence and real-time activation, has become the first-to-market in the US to buy verified local audiences and optimise cross-channel campaigns. The partnership allows InMarket to offer its customers independently verified audience segments. The Verify third-party seal of quality, ensures InMarket's customers have a high level of confidence that their target audiences will be reached and differentiates its product in a highly competitive marketplace. Since the partnership was announced on 1 September 2020, InMarket have since acquired assets from NinthDecimal elevating them to become a leader in the US location-based marketing industry.

The Spoken Thought, Inc. (trading as Mira) is a high value audience segment supplier to leading brands and media agencies across the US. It will use the Location Sciences GeoProtect platform to independently verify audience segments in order to offer its customers a visibly differentiated premium product compared to its competitors. The quality of the data used to build audience segments matters to brands and agencies and can dramatically impact the performance of their advertising campaigns. In today's data marketplace, however, it is virtually impossible for brands and agencies to distinguish between good and bad quality audience data. Consequently, Location Sciences' third-party independent certification is an excellent tool for suppliers of audience segments to clearly and visibly demonstrate the quality of their products in this crowded data marketplace.

These partnerships have both progressed well since being signed, however, the impact of the COVID-19 pandemic has been profound on our industry and significant revenue streams will only commence when the effects of the pandemic on the location-based advertising industry have dissipated.

2020 disappointingly also saw one of Verify’s key customers, Blis Global Ltd, threaten legal action following the Verify team identifying and reporting data manipulation. The Group refuted the claim as being baseless and thoroughly without merit and threatened a counter claim. Blis Global Ltd has not followed up on its threat.

It’s also worth noting that the team has also been doing everything possible to support the NHS since the pandemic hit. In particular, our data insights products continue to help to inform the ongoing response to COVID-19. Through its long-term partnership with CACI, Location Sciences is supplying data to support NHS England and members of the Scientific Pandemic Influenza Group on Modelling (SPI-M) in their analysis of how movement of individuals is impacting the reproduction number (R) and growth rate of COVID-19 in the UK.

In addition, the team has developed a new product for the financial services industry which it expects to launch on the Bloomberg Enterprise Access point in the next few months. The product will provide financial analysts with access to market leading footfall data and insights for UK supermarkets to assist them to better measure store performance.

Location Sciences was already well accustomed to remote working with our commercial and technology teams spread across multiple global locations, therefore the lockdowns had no impact on operational efficiency. However the lack of any face-to-face contact with colleagues and clients for such a long period has undoubtedly caused strains. I should like to thank the entire team for their continued commitment and achievements in such adverse conditions. In recognition of the need for a leaner business going forward, the size of the Board has been reduced following the year end, with both Donald Williams and Niall Hogan stepping down. I would like to record my personal gratitude for their efforts while on the Board. Their contributions were extremely valuable and have helped tremendously over the last couple of years.

Due to the performance of the Group in the last year, and the Directors belief that Verify in particular will continue to face a number of trading challenges in the foreseeable future, the Board announced, on 11 February 2021, it was undertaking a business review. This process continues and the Board will make further announcements in due course.

Kelvin Harrison, Chairman

Date: 17 March 2021

CHIEF EXECUTIVE'S REVIEW FOR THE YEAR ENDED 31 DECEMBER 2020

Like many businesses 2020 was extremely challenging for Location Sciences. Our business is dependent on firstly the movement of people and secondly location-based advertising spend. Unfortunately, both these dependencies were hit adversely by COVID-19 and subsequent lockdowns in our core markets of the UK and US. Given these challenges the management team has kept expenditure to an absolute minimum. Despite the weaker demand conditions, we have kept on track with our software development and are pleased to have expanded our insights platform as well as making a significant number of updates to our location verification software.

Location Verification

As we entered 2020 as a management team, we were buoyed by the momentum building around Verify which included being added to the Group M technology partner list, trials with Starbucks, Unilever and Horizon Media Inc. as well as deals with Phillip Morris International and Dentsu Aegis.

Unfortunately, this momentum was halted by COVID-19. Reduced media spends in location-based advertising resulted in a significantly reduced number of campaigns for location verification. More significantly was the impact of media agencies on our service offering. Due to pressures on their own business a new layer of verification was something media agencies would not promote given their need to spend and deliver revenues. In the UK, preferred partner relationships between location suppliers and their media agencies amplifies this challenge. The recent dispute with Blis is evidence of how these relationships can override the Verify platform findings.

It is the management team's belief that the Verify platform needs a direct sales channel into brands and for the budget holders to see the problem our products are solving. Although this is a deeply opaque and unregulated part of digital advertising market more work is needed to educate brands on the inefficiencies caused by poor data and the data quality and fraud issues omnipresent on the location-based advertising supply chain.

Following the announcement of the business review the management team is exploring options for our location verification products that could support the brand direct channel strategy. It is the management team's belief that with the right partners this can still be a successful SAAS offering.

The Directors are confident that the Company's products solve a significant problem in the ad-tech ecosystem, however, finding the right partners which are committed to promoting transparency will be a key next step. The recent changes in the ad-tech ecosystem such as the loss of cookies and the move to real time context are also creating some macro tail winds and scope for optimism.

Data and Insights

The data and insight side of the business has fared better despite a drop in location events due to lack of movement from lockdowns. Customers such as CACI, JC Decaux and the NHS have relied on our data to show movement trends during the different phases of the COVID-19 pandemic.

The supply of data which feeds our data business is under some macro medium term pressure in terms of privacy changes by the main operating systems, that said, the management team continue to explore new supply relationships in order to maintain the data at a level suitable for the level of insights we deliver.

As a management team we are excited about the launch of our new insights products for the financial services industry, with the first such product launching on the Bloomberg Enterprise Access Point in the next few months – other market proof points suggest footfall data can be an important part of the alt data space.

Outlook

There is still significant uncertainty ahead for Location Sciences. The management team is optimistic that as COVID-19 restrictions are relaxed the brakes on Location Sciences business will be eased.

CHIEF EXECUTIVE'S REVIEW FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

On 11 February 2021, the Company announced that, in part as a consequence of COVID-19, the Company and in particular, Verify, would continue to face a number of trading challenges. This is despite the current relative strength of the Company's working capital position. As made clear above, the key for Verify is to find the right partners who are committed to promoting transparency. In my view, this is imperative to deliver the value of Verify to shareholders.

Together with the Board, I will continue to explore options for the Company and its products with the aim of optimising the value for shareholders in the long term.

Mark Slade, Chief Executive Officer

Date: 17 March 2021

CHIEF FINANCIAL OFFICER'S REVIEW FOR THE YEAR ENDED 31 DECEMBER 2020

Introduction

The COVID-19 pandemic has significantly adversely impacted the performance of the Group during 2020. In particular, the progress which had been made with our location verification products faltered during the period due to the wider impact on our customers, who have themselves in the main strove to cut costs and focus on media delivery at the expense of transparency and quality.

The Group mitigated the loss of its location verification revenues by enlarging and broadening its Data & Insights customer base, including helping to inform the ongoing response to COVID-19. These contract wins enabled the Data & Insights business to perform relatively well during 2020, despite the negative impact of the pandemic on some of the business' existing customers.

Investment into the Group's core products continued throughout 2020, with some key updates being made to the Verify Proximity platform at the end of April 2020, providing customers with a clearer picture of how to obtain better value from their location spend and how to drive better performance. Following this in June 2020, the Group launched its Verify Audience product "GeoProtect" in the US. GeoProtect allows brands, agencies and suppliers to check the validity of location-based derived audience segments. It also enables a review of historical movements in contrast to proximity which validates the real time locations as digital advertising campaigns are delivered.

The financial position of the Group was improved though a fundraise in the first quarter of 2020 whereby approximately £1.05 million of new funds were raised before expenses.

Financial Performance

In 2020, revenue reduced to £1,080,742 (2019: £1,206,254) representing approximately 10% decrease in revenues year-on-year. Location data and insights delivered £762,170 of revenue (2019: £710,700) with Verify contributing £318,572 (2019: £495,554).

The Group received £30,119 of grant income, including £20,119 of furlough income from the UKs job retention scheme in 2020 (2019: £25,280). There is no grant income expected in the foreseeable future.

In response to the COVID-19 pandemic the Board made swift cost reductions to mitigate the impact of the downturn in revenues. These included salary reductions for the Board and senior members of the team, a hiring freeze, closure of the London office and staff being furloughed. In addition, with the exception of product development, all operational expenses were reduced to the minimal viable levels from April 2020 following the downturn in the location-based advertising industry caused by the restrictions imposed by governments globally.

These actions reduced the administrative costs for continuing operations excluding depreciation and amortisation to £1,535,906 (2019: £2,545,767) a reduction of 40% compared to the prior year.

The business delivered a loss before exceptional items, amortisation and depreciation of £783,242 (2019: £1,712,986), an operating loss of £1,400,019 (2019: £2,271,242) and a loss after taxation of £1,239,268 (2019: £2,116,812).

Loss per share from continuing operations decreased from 0.61p in 2019 to 0.24p in 2020.

Statement of Financial Position

As at 31 December 2020, the Group's net assets were £2,645,505 (2019: £2,768,073) of which £1,128,118 (2019: £1,325,739) were cash and cash equivalents.

Net current assets were £1,497,887 as at 31 December 2020 compared to net current assets of £1,475,972 as at 31 December 2019.

CHIEF FINANCIAL OFFICER'S REVIEW FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

Group borrowings were £Nil as at 31 December 2020 compared to £74,918 (representing finance lease agreements) as at 31 December 2019. The decrease in borrowings is due to the impact of IFRS 16 reporting standard and the ending of the Group’s London office lease obligations.

The Group’s financial position is a reflection of the funding received during the year and the Board's strategy of cost reductions in light of the COVID-19 pandemic and its impact on the Group’s revenues.

Business Review

On 11 February 2021, the Board announced the commencement of a business review. The rationale for the business review is that the Board believes that, in part as a consequence of COVID-19, the Group, and in particular Verify, will continue to face a number of trading challenges. This is despite the current relative strength of the Group's working capital position.

As a result, the Board is now exploring a number of options for the Group and its businesses and further announcements will be made as and when appropriate.

David Rae, Chief Financial Officer

Date: 17 March 2021

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their strategic report for the year ended 31 December 2020.

Fair review of the business

The fair review of the business is set out in the Chief Executive Officer's and Chief Financial Officer's reviews, which describe in detail the financial results, overhead run rate and future plans for Location Sciences.

The Board monitors progress on the overall Group strategy and the individual strategic elements by reference to KPIs. The primary measures are revenue, costs, EBITDA before exceptional items and working capital levels.

Reporting on the KPI targets set for 2020:

1. The number of new brands which had adopted Verify at the end of 2020 was 105, compared to the target set for 2020 of 100 new brands;
2. The number of Verified ad impressions at year end was 0.6 billion, compared to the target of two billion for the year; and
3. The number of location advertising suppliers accredited by the Group during the year was one, versus a target of three for 2020.

The impact of the COVID-19 pandemic is evident in the lack of progress against the Company's KPIs during the year. There is still widespread uncertainty throughout the global location-based advertising industry and as such the Board is cautious on the outlook of its location verification solutions over the next 12 months.

Moving forward the Board has updated its KPI targets for 2021 to the following:

1. To launch the footfall to performance insight product into the financial services industry;
2. To grow Verify following the lockdown restrictions being eased by governments; and
3. To add two additional GeoProtect customers.

Going forward the Board believes that completion of these new KPI targets will deliver significant value to shareholders.

Principal risks and uncertainties

The principal and commercial risks to the Group are as follows:

Description	The Group does not achieve sufficient commercial success before existing competitors or new entrants enter the market.
Impact	The current plans of the Group may not be realised, and the Group may have to re-evaluate its business plan.
Mitigation	The Board considers the know-how, existing products and customer relationships to be already in place. This creates a significant barrier to entry for new competitors, and for existing competitors to threaten the Group's market position.

Description	Location Sciences Group PLC continues to be in a cash consumption phase.
Impact	There is a risk that the Group may face working capital and cash flow challenges if the business plan is not delivered as expected. Going concern has been carefully considered and details are provided in the Corporate Governance Report below and in note 2 of the Group's financial statements.
Mitigation	The Group is debt free and raised approximately £1 million in new funds from existing and new investors during the 2020 financial year. Notwithstanding the actions already taken, there are a number of options available to the Group, which include structuring sales contracts beneficially, and requiring payment up-front, as well as making cost reductions, if required. Historically, Location Sciences Group PLC has continued to meet obligations through debt and equity fund raises.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

Description	Changes in regulation negatively impact the Group's market.
Impact	The Group may find the demand for its products reduced and / or the Group may be forced to change or stop selling one or more of its products.
Mitigation	The Board takes account of commentators and industrial bodies as to the direction of policy change. The Group has also diversified its product range, reducing any potential legislative impact on the business going forward. Currently, the Board sees the new Privacy regulations as an opportunity for Locations Sciences to grow, especially through its Verify product as awareness of publisher bad practice grows amongst media agencies and advertisers.

Description	The impact of the COVID-19 pandemic on existing and potential customers
Impact	The Group may find the demand for their products reduce especially its location verification solutions which rely to a large extent on people's movement.
Mitigation	The Board is monitoring the ongoing impact of the COVID-19 pandemic and national vaccination programmes. Meanwhile the Board has delivered a substantial cost reduction programme and shifted focus of the business towards the data and insights solutions which are more resilient to effects of the pandemic.

The Board meets regularly to review specific and general risks that face the Group. The Board strives to position the Group in a way that any risks can be minimised and met, should the need arise.

The Group's performance is dependent on its products and solutions keeping pace with market. This includes technological developments, frequent introduction of new services and products and evolving industry standards. Advances in technology may result in changing customer preferences for products and services and delivery formats. Any such change in preferences may be rapid.

The Group manages this risk by a commitment to research and development, combined with ongoing dialogue with key industry players and engagement with the regulatory landscape. This includes monitoring requirements and compliance for privacy regulations.

Strategic risks

In 2020 the Group responded to the COVID-19 pandemic with a substantial cost reduction programme and shifted focus of the business towards the data and insights solutions which are more resilient to effects of the pandemic. In addition, the Group launched a new verification product, GeoProtect, which allows brands, agencies and suppliers to check the validity of location based derived audience segments, a review of historical movements in contrast to Verify Proximity, which validates the real time locations of mobile devices as digital advertising campaigns are delivered. This, importantly, broadens the appeal of the Verify product suite to agencies, brands and suppliers, and gives Location Sciences access to the audience segment industry, which is a significant part of the overall location-based advertising market.

This report, in conjunction with the Chief Executive Officer's Report form the Strategic Report for the purposes of s414A of the Companies Act 2006.

Section 172 statement

The Directors believe that they have effectively implemented their duties under section 172 of the Companies Act 2006 through adherence to the Quoted Companies Alliance Corporate Governance Code, as disclosed on pages 15 to 18 and as published on our website: www.locationsciencesgroup.ai/investor-relations/board-governance. The Chairman's Report and Chief Executive's Review details the Group's future plans to achieve its long-term strategy.

The Group is committed to maintaining an excellent reputation and strive for high standards, while maintaining an awareness of the environmental impact of the work that it does and strives to reduce its carbon footprint.

The Directors recognise the importance of the wider stakeholders in delivering their strategy and achieving sustainability within the business; in ensuring that all our stakeholders are considered as part of every decision process we believe we act fairly between all members of the company.

David Rae, Chief Financial Officer

Date: 17 March 2021

LOCATION SCIENCES GROUP PLC

CORPORATE GOVERNANCE

The application of the UK Corporate Governance Code ("Code") and corporate governance during the period 1 January 2020 to 31 December 2020 ("Year").

The Board recognises the importance of good corporate governance in order to protect and build upon the substantial investments made by our diverse shareholder base. We have chosen to apply the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code'), which was developed by the QCA in consultation with a number of significant institutional small company investors, as an alternative corporate governance code applicable to AIM companies. The underlying principle of the QCA Code is that "the purpose of good corporate governance is to ensure that the company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term". The Board anticipates that whilst the Company will continue to comply with the QCA Code, given the Group's size and plans for the future, it will also endeavour to have regard to the provisions of the UK Corporate Governance Code as best practice guidance to the extent appropriate for a company of its size and nature.

An explanation of how these principles have been applied is set out both below and in the Directors' remuneration, Audit Committee and internal control sections of this report.

Certain information required under the QCA code is included within the Strategic report and the Directors Remuneration Report.

Name	Date Appointed	Role	Committees
Kelvin Harrison	15/02/2017	Chairman	Remuneration, Nomination, Audit
Mark Slade	24/07/2017	CEO	-
Benjamin Chilcott	21/03/2018	Non-Executive Director	Remuneration, Nomination, Audit
David Rae	12/02/2018	CFO/COO	-
Niall Hogan	01/05/2019	Non-Executive Director	-
Donnie Williams	23/05/2019	Non-Executive Director	-

The Board is responsible to the shareholders for the proper management of the Group through setting the overall strategy of the business and to review the people, performance, policies and budgets of the Group. The Board typically meets bi-monthly and also meets for any other extraordinary matters as they may arise. Detailed information on matters to be discussed during the meetings are circulated in advance of the meeting to ensure non-executive directors can contribute in an educated manner.

Independence of Chairman and Chief Executive Officer

The roles of the Chairman, Kelvin Harrison, and the Chief Executive Officer, Mark Slade, have a formal division. The Chairman is responsible for overseeing the Board and ensuring no individual or group takes control of the Board's decision making and that all non-executive directors are fully briefed on matters and their responsibilities. The Chief Executive Officer has the responsibility of executing the strategy of the Board and running the day-to-day activities of the business.

Board Balance

A minimum of 50%. of the Board will always consist of non-executive directors including the Chairman. All non-executive directors are independent of the management team and are not involved in any other business or relationship, both as an executive or non-executive, which may impair their independent nature and judgement.

CORPORATE GOVERNANCE (CONTINUED)

Nomination Committee

The Group's nomination committee is responsible for reviewing and making proposals to the Board on the appointment of Directors and meets as necessary. The Group's nomination committee consists of Kelvin Harrison, who acts as Non-Executive Chairman of the committee, and Benjamin Chilcott.

Performance Evaluation and Re-election

The Board has continued to evaluate its effectiveness and performance during the year, taking into account the Financial Reporting Council's Guidance on Board Effectiveness. Director appraisals will be performed during 2021 to ensure that their performance is, and continues to be, effective, that where appropriate they maintain their independence and that they are demonstrating continued commitment to the role. The Directors will be evaluated internally based on their responsibilities to the Board. New Directors resign and stand for re-election at the Group's first AGM following their appointment. One-third of continuing Directors stand for re-election on an annual basis.

The Directors carry out continued professional development throughout the year where appropriate and each Director keeps up to date with market changes through the use of market articles and industry contacts.

Remuneration Committee

The Group's remuneration committee is responsible for the specific remuneration and incentive packages for each of the company's executive directors, senior executives and managers. The Group's Remuneration Committee consists of Benjamin Chilcott and Kelvin Harrison, who acts as Non-Executive Chairman of the committee. Further details of the Committee's remit are contained in the Directors' Remuneration Report on pages 15 to 16.

Relations with Shareholders

The Group encourages two-way communication with both its institutional and private investors and responds promptly to all queries received. The CEO and CFO communicate regularly with the Group's institutional shareholders and ensure that their views are communicated fully to the Board. The Board recognises the Group's AGM as an important opportunity to meet with the Group's private shareholders. The Directors are available to listen to the views of shareholders informally immediately following the AGM. The Directors have also organised various events throughout the year (presentations, seminars, webinars) for existing and potential shareholders to gain a greater understanding of the Group's strategy, products and market.

Annual General Meeting

The Annual General Meeting of the Group provides shareholders with the opportunity to be updated on the Group's progress and to ask questions of the Board.

Financial Reporting and Internal Control

The Company has established policies covering the key areas of internal financial control and the appropriate procedures, controls, authority levels and reporting requirements which must be applied throughout the Group.

The key procedures that have been established in respect of internal financial control are:

- An annual budget set by the Board
- Monthly management accounts with comparisons to budget
- Monthly forecast updates with comparisons to budget
- Monthly cashflow forecasts with comparisons to budget
- Dual bank signatories and separation of creation and approval of online bank payments
- Weekly meetings of the Executive Directors and Senior Management to review priorities and issues
- Restriction of user access to systems, including but not limited to Financial, HR and Technology.

The above controls have been established to support the growth of the business and to protect against future risks.

CORPORATE GOVERNANCE (CONTINUED)

Corporate Culture

It is the Board's view that the Group's corporate culture is consistent with its objectives, strategy and business model. The Board is aware that the culture set by the Board will greatly impact all aspects of the Group and the way that employees behave. The Board invites employees to provide feedback on their peers and management. Quarterly one-to-ones are held between managers to gather feedback and to review current performance against their objectives. Quarterly staff events are undertaken for management to feedback on the overall progress of the business and to assess the culture of the Group.

Consolidated Accounts

The aforementioned Financial Reporting and Internal Controls apply to all subsidiaries. The accounts of all subsidiaries are combined with those of the Company to form consolidated accounts each month. The Chief Financial Officer is responsible for producing the consolidated accounts, including the elimination of intercompany transactions and balances.

Audit Committee

The Group's audit committee is responsible for ensuring the financial performance of the Group is properly monitored and reported on, the effectiveness of accounting systems and financial reporting procedures. The Group's Audit Committee consists of Benjamin Chilcott and Kelvin Harrison, who acts as Non-Executive Chairman of the committee.

The Committee considers all proposals for non-audit services and ensures that these do not impact on the objectivity and independence of the auditor. The Audit Committee reviews, with the external auditor, the safeguards and procedures developed by the auditor to counter threats or perceived threats to their objectivity and independence. Non-audit services performed by the external auditor are assessed for threats to objectivity and independence on a case-by-case basis.

Board and Committee Attendance

Name	**Main Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Kelvin Harrison	12/12	2/2	2/2	1/1
Mark Slade	12/12			
David Rae	12/12			
Benjamin Chilcott	12/12	2/2	2/2	1/1
Niall Hogan	10/12			
Donnie Williams	10/12			

CORPORATE GOVERNANCE (CONTINUED)

Going concern

The directors have taken a view of the Group as a whole.

The Group raised approximately £1 million in new funds during the year and mitigated the impact of the COVID-19 pandemic with a substantial cost reduction programme which reduced administrative expenses by 40% and reduced the EBITDA loss by 54%. In addition, the Group shifted the focus of the business towards the data and insights solutions which are more resilient to effects of the pandemic. The Group also launched a new verification product, GeoProtect, which allows brands, agencies and suppliers to check the validity of location based derived audience segments, a review of historical movements in contrast to Verify Proximity, which validates the real time locations of mobile devices as digital advertising campaigns are delivered. This broadens the appeal of the Verify product suite to agencies, brands and suppliers, and gives Location Sciences access to the audience segment industry, which is a significant part of the overall location-based advertising market.

However, the Group continued to operate with a trading loss during the year and the same is expected throughout 2021. The Group raised £1 million in new investment during the year, which will be utilised for the growth of Verify and for working capital purposes and the Group also remains debt free.

Due to the ongoing COVID-19 pandemic there remains a sensitivity to the timing and forecast pipeline of sales. Consequently, near term cash resources will continue to be closely monitored and controlled due to the associated working capital requirements of the Group in delivering its growing order pipeline and winning new business. To deliver its growth plans further capital may be required, although the Group expects its existing cash resources to be sufficient to meet the requirements of the Group until 2022.

Based on the current status, after making enquiries and considering the broadening of its product base and substantial cost reductions achieved during 2020, the Directors have a reasonable expectation that the Group will be able to execute its plans in the medium term such that the Group will have adequate resources to continue in operational existence for the foreseeable future. This provides the Directors with assurance on the Group's ability to continue as a going concern, and therefore adopt the going concern basis of accounting in preparing the annual financial statements.

On behalf of the Board

Kelvin Harrison, Chairman

Date: 17 March 2021

LOCATION SCIENCES GROUP PLC

DIRECTORS' REMUNERATION REPORT

As a Company admitted to trading on AIM, Location Sciences Group PLC is not required to present a directors' remuneration report, however, a number of voluntary disclosures have been made. The Company has complied with the disclosure requirements set out in the AIM Rules for Companies.

Remuneration Committee
The Remuneration Committee, consisting of the chairman Kelvin Harrison and Benjamin Chilcott, determines the Group's policy for executive remuneration and the individual remuneration packages for executive directors. In setting the Group's remuneration policy, the committee considers a number of factors including:

• salaries and benefits available to executive directors of comparable companies;
• the need to both attract and retain executives of appropriate calibre; and
• the continued commitment of executives to the Group's development through appropriate incentive schemes (including the award of share options).

Remuneration of executive directors
Consistent with this policy, benefit packages awarded to executive directors comprise a mix of basic salary and performance-related remuneration that is designed as an incentive. The remuneration packages can comprise the following elements:

• base salary: the Remuneration Committee sets the base salaries to reflect responsibilities and the skills, knowledge and experience of the individual;
• bonus scheme: the executive directors are eligible to receive a bonus dependent on both individual and Group performance as determined by the Remuneration Committee;
• equity: share options; and
• various other add on benefits such as private medical insurance.

The executive directors are engaged under separate contracts which require a notice period of three or six months given at any time by the individual.

Remuneration of non-executive directors
The fees and equity awarded to non-executive directors are determined by the Board. The non-executive directors do not receive any other forms of benefit such as private medical insurance.

Year to 31 December 2020

Director	Salary and fees £	Bonus £	Pension £	Benefits £	Share based payments £	Total £
M Slade (Executive)	156,000	-	1,314	1,991	15,671	174,976
K Harrison (Non-executive)	45,000	-	179	-	304	45,483
D Rae (Executive)	85,800	50,000	1,314	2,668	10,241	150,023
B Chilcott (Non-executive)	24,000	-	103	-	-	24,103
N Hogan** (Non-executive)	24,000	-	-	-	-	24,000
D Williams** (Non-executive)	60,387	-	-	-	-	60,387
	395,187	50,000	2,910	4,659	26,216	478,972

* Included within directors' remuneration for N Hogan and D Williams is remuneration of £11,250, £11,000, £24,000 and £35,202 for K Harrison, B Chilcott, N Hogan and D Williams respectively that was settled by issue of shares
** Resigned 11 February 2021.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

Year to 31 December 2019

Director	Salary and fees	Bonus	Pension	Benefits	Share based payments	Total
	£	£	£	£	£	£
M Slade (Executive)	150,000	-	1,180	1,746	14,297	167,223
K Harrison (Non-executive)	45,000	-	657	-	304	45,961
S Gregory** (Non-executive)	-	-	-	-	-	-
D Rae (Executive)	84,000	52,404	1,180	3,900	10,241	151,725
B Chilcott (Non-executive)	24,000	-	492	-	-	24,492
N Hogan (Non-executive)	* 36,000	-	-	-	-	36,000
D Williams (Non-executive)	* 55,283	-	-	-	-	55,283
	303,000	52,404	3,509	5,646	24,842	480,684

* Included within directors' remuneration for N Hogan and D Williams is remuneration of £36,000 and £31,604 respectively that was settled by issue of shares.

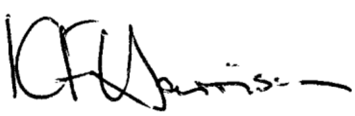
** Resigned 31 January 2019.

Director	Grant Date	Exercise Price	At 31 December 2020 Number	At 31 December 2019 Number
M Slade (Executive)	29/11/2018	2.25p	15,555,556	15,555,556
D Rae (Executive)	29/11/2018	2.25p	7,333,333	7,333,333
K Harrison (Non-executive)	29/11/2018	2.25p	577,778	577,778

Notes: The options will vest in three equal tranches when certain share price targets have been reached, the share price targets are as follows:

- 4.8 pence per New Ordinary Share
- 7.3 pence per New Ordinary Share
- 9.7 pence per New Ordinary Share

On behalf of the Board



Kelvin Harrison Chairman, Remuneration Committee

Date: 17 March 2021

LOCATION SCIENCES GROUP PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors are pleased to present the annual report and audited financial statements of Location Sciences Group PLC for the year ended 31 December 2020.

Dividends
The Directors do not recommend the payment of a dividend.

Board of Directors

Kelvin Harrison, Non-Executive Chairman
Kelvin joined Location Sciences as Non-Executive Chairman in February 2017. He is a chartered engineer with extensive experience in executive and non-executive roles across the information technology, media and telecommunications sector. His involvement has spanned from start up, through VC and PE investment to IPOs on LSE and AIM and exits via trade sale. He was previously CEO of Vega Group Plc and Maxima Holdings Plc, which he founded and grew to more than £50 million revenues, £9 million PBT and 500 staff. He was also CEO of Symbionics Group, a pioneer in wireless technologies such as Bluetooth, and an NED with UBC Media Group Plc.

He has led high growth of revenues and profits in British and International businesses, with a recent focus on Software as a Service (DaaS). He was Chairman of NetDespatch which was purchased in a strategic acquisition by Royal Mail Group. He is also Chairman of Clixifix.

Mark Slade, Chief Executive Officer
Mark joined the Board on 24 July 2017 as an executive director. Mark is one of the advertising industry's leading lights with numerous senior relationships across the ad tech and media giants. He joined from Opera Mediaworks, where he was Managing Director, EMEA. Mark founded and sold his mobile advertising business 4th Screen to Opera, and then helped grow the business to over $100 million in revenues. Mark's expertise is in executing in a high growth ad tech sector as well as European acquisitions. Mark is also a founding member of the IAB mobile council.

David Rae, Chief Financial Officer
David joined the Board in February 2018. David has enhanced the Board’s financial and strategic capabilities as well as bringing experience in delivering rapid growth for ambitious companies and international business experience within the technology and energy sectors.

David began his career in 1992 with EY's Entrepreneurial Services team in London, where he focused on fast growth companies. After leaving EY in 1999, David worked in corporate finance where he advised both public and private companies on fundraising and M&A activities. His experience includes SmartXpo, the AI and machine learning company, STC Energy Management, a leading energy software technology provider, as well as Pixel's, a successful digital marketing company recently acquired by Gravity4.

David is a Fellow of the Institute of Chartered Accountants in England and Wales and holds a first-class honours degree in Information Systems and Management Studies from the University of Leeds.

Benjamin Chilcott, Non-Executive Director
Benjamin was appointed as a non-executive director in March 2018.

Benjamin co-founded the management consultancy company, Concise Consultants Limited, which was acquired by iris Worldwide, the integrated marketing agency in 2008. Post-acquisition, the company became the strategy and consulting arm of iris Worldwide, with Benjamin taking up the role of CEO for iris Concise, as well as serving on the Board of Iris Worldwide. Benjamin is also non-executive Chairman of the electronic receipts company, yReceipts Limited.

Research and development

Location Sciences continued to invest substantially in research and development. £471,019 (2019: £306,415) of development expenditure has been capitalised as "Intangible Assets". The Group continued to invest in the development of its location intelligence products.

Financial Risk Management

The Group's financial instruments comprise cash and cash equivalents, trade receivables and payables and borrowings. The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk.

Interest rate and credit risk – the principal assets of the Group are its cash deposits. These are short-term liquid assets and as a result the exposure to interest rate income risk is not considered significant. The principal focus of the Directors has been to minimise any credit risk in relation to its cash deposits even at the expense of interest income received. Borrowings include financial instruments on fixed interest rate terms and a revolving credit facility at a variable rate. As a result, the exposure to interest rate expense risk is low and no active management of interest rate risk is undertaken by the Board.

Foreign currency risk – the main functional currency is sterling. Throughout 2020, the Company's transactions have primarily been denominated in sterling and the Group has had low exposure to foreign currency risk.

Liquidity risk – the Board's policy is to ensure that sufficient cash and cash equivalents are held on a short-term basis at all times in order to meet the Group's operational needs. The Group does actively raise funds through market placings and other loan facilities.

The Group has been operating at a trading loss due to its stage of development and seeks to ensure that its investments will deliver long term value to shareholders. Liquidity risk is actively managed through regular review of cash requirements of the business in conjunction with the strategic and operational plans for the Group.

Substantial shareholdings

As at 17 March 2021 the Directors had been notified of the following holdings representing 3% or more of the issued share capital of the Company:

	Number of ordinary shares	**Percentage of issued share capital**
Barclays PLC	58,630,219	9.98%
Herald Investment Management Limited	33,651,222	5.73%

Directors

The Directors, who held office during the year, were as follows:

B Chilcott

K Harrison

N Hogan (resigned 11 February 2021)

D Rae

M Slade

D Williams (resigned 11 February 2021)

The Company maintains director and officers' liability insurance.

LOCATION SCIENCES GROUP PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

Statement of Directors' responsibilities

The Directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 company and of the profit or loss of the group and company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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.

Directors' interests in shares

The directors held the following interests in Location Sciences Group PLC:

	At 31 December 2020	**At 31 December 2020**	**At 31 December 2019**	**At 31 December 2019**
	Ordinary shares of 1p each	Options over ordinary shares of 1p each	Ordinary shares of 1p each	Options over ordinary shares of 1p each
K Harrison	3,010,416	577,778	666,666	577,778
M Slade	6,204,444	15,555,556	6,204,444	15,555,556
D Rae	1,166,667	7,333,333	1,166,667	7,333,333
B Chilcott	2,291,667	-	-	-
N Hogan	6,263,158	-	1,263,158	-
D Williams	8,277,078	-	943,397	-

The market price of the Company's shares at the end of the financial year was 0.375p.

Disclosure of information to auditor

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

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

Annual General Meeting

Notice of the forthcoming Annual General Meeting of the Company together with resolutions relating to the Company's ordinary business will be given to the members separately.

Reappointment of auditors

The auditors, Hazlewoods LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Approved by the Board on 17 March 2021 and signed on its behalf by:

Mark Slade
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOCATION SCIENCES GROUP PLC

Opinion

We have audited the financial statements of Location Sciences Group PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020, which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Statement of Financial Position, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated Statement of Cash Flows, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2020 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty relating to going concern

In forming our opinion on the financial statements we have considered the adequacy of the disclosures made in the financial statements concerning the Company's and Group's ability to continue as a going concern.

The ability to continue as a going concern relies upon the Group's ability to generate revenue from existing and new clients as projected and raise funds in the medium-term. There can be no certainty as to the timing or occurrence of future revenues and level of funds that the Group is able to raise. This represents a material uncertainty which may cast significant doubt about the Company's and Group's ability to continue as a going concern. The financial statements do not include the relevant adjustments that would result if the Company or Group was unable to continue as a going concern.

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOCATION SCIENCES GROUP PLC (CONTINUED)

Our application of materiality

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. For the purpose of determining whether the group financial statements are free from material misstatement, we define materiality as the magnitude of a misstatement or an omission from the financial statements or related disclosures that would make it probable that the judgement of a reasonable person, relying on the information would have been changed or influenced by the misstatement or omission. We also determine a level of performance materiality, which we used to determine the extent of testing needed, to reduce to an appropriately low level that the aggregate of uncorrected and undetected misstatements exceed materiality of the group financial statements as a whole.

We establish materiality for the financial statements as a whole to be £63,000, which is 2% of the value of the trading subsidiary's total assets. Key audit risks were identified as revenue recognition; internally developed intangible assets; and going concern.

An overview of the scope of our audit

Our audit approach was based on a thorough understanding of the Group's business and is risk based. In arriving at our opinions set out in this report, we highlight the following risks that in our judgment, had the greatest effect on the financial statements.

Audit risk	How we responded to the risk
Recognition of revenue Revenue consists of the value of services provided. Revenue recorded for services is recorded to the extent that the Group has performed its contractual obligations. We therefore identified revenue recognition as a risk that required particular audit attention.	Our audit work included but was not restricted to: - For revenue recognised in the year our audit work include, assessing whether the Group's accounting policy for revenue recognition was in accordance with IFRS 15 'Revenue'; - Sampling service sales in the year and comparing them to usage reports and stated performance dates; - Performing cut-off testing of sales around the year end; and - Analytical review of revenue recognised in the year including variance review.
Internally generated intangible assets The Group has £471,019 of development costs in the year on the balance sheet. The Group capitalises development costs when the following criteria have been met: The product is technically viable, it is intended for sale, a market exists, expenditure can be measured reliably, and sufficient resources are available to allow completion of the project. When the Board is sufficiently confident that these criteria are met, the costs are capitalised. We therefore identified internally generated intangibles as a risk that required particular audit attention.	Our audit work included, but was not restricted to: - Agreeing intangible asset additions to supporting documentation including employee costs and time spent on projects; - Assessing the nature of the costs being capitalised to ensure they met the required accounting criteria for capitalisation; and - Discussions were held with management to ensure that all criteria for capitalisation had been met and supporting evidence was obtained to corroborate this.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOCATION SCIENCES GROUP PLC (CONTINUED)

Audit risk	How we responded to the risk
Going concern Trading performance of the Group has previously indicated the existence of material uncertainty, which may cast significant doubt about the Company and the Group's ability to continue as a going concern.	Our audit work included, but not limited to: - considering new funds raised in the year; - review of forecasts prepared by management to support the going concern assumption; and - review of customer contracts to forecasts.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. 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.

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

We have nothing to report in this regard.

Opinion on other matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and 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 our knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOCATION SCIENCES GROUP PLC (CONTINUED)

Responsibilities of directors

As explained more fully in the Directors' Report set out on page 19, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

• We obtained an understanding of the legal and regulatory frameworks applicable to the company financial statements or that had a fundamental effect on the operations of the company. We determined that the most significant laws and regulations included UK GAAP, UK Companies Act 2006, and taxation laws;

• We assessed the susceptibility of the company’s financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included challenging assumptions and judgments made by management in its significant accounting estimates and identifying and testing journal entries, in particular any journal entries posted with unusual characteristics.

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

Use of this 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.

Scott Lawrence (Senior Statutory Auditor)
For and on behalf of Hazlewoods LLP, Statutory Auditor

Staverton Court
Staverton
Cheltenham
GL51 0UX

Date: 17 March 2021

LOCATION SCIENCES GROUP PLC

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £	2019 £
Revenue	4	1,080,742	1,206,254
Cost of sales		(358,196)	(398,753)
Gross profit		722,546	807,501
Administrative expenses		(1,535,906)	(2,545,767)
Other operating income	5	30,119	25,280
Operating loss before exceptional administrative expenses, amortisation and depreciation		(783,241)	(1,712,986)
Amortisation and depreciation		(616,778)	(558,256)
Operating loss	6	(1,400,019)	(2,271,242)
Finance income	7	98	229
Finance costs	7	(5,619)	(12,707)
Loss before tax		(1,405,540)	(2,283,720)
Income tax receipt	11	166,272	166,908
Loss for the year attributable to owners of parent		(1,239,268)	(2,116,812)

Earnings per share

Loss per share - basic and diluted		(0.24p)	(0.61p)

The above results were derived from continuing operations.

LOCATION SCIENCES GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £	2019 £
Loss for the year		(1,239,268)	(2,116,812)
Other comprehensive income			
Foreign currency translation loss		(10,475)	(3,370)
Total comprehensive income for the year attributable to owners of the parent		(1,249,743)	(2,120,182)

The notes on pages 33 to 56 form an integral part of these financial statements.

LOCATION SCIENCES GROUP PLC

(REGISTRATION NUMBER: 06458458)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
Assets			
Non-current assets			
Intangible assets	13	1,141,792	1,185,237
Property, plant and equipment	14	5,828	106,864
		1,147,620	1,292,101
Current assets			
Trade and other receivables	16	415,104	407,321
Tax asset	11	166,272	166,909
Cash and cash equivalents	17	1,128,118	1,325,739
		1,709,494	1,899,969
Current liabilities			
Trade and other payables	18	(211,607)	(349,079)
Loans and borrowings	19	-	(74,918)
		(211,607)	(423,997)
Net current assets		1,497,887	1,475,972
Total assets less current liabilities		2,645,507	2,768,073
Net assets		2,645,507	2,768,073
Equity			
Share capital	22	14,280,258	14,008,033
Share premium		19,315,231	18,508,593
Merger relief reserve		11,605,556	11,605,556
Capital reserve		209,791	209,791
Reverse acquisition reserve		(9,225,108)	(9,225,108)
Retained earnings		(33,540,223)	(32,338,792)
Equity attributable to owners of the company		2,645,507	2,768,073

Approved by the Board on 17 March 2021 and signed on its behalf by:

Mark Slade

Director

LOCATION SCIENCES GROUP PLC

(REGISTRATION NUMBER: 06458458)
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
Assets			
Non-current assets			
Investments	15	3,171,622	3,491,764
Current assets			
Trade and other receivables	16	-	386,284
Current liabilities			
Trade and other payables	18	(19,037)	(44,506)
Net current assets		(19,037)	341,778
Total assets less current liabilities		3,152,585	3,833,542
Net assets		3,152,585	3,833,542
Equity			
Share capital	22	14,280,258	14,008,033
Share premium		19,315,231	18,508,593
Merger relief reserve		11,605,556	11,605,556
Retained earnings		(42,048,460)	(40,288,640)
Total equity		3,512,585	3,833,542

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The loss after tax for the parent Company for the year was £1,808,132 (2019: £279,772).

Approved by the Board on 17 March 2021 and signed on its behalf by:

Mark Slade
Director

LOCATION SCIENCES GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Share premium	Merger relief reserve	Capital reserve	Reverse acquisition reserve	Retained earnings	Total
	£	£	£	£	£	£	£
At 1 January 2019	13,713,498	18,168,965	11,605,556	209,791	(9,225,108)	(30,284,972)	4,187,730
Loss for the year	-	-	-	-	-	(2,116,812)	(2,116,812)
Other comprehensive income	-	-	-	-	-	(3,370)	(3,370)
Total comprehensive income	-	-	-	-	-	(2,120,182)	(2,120,182)
New share capital subscribed	294,535	339,628	-	-	-	-	634,163
Share-based payments	-	-	-	-	-	48,036	48,036
Transition adjustment upon application of IFRS 16	-	-	-	-	-	18,326	18,326
At 31 December 2019	14,008,033	18,508,593	11,605,556	209,791	(9,225,108)	(32,338,792)	2,768,073

	Share capital	Share premium	Merger relief reserve	Capital reserve	Reverse acquisition reserve	Retained earnings	Total
	£	£	£	£	£	£	£
At 1 January 2020	14,008,033	18,508,593	11,605,556	209,791	(9,225,108)	(32,338,792)	2,768,073
Loss for the year	-	-	-	-	-	(1,239,268)	(1,239,268)
Other comprehensive income	-	-	-	-	-	(10,475)	(10,475)
Total comprehensive income	-	-	-	-	-	(1,249,743)	(1,249,743)
New share capital subscribed	272,225	806,638	-	-	-	-	1,078,863
Share-based payments	-	-	-	-	-	48,312	48,312
At 31 December 2020	14,280,258	19,315,231	11,605,556	209,791	(9,225,108)	(33,540,223)	2,645,505

The notes on pages 33 to 56 form an integral part of these financial statements.

LOCATION SCIENCES GROUP PLC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital £	Share premium £	Merger relief reserve £	Retained earnings £	Total £
At 1 January 2019	13,713,498	18,168,965	11,605,556	(40,057,180)	3,430,839
Loss for the year	-	-	-	(279,772)	(279,772)
Total comprehensive income	-	-	-	(279,772)	(279,772)
New share capital subscribed	294,535	339,628	-	-	634,163
Share-based payments	-	-	-	48,312	48,312
At 31 December 2019	14,008,033	18,508,593	11,605,556	(40,288,640)	3,833,542

	Share capital £	Share premium £	Merger relief reserve £	Retained earnings £	Total £
At 1 January 2020	14,008,033	18,508,593	11,605,556	(40,288,640)	3,833,542
Loss for the year	-	-	-	(1,808,132)	(1,808,132)
Total comprehensive income	-	-	-	(1,808,132)	(1,808,132)
New share capital subscribed	272,225	806,638	-	-	1,078,863
Share-based payments	-	-	-	48,312	48,312
At 31 December 2020	14,280,258	19,315,231	11,605,556	(42,048,460)	3,152,585

LOCATION SCIENCES GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £	2019 £
Cash flows from operating activities			
Loss for the year		(1,239,268)	(2,116,812)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation		616,778	558,256
Foreign exchange gain		(10,475)	(3,370)
Finance income	6	(98)	(229)
Finance costs	6	5,619	12,707
Share based payment transactions		48,312	48,036
Income tax expense		(166,272)	(166,908)
Shares issued other than for cash		158,362	67,604
		(587,042)	(1,600,716)
Working capital adjustments			
Increase in trade and other receivables		(7,783)	(48,057)
Decrease in trade and other payables		(137,472)	(21,294)
Cash used in operations		(732,297)	(1,670,067)
Income taxes received	11	166,909	235,722
Net cash flow from operating activities		(565,391)	(1,434,345)
Cash flows from investing activities			
Interest received	8	98	229
Acquisitions of property plant and equipment	14	(1,278)	(8,371)
Acquisition of intangible assets	13	(471,019)	(306,415)
Net cash flows from investing activities		(472,199)	(314,557)
Cash flows from financing activities			
Proceeds from issue of ordinary shares, net of issue costs		920,504	566,558
Payments to finance lease creditors		-	(152)
IFRS 16 liability repayment		(80,537)	(107,220)
Net cash flows from financing activities		839,967	459,186
Net increase/(decrease) in cash and cash equivalents		(197,621)	(1,289,716)
Cash and cash equivalents at 1 January		1,325,739	2,615,455
Cash and cash equivalents at 31 December		1,128,118	1,325,739
Non-cash financing activities:			
Share warrants exercised in year		-	1,934,797
Fees settled by share issues		76,923	-
Directors fees settled by share issues		81,452	-

For full details on non-cash financing activities see note 22

LOCATION SCIENCES GROUP PLC

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £	2019 £
Cash flows from operating activities		
Loss for the year	(1,808,132)	(279,772)
Adjustments to cash flows from non-cash items		
Non-cash impairments	1,557,859	-
Share issues other than for cash	158,375	67,604
	(91,898)	(212,168)
Working capital adjustments		
Decrease/(increase) in trade and other receivables	(803,099)	(354,352)
Decrease in trade and other payables	(25,507)	(38)
Net cash flow from operating activities	(920,504)	(566,558)
Cash flows from financing activities		
Proceeds from issue of ordinary shares, net of issue costs	920,504	566,558
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at 1 January	-	-
Cash and cash equivalents at 31 December	-	-

The notes on pages 33 to 56 form an integral part of these financial statements.

1 General information

The company is a public company limited by share capital, incorporated and domiciled in England.

The address of its registered office is:
First Floor
St James House
St James Square
Cheltenham
Gloucestershire
GL50 3PR

The Company's ordinary shares are traded on the Alternative Investment Market (AIM) of the London Stock Exchange.

Principal activity
Location Sciences has two distinct products. Firstly, its UK Data and Insights platform, which gives customers access to its data lake of over 36 billion location data points. This helps customers in a variety of ways, for example, competitor and footfall analysis, attribution services for advertisers, and even the ability to enhance the sustainability of transport systems. Secondly, Location Sciences has developed a global platform called Verify, which brings transparency to the location based mobile advertising market. Verify allows marketeers to authenticate where their adverts have been viewed and uses proprietary technology to detect location ad-fraud, which would otherwise go unnoticed.

2 Accounting policies

Statement of compliance
The group financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the EU ("adopted IFRS's").

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Going concern
The directors have taken a view of the Group as a whole.

The Group raised approximately £1 million in new funds during the year and mitigated the impact of the COVID-19 pandemic with a substantial cost reduction programme which reduced administrative expenses by 40% and reduced the EBITDA loss by 54%. In addition, the Group shifted the focus of the business towards the data and insights solutions which are more resilient to effects of the pandemic. The Group also launched a new verification product, GeoProtect, which allows brands, agencies and suppliers to check the validity of location based derived audience segments, a review of historical movements in contrast to Verify Proximity, which validates the real time locations of mobile devices as digital advertising campaigns are delivered. This broadens the appeal of the Verify product suite to agencies, brands and suppliers, and gives Location Sciences access to the audience segment industry, which is a significant part of the overall location-based advertising market.

However, the Group continued to operate with a trading loss during the year and the same is expected throughout 2021. The Group raised £1 million in new investment during the year, which will be utilised for the growth of Verify and for working capital purposes and the Group also remains debt free.

Due to the ongoing COVID-19 pandemic there remains a sensitivity to the timing and forecast pipeline of sales. Consequently, near term cash resources will continue to be closely monitored and controlled due to the associated working capital requirements of the Group in delivering its growing order pipeline and winning new business. To deliver its growth plans further capital may be required, although the Group expects its existing cash resources to be sufficient to meet the requirements of the Group until 2022.

2 Accounting policies (continued)

Based on the current status, after making enquiries and considering the broadening of its product base and substantial cost reductions achieved during 2020, the Directors have a reasonable expectation that the Group will be able to execute its plans in the medium term such that the Group will have adequate resources to continue in operational existence for the foreseeable future. This provides the Directors with assurance on the Group's ability to continue as a going concern, and therefore adopt the going concern basis of accounting in preparing the annual financial statements.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2020 in accordance with IFRS 10.

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in accounting policy

For the purpose of the preparation of these consolidated financial statements, the Group has applied all standards and interpretations that are effective for accounting periods beginning on or after 1 January 2020. None of the standards that have been applied have had a material effect on the financial statements.

New standards, interpretations and amendments not yet effective

No new standards, amendments or interpretations to existing standards that have been published and that are mandatory for the Group's accounting periods beginning on or after 1 January 2021, or later periods, have been adopted early.

None of the standards, interpretations and amendments which are effective for periods beginning after 1 January 2021, and which have not been adopted early, are expected to have a material effect on the financial statements.

2 Accounting policies (continued)

Segmental reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker for the use in strategic decision making and monitoring of performance. The Group considers the chief operating decision maker to be the Executive Board.

Revenue recognition
Revenue represents the invoice value of services and software licences provided to external customers in the period, stated exclusive of value added tax.

Consideration received from customers in respect of services is only recorded as revenue to the extent that the Group has performed its contractual obligations in respect of that consideration. Management assess the performance of the Group's contractual obligations against project milestones and work performed to date.

Revenue from software licences sold in conjunction with services is invoiced separately from those services and recognised over the period of the licence.

Revenue from software licences for the use of the technology platform is recognised over the period of the license.

Revenue from software development is recognised to the extent that the Group has obtained the right to consideration through its performance.

The IFRS 15 Practical expedient has been applied whereby the promised amount of consideration has not been amended for the effects of a significant financing component as at the contract inception there are no contracts where the period between transfers of promised goods or services and customer payment is expected to exceed one year.

Under the Group's standard contract terms, customers have a right of return within 30 days. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. It is considered highly probable that a significant reversal in the revenue recognised will not occur given the consistent low level of returns over previous years.

Grants
Grants for revenue expenditure are presented as part of the Income Statement in the periods in which the expenditure is recognised.

Foreign currency transactions and balances
Items included in the financial statements 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 Parent's presentational currency.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

The results and financial position of all Group entities that have a functional currency different from the presentational currency of the Group are translated into sterling follows:

• Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
• Income and expenses for each income statement are translated at the average exchange rate for the month where these approximate the exchange rate at the date of the transaction; and
• All resulting exchange differences are recognised within other comprehensive income and taken to the foreign exchange reserve.

2 Accounting policies (continued)

Tax

The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the group operates and generates taxable income.

Deferred tax is provided for using the liability method on temporary differences at the balance sheet date between tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised in full for all temporary differences other than those relating to goodwill on investments in subsidiaries. Deferred tax assets are recognised for all deductible temporary differences carried forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits and unused tax losses can be utilised.

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

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

The tax currently receivable is based on the taxable loss for the period and relates to R&D tax credits. Taxable loss differs from net loss as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. This is calculated using rates and laws enacted or substantively enacted at the reporting date

Financial instruments

The Group recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Group's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Group classifies all of its financial assets as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary assets. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterpart or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Income Statement. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Group classifies all of its financial liabilities as liabilities at amortised cost. Liabilities are classified as current liabilities when the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2 Accounting policies (continued)

Intangible assets

Goodwill
Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is not subject to amortisation but is tested for impairment annually. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Goodwill is allocated to those cash-generating units that are expected to benefit from the synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows. The recoverable amount is tested annually or when events or changes in circumstances indicate that it may be impaired. The recoverable amount is higher of the fair value less costs and the value in use in the Group. An impairment loss is recognised to the extent that the carrying value exceeds the recoverable amount. In determining a value in use, 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 cash generating unit that have not already been included in the estimate of future cash flows.

Internally developed software
Intangible assets are predominantly internally generated software development costs for Location Sciences' technologies. Development costs are capitalised when certain criteria are met. The product must be technically feasible, sale is intended, a market exists, expenditure can be measured reliably, and sufficient resources are available to complete the project. The extent of capitalisation is limited to the amount, which taken together with further related costs, will be recovered from the future economic benefits related to the asset. When the Board is sufficiently confident that all of the criteria for capitalisation are met, development costs are amortised over the expected useful life, currently 5 years, from the date the asset is available for use. Development costs that have been capitalised, but where amortisation has not yet commenced are reviewed annually for impairment. If no intangible asset can be recognised based on the above then development costs are recognised within administrative expenses in the Consolidated Income Statement.

Other intangibles
Acquired trademarks and intellectual property rights are recognised as an asset at cost, or deemed cost, less accumulated amortisation and any recognised impairment loss.

Amortisation

Asset class	**Amortisation method and rate**
Development costs	20% straight line
Trademarks and intellectual property rights	10% straight line

Amortisation is recognised within administrative expenses and disclosed separately on the Consolidated Income Statement.

2 Accounting policies (continued)

Depreciation

Asset class	**Depreciation method and rate**
Computer equipment	33.33% straight line
Office equipment	33.33% straight line
Right of Use assets	Straight line over lease term

Depreciation is recognised within administrative expenses and disclosed separately on the Consolidated Income Statement

Impairment of non-financial assets
At each Statement of Financial Position date, the Group performs an impairment review in respect of goodwill and any intangible assets not yet ready for use and reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered any impairment. If any such indication exists, the recoverable amount of the asset (being the higher of fair value less costs to sell and value in use) is estimated in order to determine the extent of any impairment. Any impairment loss is recognised as an expense in the Consolidated Income Statement in the period in which it was identified.

Investments
Investments are carried at cost, less any impairment in value.

The Company grants options over its equity investments to the employees of its subsidiaries. The carrying value of the investment in this subsidiary is increased by an amount equal to the value of the share-based payment charge attributable to the option holder in the subsidiary.

Dividends on equity securities are recognised in income when receivable.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, and have a maturity of less than 3 months from the date of acquisition. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand and bank deposits.

Trade receivables
Trade receivables are amounts due from customers for licences sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

2 Accounting policies (continued)

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Leases

Assets held under leases are recognised as assets of the Group at the fair value at the inception of the lease or if lower, at the present value of the minimum lease payments. The related liability to the lessor is included in the Balance Sheet as a finance lease obligation. Lease payments are apportioned between interest expenses and capital redemption of the liability. Interest is recognised immediately in the Consolidated Income Statement, unless attributable to qualifying assets, in which case they are capitalised to the cost of those assets.

Exemptions are applied for short life leases and low value assets, with payments made under operating leases charged to the Consolidated Income Statement on a straight line basis over the period of the lease.

Equity

Equity comprises:

Share capital - the nominal value of ordinary shares is classified as equity.

Share premium - represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.

Merger relief reserve - the difference between cost or fair value and the nominal value of shares issued on the exchange of shares with Location Sciences AI Limited and on acquisition of subsidiaries where shares are issued as part of the consideration.

Translation reserve - the foreign exchange difference arising on consolidation.

Capital reserve - represents a capital contribution to the Company.

Equity reserve - represents the fair value of warrants over shares issued to Barclays in return for debt waiver in 2017. During 2018 the equity reserve has been transferred to share premium upon exercise of the warrants.

Reverse acquisition reserve - the balance of the amount recognised as issued equity instruments arising on restatement of Location Sciences AI Limited to reflect the parent equity structure, further to the reverse acquisition basis of accounting adopted in 2013 on the share exchange by Location Sciences Group Plc for 100% of the shares of Location Sciences AI Limited.

Retained earnings - includes all current and prior period retained profits/(losses).

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

2 Accounting policies (continued)

Defined contribution pension obligation
A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

Share based payments
The Group operates an equity-settled, share-based compensation plan. Equity-settled share-based payments are measured at fair value at date of grant. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured by use of the Black Scholes or a binomial options valuation model as appropriate depending on the terms of the options.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial information in conformity with IFRS requires the directors to make critical accounting estimates and judgements that affect the application of policies and reported amounts of assets and liabilities, income and expenses. An assessment of the impact of these estimates and judgements on the financial statements is set out below.

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. Actual results could differ from these estimates and any subsequent changes are accounted for with an effect on income at the time such updated information is available.

Fair values for employee share schemes
The establishment of fair values in respect of employee services received in exchange for share options require the exercise of judgement and estimation in respect of the life of the option, the expected dividend yield and, in particular, the volatility of the underlying shares. A calculated value for the latter may not accurately reflect the future share price movements given the Group's stage of development.

Assessing whether development costs meet the criteria for capitalisation
The point at which development costs meet the criteria for capitalisation is critically dependent on management's judgement of the point at which technical feasibility is demonstrable. Commercial success of the development projects remains uncertain at the time of recognition and therefore impairment reviews are undertaken based on current estimates of future revenue streams. This assessment has resulted in the impairment of £nil (2018: £nil) of development costs, previously capitalised for which the underlying projects are no longer being pursued.

Classification and valuation of financial instruments
The Group previously issued financial instruments including conversion features and warrants. The valuation of these financial instruments, including Level 3 fair values where there are no observable market inputs, are performed in consultation with third party valuation specialists, with the overall aim of maximising the use of market based information.

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Impairment of goodwill and other intangible assets
There are a number of assumptions management have considered in performing impairment reviews of goodwill and intangible assets, as determining whether such assets are impaired requires an estimation of the value in use of the cash generating units to which goodwill and other intangible assets have been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value. An impairment of goodwill of £nil has been recognised in the year.

Assessing whether revenue meets the criteria for recognition
Contracts can include both the sale of licences and provision of services including integration and development. Revenue is recognised based on the analysis of individual contracts and the point at which significant risks and reward of ownership transfer is dependent on the contractual terms. In respect of a licence, this would usually be on delivery of the software. Software development and other consulting services generally recognised on the basis of work done but where issues of client acceptance are identified, then revenue is deferred until issues are resolved.

4 Segmental analysis

Operating segments are based on internal reports about components of the Group, which are regularly reviewed and used by the Board for strategic decision making, to allocate resources across segments and to assess performance by segment.

Since 2018 the Group maintained a holding company structure with one operating subsidiary. For financial reporting, Location Sciences segments the Group based on its two distinct products. Firstly, its UK Data and Insights platform, which gives customers access to its data lake of over 36 billion location data points. This helps customers in a variety of ways, for example, competitor and footfall analysis, attribution services for advertisers, and even the ability to enhance the sustainability of transport systems. Secondly, Location Sciences has developed a global platform called Verify, which brings transparency to the location based mobile advertising market. Verify allows marketeers to authenticate where their adverts have been viewed and uses proprietary technology to detect location ad-fraud, which would otherwise go unnoticed.

It should be noted that a segmental analysis of the Balance Sheet is not part of routine management reporting and consequently no segmental analysis of assets is shown here.

The analysis of the Group's revenue from contracts with customers for the year is as follows:

	2020 £	2019 £
Verify	318,572	495,554
Location Data and Insights	762,170	710,700
	1,080,742	1,206,254

4 Segmental analysis (continued)

An analysis of the Group's revenue by geographical segment is as follows:

	2020 £	2019 £
UK	578,697	718,743
Europe	-	108,121
ROW	502,045	379,390
	1,080,742	1,206,254

All non-current assets of the Group are held in the UK.

During the year there was revenue from individual customers that represented more than 10% of revenue as follows:

	2020 £	2019 £
Verify - customer 1	-	165,220
Location Data and Insights - customer 1	385,074	-
Location Data and Insights - customer 2	132,242	-

Average payments terms are set out in note 16. There are no significant financing components, nor variable consideration elements in customers' contracts.

An analysis of EBITDA is as follows:

	2020 £	2019 £
Location Data and Insights	(552,365)	(1,009,199)
Verify	(230,877)	(703,787)
Total EBITDA	(783,242)	(1,712,986)

An analysis of loss before tax is as follows:

	2020 £	2019 £
Location Data and Insights	(970,849)	(1,345,445)
Verify	(405,796)	(938,275)
Total loss before tax	(1,405,540)	(2,283,720)

5 Other operating income

The analysis of the Group's other operating income for the year is as follows:

	2020 £	2019 £
Government grants	10,000	25,280
Furlough receipts	20,119	-
	30,119	25,280

Furlough scheme

The furlough scheme is a government grant relating to a wage subsidiary programme introduced in the United Kingdom in response to the COVID-19 coronavirus pandemic. The Company was entitled to the wage subsidy because it had reduced operations in the United Kingdom as a result of the pandemic. The accounting policy adopted is set out in note 2 to the financial statements; the grant was recognised in the profit and loss in 'other income' as the related wages and salaries for furloughed employees were recognised.

6 Loss before taxation

Arrived at after charging/(crediting)

	2020 £	2019 £
Depreciation expense *	102,314	104,163
Amortisation expense	514,464	454,093
Research and development expenditure	27,548	85,172
Share based payments	48,312	48,036
Net foreign exchange losses	11,004	20,517
Auditors remuneration		
- Company audit	10,000	10,000
- Subsidiary audit	15,000	15,000
Non-audit services:		
- Tax and other compliance services	12,750	12,000
- Transaction related long form reports	-	7,500

* Depreciation includes the charge arising on right-of-use assets arising upon initial application of IFRS 16 totalling £93,879 (2019: £93,879).

7 Finance income and costs

	2020 £	2019 £
Finance income		
Interest income on bank deposits	98	229
Finance costs		
Interest on IFRS 16 lease liabilities	(5,619)	(12,707)
Net finance costs	(5,521)	(12,478)

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2020 £	2019 £
Wages and salaries	1,074,189	1,097,403
Social security costs	150,120	129,946
Pension costs, defined contribution scheme	13,017	15,532
Share-based payment expenses	48,312	48,036
	1,285,638	1,290,917

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	2020 No.	2019 No.
Finance and operations	2	3
Research and development	8	9
Commercial and client services	4	5
Non-executive directors	4	4
	18	21

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2020 No.	2019 No.
Finance and operations	1	1
Non-executive directors	4	4
	5	5

9 Key management compensation and directors' remuneration

Details of aggregate key management emoluments for the year are as follows:

	2020 £	2019 £
Salaries and other short-term employee benefits	449,846	452,333
Pension costs	2,910	3,509
Expense of share-based payments	26,216	24,842
	478,972	480,684

The directors are of the opinion that the key management of the Group comprises the executive and the non-executive directors of Location Sciences Group Plc. These persons have authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

Directors' remuneration is disclosed in the Directors' Remuneration Report on pages 15 to 16. Directors' remuneration includes salaries settled by issue of shares, as disclosed in note 22.

10 Auditors' remuneration

	2020 £	2019 £
Audit of the Company's financial statements	10,000	10,000
Audit of the subsidiaries' financial statements	15,000	15,000
	25,000	25,000
All other non-audit services	12,750	19,500

11 Income tax

Tax charged/(credited) in the income statement

	2020 £	2019 £
Current taxation		
UK R&D tax credit	(166,272)	(166,908)

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2019 - higher than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £	2019 £
Loss before tax	(1,405,540)	(2,283,720)
Corporation tax at standard rate	(267,053)	(66,520)
Effect of expenses not deductible	9,926	74,688
Unrecognised deferred tax asset	154,144	183,828
Surrender of tax losses for R&D tax credit	51,602	51,800
Other differences	8,255	80,300
Additional deduction for research development expenditure	(123,146)	(123,617)
Total tax charge	(166,272)	200,479

Subject to the UK tax authority's agreement, the Group has UK tax losses of approximately £20,200,000 (2019: £19,680,000) available to carry forward and offset against future taxable profits arising from the same trade. The Group has a potential deferred tax asset of £3,840,000 (2019: £3,340,000) which will not be recognised until it is regarded as more likely than not that there will be sufficient taxable profits from which the tax losses can be deducted. In addition, no deferred tax asset is recognised in respect of future tax deductions on exercise of share options.

12 Loss per share

The calculation of loss per share is based on the loss of £1,239,268 (2019: £2,116,812) and on the number of shares in issue, being the weighted average number of equity shares in issue during the period of 513,986,630 0.1p ordinary shares (2019: 348,073,166 1p ordinary shares).

	2020 £	2019 £
Loss for the financial year	(1,239,268)	(2,116,812)
Earnings per share		
Loss per share - basic and diluted	(0.24p)	(0.61p)

Dilutive instruments
Instruments that could potentially dilute basic loss per share in the future but are not included in the calculation of diluted loss per share because they are anti-dilutive.

13 Intangible assets

Group

	Internally generated software development costs £
Cost or valuation	
At 1 January 2019	2,492,746
Additions	306,415
At 31 December 2019	2,799,161
At 1 January 2020	2,799,161
Additions	471,019
At 31 December 2020	3,270,180
Amortisation	
At 1 January 2019	1,159,831
Amortisation charge	454,093
At 31 December 2019	1,613,924
At 1 January 2020	1,613,924
Amortisation Charge	514,464
At 31 December 2020	2,128,388
Carrying amount	
At 31 December 2020	1,141,792
At 31 December 2019	1,185,237
At 1 January 2019	1,332,915

13 Intangible assets (continued)

Internal development represents the cost incurred in developing the Group's DaaS platform and software development, split between the two distinct products Location Data and Insights and Verify, with net book value of £551,442 (2019: £831,125) and £590,369 (2019: £354,112) respectively. These internal costs have been capitalised in accordance with the Group's accounting policies where all the conditions for capitalisation have been met.

The Verify and Location Data and Insights intangible assets have on average a remaining amortisation period of 4 and 2 years respectively.

Impairment of research and development is considered within the conditions of capitalisation. Amortisation charges are included in administrative expenses, disclosed separately on the Consolidated Income Statement.

14 Property, plant and equipment

Group

	Computer Equipment £	Office Equipment £	IFRS 16 Right of Use Assets: Property £	Total £
Cost or valuation				
At 1 January 2019	33,676	-	-	33,676
Additions	5,878	2,493	-	8,371
Recognised upon application of IFRS 16	-	-	187,757	187,757
At 31 December 2019	39,554	2,493	187,757	229,804
Additions	1,278	-	-	1,278
Disposals	-	-	187,757	187,757
At 31 December 2020	40,832	2,493	-	43,325
Depreciation				
At 1 January 2019	18,777	-	-	18,777
Charge for year	9,730	554	93,879	104,163
At 31 December 2019	28,507	554	93,879	122,940
Charge for year	7,605	831	93,878	102,314
Eliminated on disposal	-	-	(187,757)	(187,757)
At 31 December 2020	36,112	1,385	-	37,497
Carrying amount				
At 31 December 2020	4,720	1,108	-	5,828
At 31 December 2019	11,047	1,939	93,878	106,864
At 1 January 2019	14,899	-	-	14,899

15 Investments

Company

	2020 £	**2019** £
Investment in subsidiaries	2,045,627	2,414,081
Capital contribution arising from IFRS 2 share based payments charge	1,125,995	1,077,683
	3,171,622	3,491,764

	Subsidiaries £
Cost or valuation	
At 1 January 2019	3,443,414
Additions	38
Revaluation	48,312
At 31 December 2019	3,491,764
Revaluation	48,312
Impairment	(368,454)
At 31 December 2020	3,171,622
Carrying amount	
At 31 December 2020	3,171,622
At 31 December 2019	3,491,764
At 1 January 2019	3,491,726

Details of the Group subsidiaries held as direct investments of the Company as at 31 December 2020 are as follows:

Name of subsidiary	**Principal activity**	**Registered office**	**Proportion of ownership interest and voting rights held** 2020	2019
Location Sciences AI Limited	Location Data and Insights and Verify	Same registered office address as group	100%	100%
Location Sciences (US) Inc.	Location Data and Insights and Verify within the US marketplace	1209 Orange Street, Wilmington, New Castle, Delaware, 19801 USA	100%	100%

16 Trade and other receivables

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Trade receivables	258,468	356,911	-	-
Receivables from related parties	-	-	-	386,284
Prepayments	6,837	20,939	-	-
Other receivables	149,799	29,471	-	-
	415,104	407,321	-	386,284

Trade receivables comprise amounts due from customers for services provided. All amounts are short term. The net carrying amount of trade receivables is considered a reasonable approximation of fair value. Average credit terms were 45 days (2019: 60) and average debtor days outstanding were 73 (2019: 79) excluding balances that have been fully provided for.

All of the Group's trade and other receivables have been reviewed for impairment. An impairment provision of £13,911 (2019: £105,891) has been recognised in the year.

The Group's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other receivables is disclosed in the financial risk management and impairment note.

Trade receivables above include amounts (detailed below) that are past due at the end of the reporting period and which an allowance for doubtful debts has not been recognised as the amounts are still considered recoverable and there has not been a significant change in credit quality.

Age of trade receivables that are past due but not impaired	Group 2020 £	Group 2019 £
31 to 60 days	92,954	71,416
61 to 90 days	31,838	39,790
91 to 120 days	34,118	48,458
3 to 6 months	22,913	71,953
	181,823	231,257

17 Cash and cash equivalents

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Cash at bank	1,128,118	1,325,739	-	-

18 Trade and other payables

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Trade payables	45,458	120,220	-	-
Payables to related parties	-	-	38	-
Accrued expenses	117,208	137,142	18,999	18,999
Social security and other taxes	42,347	52,219	-	-
Other payables	6,594	39,498	-	25,507
	211,607	349,079	19,037	44,506

The directors consider that the carrying amount of trade and other payables approximated their fair value.

Trade payables are paid between 30 and 60 days of receipt of the invoice.

The Group's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in the financial risk management and impairment note.

19 Loans and borrowings

	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
Current loans and borrowings				
IFRS 16 liabilities	-	74,918	-	-

The Group's exposure to market and liquidity risk; including maturity analysis, in respect of loans and borrowings is disclosed in the financial risk management and impairment note.

Further information regarding IFRS 16 lease liabilities is provided in note 20.

20 Obligations under leases

IFRS 16

For the year ended 31 December 2020, the following amounts have been recognised under IFRS 16 in relation to property leases:

	2020 £	2019 £
Additions to 'right-of-use' assets	-	187,757
Depreciation charged on 'right-of-use' asset recognised	93,878	93,879
Interest expense recognised on lease liability	5,619	12,707
Expense incurred in relation to 'short-term' leases	19,200	11,200
Obligation at year end in relation to 'short-term' leases	-	8,000
Total cash outflow in year in relation to leases	99,737	118,420

21 Financial risk management and impairment of financial assets

Treasury risk management

The Group manages a variety of market risks, including the effect of changes in foreign exchange rates, liquidity and counterparty risks.

Credit risk

The Group's principal financial assets are bank balances, cash, trade and other receivables.

The credit risk on liquid funds is limited because the counterparties are UK banks or "Blue Chip" companies with high credit ratings assigned by international credit rating agencies.

As a result, investment returns and credit risk to the Group in this regard are not material to the financial statements.

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date. No collateral is held in respect of these amounts which are expected to be received in full. In order to manage credit risk, credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history.

21 Financial risk management and impairment of financial assets (continued)

Currency risk

The Group's operations are primarily located in the United Kingdom, with an increasing investment into the United States. The Group's transactions during 2020 were predominantly denominated in sterling, with consequently little exposure to foreign currency risks. Due to the limited risks to the Group, forward exchange contracts are not considered necessary and are not used. At the year end, the Group operated both sterling and dollar bank accounts. Going forward the Directors will continue to monitor the currency risk and the potential impact of increasing trade and investment into the United States.

The translation risk on the Group's foreign exchange payables and receivables is considered to be immaterial due to their short-term nature.

Liquidity risk

The Group has sufficient capital resources to meet its external current liabilities as they fall due in 2020.

Operational cash flow represents on going trading revenue and costs, administrative costs and research and development activities. The Group manages its liquidity requirements by the use of both short-term and long-term cash flow forecasts. The Group's policy is to ensure facilities are available as required or to issue equity share capital to ensure cash resources available are in accordance with long-term cash flow forecasts. The Group currently has no overdrawn committed facilities as at 31 December 2020.

The Group actively manages its working capital to ensure it has sufficient funds for operations and planned research and development activities.

The Group's main financial liabilities include trade payables and operational costs. All amounts for trade and other payables are due for payment in accordance with agreed settlement terms with suppliers or statutory deadlines. All such payment terms are within six months.

Capital management

The Group's activities are of a type and at a stage of development where the most suitable capital structure is that of one primarily financed by equity. The directors will reassess the future capital structure when projects under development are sufficiently advanced.

The Group's financial strategy is to utilise its resources and current trading revenue streams to commercialise its products and grow revenues. The Group keeps investors informed of its progress with its projects through regular announcements and raises additional equity finance at appropriate times.

The Group manages capital on the basis of the carrying amount of equity, and debt with regard to maintaining sufficient liquidity to enable the Group to continue to trade and invest in commercialisation. As at the year end the equity to overall financing ratio, excluding IFSR 16 adjustments, is 1 (2019:1).

Categories of financial instruments

All of the Group's financial assets are classified as loans and receivables; see note 16. The directors consider that the carrying amount of trade and other receivables approximates their fair value.

All of the Group's financial liabilities are classified as liabilities at amortised cost: see note 18. The directors consider that the carrying amount of trade and other payables approximates their fair value. The contractual maturity of financial liabilities is set out in note 18.

The accounting policies applied are set out in note 2.

22 Share capital

Allotted, called up and fully paid shares

	2020		2019	
	No.	**£**	**No.**	**£**
Ordinary shares of 1.0p each	-	-	370,497,894	3,704,979
New Ordinary shares of 0.1p each	587,337,398	587,337	-	-
Deferred shares of 0.99p each	1,040,712,398	10,303,054	1,040,712,398	10,303,054
New deferred shares of 0.9p each	376,651,734	3,389,866	-	-
	2,004,701,530	14,280,258	1,411,210,292	14,008,033

Reconciliation of shares

	Number of shares
Total number of shares at 1 January 2020	1,411,210,292
23 January 2020 share issue: settlement of fees	6,153,840
27 March 2020 subdivision of deferred shares	376,651,734
27 March 2020 share issue	114,858,571
24 April 2020 warrant exercise	15,457,332
6 May 2020 warrant exercise	21,980,665
6 May 2020 share issue: settlement of fees	4,800,000
4 June 2020 warrant exercise	1,524,000
19 June 2020 warrant exercise	23,667,332
6 July 2020 warrant exercise	11,428,666
4 November 2020 share issue: settlement of fees	16,969,098
At 31 December 2020	2,004,701,530

22 Share capital (continued)

New shares allotted

• On 23 January 6,153,840 new shares were allotted with an aggregate nominal value of £61,538. These shares were issued to a supplier to settle a debt of $100,000 (£76,923).

• On 27 March 2020 the share capital was subdivided with each Existing Ordinary Shares split into two classes of shares: New Ordinary Shares with a nominal value of 0.1 pence and New Deferred Shares with a nominal value of 0.9 pence. In aggregate, 114,858,571 new ordinary shares with an aggregate nominal value of £114,859 were issued comprising; 111,430,000 Placing Shares for aggregate consideration of £975,013, 1,142,857 Broker Shares for aggregate consideration of £10,000 and 2,285,714 Settlement Shares for aggregate consideration of £20,000.

• On 24 April 2020 15,457,332 new ordinary shares with an aggregate nominal value of £15,457 were issued further to the exercise of warrants for aggregate consideration of £15,457.

• On 6 May 2020 21,980,665 new ordinary shares with an aggregate nominal value of £21,981 were issued further to the exercise of warrants for aggregate consideration of £21,981.

• On 6 May 2020 4,800,000 new ordinary shares with an aggregate nominal value of £4,800 were issued to Peterhouse Capital for aggregate consideration of £30,000.

• On 4 June 2020 1,524,000 new ordinary shares with an aggregate nominal value of £1,524 were issued further to the exercise of warrants for aggregate consideration of £1,524.

• On 19 June 2020 23,667,332 new ordinary shares with an aggregate nominal value of £23,667 were issued further to the exercise of warrants for aggregate consideration of £23,667.

• On 6 July 2020 11,428,666 new ordinary shares with an aggregate nominal value of £11,429 were issued further to the exercise of warrants for aggregate consideration of £11,429.

• On 4 November 2020 7,333,681 new shares were allotted with an aggregate nominal value of £7,334. These shares were issued to non-executive director D Williams as consideration for remuneration due of £35,202.

• On 4 November 2020 2,343,750 new shares were allotted with an aggregate nominal value of £2,344. These shares were issued to non-executive director K Harrison as consideration for remuneration due of £11,250.

• On 4 November 2020 2,291,667 new shares were allotted with an aggregate nominal value of £2,292. These shares were issued to non-executive director B Chilcott as consideration for remuneration due of £11,000 .

• On 4 November 2020 5,000,000 new shares were allotted with a nominal value of £5,000. These shares were issued to non-executive director N Hogan as consideration for remuneration due of £24,000.

Share rights
Ordinary and New Ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

Deferred and New Deferred shares have attached to them no voting, dividend or capital distribution (including on winding up) rights; they do not confer any rights of redemption.

Share Warrants
Mike Staten holds 5,583,522 share warrants at the year end with an exercise price of 16.92 pence per share. For comparison the closing share price on 17 March 2021 was 0.475 pence per share. The fair value of the warrants is not material for adjustment.

23 Share-based payments

The share option scheme was originally adopted by the company on 29 September 2011. It was established to attract and retain the best available personnel for positions of responsibility, to provide additional incentive to employees, officers or consultants of the company and to promote the success of the company's business. Further to the acquisition of the business by Location Sciences Group plc (formerly Proxama plc), the options were granted over shares in the parent entity. The share option scheme was and continues to be administered by the directors.

All outstanding options as at 1 January 2018 and outstanding options issued in March 2018 and May 2018 were surrendered and replaced by options issued in November 2018. Further in 2019 part of the outstanding share options issued in November 2018 were surrendered and replaced by options issued in July 2019. Share options surrendered are accounted for as modified options under IFRS 2. The incremental value of the modified share options is not material.

Share options issued in November 2018, February 2019, May 2019 and October 2019 are to be settled by way of issues of Ordinary Shares. The options have no vesting period but cannot be exercised until target share prices are achieved and have a maximum term of 10 years.

Further, Location Sciences Group plc consolidated its shares during 2018 whereby every 100 existing ordinary shares of 0.01 pence was consolidated into one new ordinary share of 1 penny each and on 27 March 2020 the existing ordinary shares were split on a one to one basis for new ordinary shares of 0.1p each. This consolidation and share split are reflected in the comparative information below to facilitate comparability.

The target share prices are as follows:

Target A: £0.048
Target B: £0.073
Target C: £0.097

The movements in the number of share options during the year were as follows:

	2020 Number	2019 Number
Outstanding, start of period	29,773,278	34,222,222
Granted during the period	-	6,700,818
Forfeited during the period	(3,551,056)	(7,333,333)
Surrendered during the period	-	(3,816,429)
Outstanding, end of period	26,222,222	29,773,278

None of the options outstanding at the end of the period are yet exercisable as the target share prices have not yet been achieved.

23 Share-based payments (continued)

The movements in the weighted average exercise price of share options during the year were as follows:

	2020 £	2019 £
Outstanding, start of period	2.28	2.25
Granted during the period	-	2.37
Forfeited during the period	2.49	2.25
Surrendered during the period	-	2.25
Outstanding, end of period	2.25	2.28

The weighted average contractual life of options outstanding at the year-end is 3 years (2019: 3 years).

Fair value of options granted

The fair value of the equity instruments granted was determined using the Black Scholes Model. This model was selected as it is an industry standard model. The exercise price of all the options in issue is 2.25p per ordinary share. The performance condition includes three target share prices, as set out above. The inputs into the model for options granted in 2019 were as follows:

	2020	2019
Weighted average share price during the period	-	2.41p
Exercise price of option	-	2.25p
Expected volatility	-	53%
Risk-free interest rate	-	2%
Probability of achieving criteria	-	50%

The expected volatility was determined with reference to historic volatility. The expected life used in the model has been adjusted, based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural consideration and is estimated at 3 years.

The share-remuneration expense for the year recognised in the Profit and Loss is £48,312 (2019: £48,036). Expenses are allocated to Location Sciences AI Limited, the company that receives the employee services.

24 Commitments

No capital expenditure was committed to as at 31 December 2020 (2019: £Nil).

25 Related party transactions

During the year purchases of £26,250 (2019: £15,000) were made to Alderslade Limited, a company of which K Harrison is a director. As at 31 December 2020, the balance owed to Alderslade Limited was £3,000 (2019: £1,500).

Key management personnel are considered to be the directors of the company and key management compensation is disclosed in note 9 to the financial statements and in the Directors' Remuneration Report on pages 15 to 16 of the financial statements.