

Registration number: 06458458



**LOCATION SCIENCES GROUP PLC**  
**ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

# LOCATION SCIENCES GROUP PLC

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# LOCATION SCIENCES GROUP PLC

## COMPANY INFORMATION

### Directors

S Wilkinson

N Burton

D Rae (resigned 22 June 2022)

M Slade (resigned 22 June 2022)

### 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 0UX

### Bankers

NatWest  
21 Gentleman's Walk  
Norwich  
NR2 1NA

### Nominated Advisor

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

### Broker

Turner Pope Investments  
8 Frederick's Place  
London  
EC2R 8AB

# LOCATION SCIENCES GROUP PLC

## CHAIRMAN'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Dear Shareholders,

I write to you today to present the Chairman's statement for the Location Sciences Group PLC 2022 report and accounts. It is with a mix of challenges and opportunities that I update you on the progress we made during the past year.

The year 2022 marked a significant turning point for Location Sciences Group PLC as we undertook a thorough review of our strategic options. Amidst market volatility and evolving industry dynamics, we recognised the need to reevaluate our strategies and ensure the long-term viability of our company.

Financially, the year presented its share of challenges, with a decline in revenue compared to the previous year. However, I am pleased to report that we entered 2022 with a solid financial foundation. The successful fundraise in 2021 provided us with ample resources, enabling us to pursue our strategic objectives and navigate the complex business landscape.

Furthermore, in our pursuit of strategic optimisation, we took decisive action to streamline our operations. The disposal of our Insights business to Digital Envoy Inc during 2021 was a key milestone in this journey. Not only did it allow us to focus on our core offerings, but it also significantly reduced our overheads and cash burn. As a result, we are well-funded and with a solid platform to deliver shareholder value going forward.

Throughout this process, we have remained committed to our key stakeholders, in particular our shareholders. We recognise that change brings uncertainty, and we have made every effort to navigate these challenges with transparency and fairness. Our team has shown remarkable resilience and adaptability during this period of transition, and we are grateful for their dedication to our shared vision.

Looking forward, we remain cautiously optimistic. The strategic review process has provided us with valuable insights into our strengths, weaknesses, and potential growth opportunities. Armed with this knowledge, we are actively exploring avenues for sustainable expansion and enhancement of our offerings.

Finally, I would like to express my heartfelt gratitude to our shareholders, clients, and partners for their unwavering support throughout this transformative period. Your confidence in our ability to navigate these challenges and capitalise on emerging opportunities has been instrumental in our progress.

In conclusion, while 2022 presented its fair share of hurdles, we are well-funded and strategically positioned for the future. With a solid financial foundation, streamlined operations, and a focus on delivering a new strategic path going forward, we are confident in our ability to create long-term value for our shareholders.

Thank you for your continued trust and support.

Yours sincerely,

**Simon Wilkinson**  
**Chairman, Location Sciences Group PLC**  
**Date: 23 June 2023**

# LOCATION SCIENCES GROUP PLC

## INDEPENDENT DIRECTORS FINANCIAL REVIEW FOR THE YEAR ENDED 31 DECEMBER 2022

Dear Shareholders,

As the Independent Director of Location Sciences Group PLC, I am pleased to present my report alongside the Chairman's statement for the 2022 report and accounts. As a member of the Board, my role is to provide an unbiased perspective and act in the best interests of the company and its shareholders.

Throughout 2022, I actively participated in the strategic review process and monitored the company's performance, governance, and risk management. I have assessed the decisions made and actions taken by the Board, ensuring that they align with the company's values and objectives.

### Financial Performance

The financial performance of Location Sciences Group PLC in 2022 reflected the challenges faced by the company and the broader market environment. I have scrutinised the financial statements and worked closely with the team to understand the underlying causes and evaluate the appropriateness of the strategic initiatives undertaken. I have enclosed below a summary of the Group's financial performance and statement of financial position at the end of the year:

All figures in £GBP (unless otherwise stated)	Year to 31 December 2022	Six months to 30 June 2022	Year to 31 December 2021	Comparison to prior year
Revenue	110,856	53,073	167,940	(34.0%)
Administrative costs	723,149	489,552	801,432	(9.8%)
Loss before tax	850,578	492,353	1,199,068	(29.1%)
Loss per share	0.029p	0.020p	0.076p	(61.8%)
Net assets	4,330,452	4,805,999	5,178,571	(16.4%)
Net current assets	4,195,778	4,399,032	4,641,080	(9.6%)
Cash at bank	4,125,571	4,227,685	4,378,825	(5.8%)
Group borrowings	Nil	Nil	Nil	-

The Board made further overhead reductions during the year and the impact of these can be seen in the decreased administration costs in H2 2022 of £233,597 compared to H1 2022 of £489,552, representing a 52.3% reduction. The loss per share was negatively impacted in H2 2022 by a further right down of our intangible assets of £143,482 (2021: £283,210).

### Strategic Review and Actions Taken

The Board conducted a thorough strategic review during the year to identify the most viable options for sustainable growth and shareholder value creation. This review included the disposal of the Insights business to Digital Envoy Inc, which significantly reduced overheads and cash burn, as well as refocusing the company on its core offerings. We closely scrutinised this disposal and believe it was a prudent decision that will help streamline operations and allocate resources more efficiently. We have also assessed the effectiveness of the board's decision-making process, ensuring that all potential risks and opportunities were duly considered.

### Corporate Governance

We are committed to upholding the highest standards of corporate governance. Throughout the year, we monitored the company's compliance with applicable laws, regulations, and best practices. We reviewed the effectiveness of internal controls, risk management systems, and ethical practices. We are pleased to report that Location Sciences Group PLC has maintained a robust governance framework, with appropriate checks and balances in place to safeguard shareholder interests.

## **Stakeholder Relations**

As the Independent Director, I place great importance on the company's relationships with its key stakeholders. I have closely monitored the engagement efforts undertaken by the team to foster a positive team culture, ensure fair treatment, and provide opportunities for professional growth. Furthermore, I have assessed the company's relationships with clients, suppliers, and other stakeholders, ensuring that open lines of communication are maintained and that their expectations are being met.

## **Looking Ahead**

As the Independent Director, I remain committed to our fiduciary duties and to serving the best interests of Location Sciences Group PLC and its shareholders. I will continue to provide oversight, guidance, and independent perspectives to the Board as the company navigates the evolving landscape. I will monitor progress against strategic objectives, evaluate risk management practices, and advocate for responsible and sustainable business practices.

In conclusion, I express our appreciation for the trust placed in us by the shareholders of Location Sciences Group PLC. I believe that the company's strategic initiatives, including the disposal of the Insights business and the ongoing commitment to find a new strategic direction for the Group, will position it for long-term success. I remain vigilant in our oversight role and are dedicated to the company's continued growth and value creation.

Respectfully submitted,

**Dr Nigel Burton**  
**Independent Director, Location Sciences Group PLC**  
**Date: 23 June 2023**

# LOCATION SCIENCES GROUP PLC

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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

### Fair review of the business

The fair review of the business is set out in the Chairman's and Independent Director's reviews, which describe in detail the financial results 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.

The Group is in a transition stage with the benefits of the refinancing, reorganisation of the Group and the Board's strategic review yet to deliver the value the Board expects to shareholders.

### Principal risks and uncertainties

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

<b>Description</b>	The Group's strategic review does not deliver the expected improved shareholder returns
<b>Impact</b>	The Group may not deliver shareholder value
<b>Mitigation</b>	The Board conducted a thorough strategic review during the year to identify the most viable options for sustainable growth and shareholder value creation.
<b>Description</b>	Location Sciences Group PLC continues to be in a cash consumption phase.
<b>Impact</b>	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.
<b>Mitigation</b>	The Group had in excess of £4 million in net cash resources as at 31 December 2022, which is more than sufficient for the Groups requirements for the foreseeable future.
<b>Description</b>	Changes in regulation negatively impact the Group's market.
<b>Impact</b>	The Group may find the demand for its products is reduced and / or the Group may be forced to change or stop selling one or more of its products.
<b>Mitigation</b>	The Board takes account of commentators and industrial bodies as to the direction of policy change.

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 will be dependent on the outcome of the strategic review and the implementation of the results of this review. As part of our strategic review, we have thoroughly analysed market trends, customer needs, and emerging opportunities to ensure the long-term success and sustainable growth of the company.

The Group is managing this risk by reducing the overheads of the Group and continuing to analyse new opportunities as they arise. The Board are committed to delivering shareholder value in the long-term.

## **LOCATION SCIENCES GROUP PLC**

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

#### **Strategic risks**

Following the strategic review, Location Sciences Group PLC has identified key initiatives, such as seeking acquisition targets and optimising operational efficiency. However, a strategic risk lies in the effective execution of these initiatives. Ensuring successful implementation, alignment across the organisation, and timely delivery of desired outcomes require careful planning, resource allocation, and effective management of change. Any delays, misalignment, or inadequate execution could impede the company's ability to achieve its strategic objectives and may result in lost opportunities, lower competitiveness, and suboptimal financial performance.

It is important for Location Sciences Group PLC to establish clear goals, allocate appropriate resources, and monitor the progress of these strategic initiatives. The company should implement robust project management practices, establish effective communication channels, and regularly evaluate and adjust the execution plan as needed. Additionally, strong leadership and stakeholder engagement are crucial to drive alignment and foster a culture of accountability throughout the organisation.

By proactively addressing this strategic risk and implementing effective execution strategies, Location Sciences Group PLC can enhance its chances of successfully realising the desired outcomes of the strategic initiatives and drive long-term value for shareholders.

This report, in conjunction with the Chairman's statement and Independent Directors 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 14 to 16 and as published on our website: [www.locationsciencesgroup.ai/investor-relations/board-governance](http://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.

**Simon Wilkinson, Chairman**

**Date: 23 June 2023**

# LOCATION SCIENCES GROUP PLC

## CORPORATE GOVERNANCE

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	Date Resigned	Role	Committees
Simon Wilkinson	25/05/2021		Chairman	Remuneration, Nomination, Audit
Nigel Burton	25/05/2021		Non-Executive Director	Remuneration, Nomination, Audit
Mark Slade	24/07/2017	22 June 2022	CEO	-
David Rae	12/02/2018	22 June 2022	CFO	-

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

The roles of the Chairman, Simon Wilkinson, and the Independent Director, Dr Nigel Burton, have a formal division. The Chairman is responsible for delivering the outcome of the strategic review and ensure the adequate and effective resources are in place to deliver shareholder value. The Independent Director is responsible for monitoring the Board and ensuring no individual or group takes control of the Board's decision making and that all key stakeholders are fully briefed on matters and their responsibilities.

### 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.

# LOCATION SCIENCES GROUP PLC

## 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 Simon Wilkinson, who acts as Non-Executive Chairman of the committee, and Nigel Burton.

### **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. It is anticipated that following the completion of the Board strategic review director appraisals will be performed 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. 50% 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 Nigel Burton and Simon Wilkinson, 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 11 to 13.

### **Relations with Shareholders**

The Group encourages two-way communication with both its institutional and private investors and responds promptly to all queries received. The Non-Executive Directors 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.

### **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
- 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 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.

# LOCATION SCIENCES GROUP PLC

## CORPORATE GOVERNANCE (CONTINUED)

### 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 Nigel Burton and Simon Wilkinson, 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
Simon Wilkinson	4/4	1/1	1/1	1/1
Nigel Burton	4/4	1/1	1/1	1/1
Mark Slade	2/4	-	-	-
David Rae	2/4	-	-	-

### Going concern

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

The Group ended 2022 with cash resources of £4,125,571, no debt and an annualised cash burn of less than £0.5 million. The Group continues to operate Verify which has a global client base with customers in Europe and South Africa and is seeking strategic alternatives to deliver shareholder value in the long term.

However, despite the actions of the Board, the Group continued to operate with a trading loss during the year and the same is expected throughout 2023. The new funds raised during 2021 will be utilised for the operation of Verify and for working capital purposes and future opportunities and enable the Group to also remain debt free. The Board will continue to monitor cash resources and progress the ongoing business review.

Based on the current status, after making enquiries and considering the existing cash resources of the business and the further cost reductions made during 2022, the Board has 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 Board 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

**Simon Wilkinson, Chairman**

**Date: 23 June 2023**

# 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 Simon Wilkinson and Nigel Burton, 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; and
- the need to both attract and retain executives of appropriate calibre

### 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 2022

Director	Salary and fees £	Bonus £	Pension £	Benefits £	Share based payments £	Total £
M Slade (Executive)*	77,600	-	660	-	-	78,260
D Rae (Executive)*	64,667	-	660	-	-	65,327
S Wilkinson (Non-executive)	101,563	-	-	-	-	101,563
N Burton (Non-executive)	71,094	-	-	-	-	71,094
	<u>314,924</u>	<u>-</u>	<u>1,320</u>	<u>-</u>	<u>-</u>	<u>316,244</u>

Included within directors' remuneration for S Wilkinson and Nigel Burton is remuneration of £101,563 and £71,094 respectively that was settled by issue of shares.

\* Resigned 22 June 2022.

## LOCATION SCIENCES GROUP PLC

### DIRECTORS' REMUNERATION REPORT (CONTINUED)

Year to 31 December 2021

Director	Salary and fees £	Bonus £	Pension £	Benefits £	Share based payments £	Total £
M Slade (Executive)	170,654	-	1,318	1,951	15,671	189,594
K Harrison* (Non-executive)	59,129	-	-	-	-	59,129
D Rae (Executive)	157,837	-	1,318	-	10,241	169,396
B Chilcott* (Non-executive)	36,000	-	-	-	-	36,000
S Wilkinson** (Non-executive)	165,000	-	-	-	-	165,000
N Burton** (Non-executive)	115,500	-	-	-	-	115,500
	<u>704,120</u>	<u>-</u>	<u>2,636</u>	<u>1,951</u>	<u>25,912</u>	<u>734,619</u>

Included within directors' remuneration for S Wilkinson and Nigel Burton is remuneration of £165,000 and £115,500 respectively that was settled by issue of shares.

\* Resigned 25 May 2021.

\*\* Appointed 25 May 2021.

Director	Grant Date	Exercise Price	At 31 December 2022 Number	At 31 December 2021 Number
M Slade (Executive)	29/11/2018	2.25p	-	15,555,556
D Rae (Executive)	29/11/2018	2.25p	-	7,333,333

Notes: The options were to 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

The options in place at the end of 31 December 2021 were forfeit on 22 June 2022 when the option holders ceased to hold office.

#### Director Warrants

Non-transferable warrants to subscribe for, in aggregate, 120,000,000 Ordinary Shares were issued to the Executive Directors and the Non-Executive Directors, exercisable at 0.20p for five years from 25 May 2021, provided that the Ordinary Shares have traded at a Volume Weighted Average Price (VWAP) at or above 0.30p for 20 consecutive Business Days, or on a change of control of the Company.

Name	Number of Ordinary Shares subject to Director Warrants
Simon Wilkinson	30,000,000
Dr Nigel Burton	30,000,000
Mark Slade	30,000,000
David Rae	30,000,000

## LOCATION SCIENCES GROUP PLC

### DIRECTORS' REMUNERATION REPORT (CONTINUED)

#### Broker Warrants

Transferable warrants to subscribe for, in aggregate, 41,250,000 Ordinary Shares were issued to the Executive Directors and the Non-Executive Directors, exercisable at 0.20p for five years from 25 May 2021.

<b>Name</b>	<b>Number of Ordinary Shares subject to Broker Warrants</b>
Dr Nigel Burton	25,000,000
Mark Slade	10,000,000
David Rae	6,250,000

#### Promoter Warrants

Promoter warrants were issued to certain investors in the fundraising completed on 25 May 2021 in consideration of those persons assembling and co-ordinating the Concert Party's investment in the Company. As part of this issuance, non-transferable warrants to subscribe for, in aggregate, 500,000,000 Ordinary Shares were issued to Simon Wilkinson, exercisable at 0.20p for five years from 25 May 2021.

**Simon Wilkinson Chairman, Remuneration Committee**  
**Date: 23 June 2023**

# LOCATION SCIENCES GROUP PLC

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

The Directors are pleased to present the annual report and audited financial statements of Location Sciences Group PLC for the year ended 31 December 2022.

### Dividends

The Directors do not recommend the payment of a dividend.

### Board of Directors

#### Simon Wilkinson, Non-Executive Chairman

Simon joined Location Sciences as Non-Executive Chairman in May 2021. Simon is a highly experienced software executive and entrepreneur, having been involved with a number of public and private companies over his career. He was most recently CEO then Chairman of Mobica, a world-leading, award-winning software services company offering bespoke development, QA and consultancy. He was previously Chief Executive Officer of Myriad Group AG, which was listed in Zurich, and founder and Chief Executive Officer of Magic4 Ltd, a mobile messaging software market leader, backed by 3i, Philips Ventures and Motorola Ventures.

#### Nigel Burton, Non-Executive Director

Nigel was appointed as a Non-Executive Director in May 2021. Nigel spent 14 years as an investment banker at leading City institutions including UBS Warburg and Deutsche Bank, including as the Managing Director responsible for the energy and utilities industries. Following this he spent 15 years as Chief Financial Officer or Chief Executive Officer of a number of private and public companies. He is currently a Non-Executive Director of BlackRock Throgmorton Investment Trust plc, DeepVerge plc, eEnergy Group plc, Mobile Streams plc and Microsaic Systems plc.

### Research and development

Due to the reorganisation of the business following the Board's strategic review, Location Sciences ceased investing into research and development. £Nil (2021: £341,441) of development expenditure has been capitalised as "Intangible Assets".

### 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 2022, 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.

## LOCATION SCIENCES GROUP PLC

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

#### Substantial shareholdings

As at 23 June 2023 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
Richard Hughes	200,000,000	7.55%
Mahmud Kamani	200,000,000	7.55%
Turner Pope Investments	132,750,000	5.01%
Darron Lee	125,000,000	4.72%
Simon Wilkinson	100,000,000	3.78%
Dr Nigel Burton	85,000,000	3.21%

#### Directors

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

S Wilkinson

N Burton

D Rae (resigned 22 June 2022)

M Slade (resigned 22 June 2022)

The Company maintains director and officers' liability insurance.

#### 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.

## LOCATION SCIENCES GROUP PLC

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

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 2022			At 31 December 2021		
	Ordinary Shares of 0.1p each	Options over Ordinary Shares of 0.1p each	Warrants over Ordinary Shares of 0.1p each	Ordinary Shares of 0.1p each	Options over Ordinary Shares of 0.1p each	Warrants over Ordinary Shares of 0.1p each
S Wilkinson	100,000,000	-	530,000,000	75,000,000	-	530,000,000
N Burton	85,000,000	-	55,000,000	67,500,000	-	55,000,000

The market price of the Company's shares at the end of the financial year was 0.13p.

#### 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 23 June 2023 and signed on its behalf by:

**Simon Wilkinson**  
Chairman

# LOCATION SCIENCES GROUP PLC

## 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 2022, 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 UK adopted international accounting standards.

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 2022 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### Our approach to the 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 key audit matters that in our judgment, had the greatest effect on the financial statements.

### 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.

### How our scope addressed this matter

#### 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 £134,674 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:

- Assessing the nature of the costs capitalised to ensure they met the required accounting criteria for capitalisation;
- Discussions with management to ensure that all criteria for capitalisation had been met and supporting evidence was obtained to corroborate this.
- Considering whether there are any impairment indicators and, where these exist, reviewing impairment reviews prepared by management.

### **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 was not limited to:

- considering funds and resources available to the Group in the year;
- review of forecasts prepared by management to support the going concern assumption; and
- consideration of customer contracts.

### **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 £45,000, which is 1% of the value of the trading subsidiary's total assets.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included discussions with management to support assumptions included in forecasts and the Group ongoing strategy and assessing the level of resource available to the Group.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

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

### **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.

## LOCATION SCIENCES GROUP PLC

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

#### 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.

#### Responsibilities of directors

As explained more fully in the Directors' Report set out on page 16, 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.

Based on our understanding of the company and its activities, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation and money laundering, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as UK GAAP and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate or fictitious journal entries to manipulate the financial performance or financial position of the company.

## LOCATION SCIENCES GROUP PLC

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also planned and performed audit procedures including:

- Gaining an understanding of the legal and regulatory framework and considering the risk of any acts which may be contrary to applicable laws and regulations, including fraud.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluation of the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Making inquiries with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud.
- Testing journal entries and other adjustments for appropriateness and evaluating the business rationale of any significant transactions outside the normal course of business.
- Evaluation of the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclusion on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations or through collusion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our 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.

Ryan Hancock (Senior Statutory Auditor)  
For and on behalf of Hazlewoods LLP, Statutory Auditor

Staverton Court  
Staverton  
Cheltenham  
GL51 0UX

**Date: 23 June 2023**

## LOCATION SCIENCES GROUP PLC

### CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

		2022 £	2021 £
<b>Continuing Operations</b>			
Revenue	4	110,856	167,940
Cost of sales		(29,358)	(77,243)
Gross profit		81,498	90,697
Administrative expenses		(723,149)	(801,432)
Other operating income	5	-	11,267
Operating loss before exceptional administrative expenses, amortisation and depreciation		(641,651)	(699,468)
Amortisation and depreciation		(259,335)	(216,392)
Exceptional administrative expenses	7	42,040	(283,210)
Operating loss	7	(858,946)	(1,199,070)
Finance income	8	8,368	2
Loss before tax		(850,578)	(1,199,068)
Income tax receipt	12	-	113,871
Loss for the year for the financial year from continuing operations		(850,578)	(1,085,197)
<b>Discontinued operations</b>			
Profit (loss) for the year from discontinued operations	6	92,357	(298,161)
Loss for the financial year		(758,221)	(1,383,358)
<b>Earnings per share</b>			
Loss per share - basic and diluted	13	(0.029p)	(0.076p)

The above results were derived from continuing operations.

## LOCATION SCIENCES GROUP PLC

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

	2022 £	2021 £
Loss for the year	(758,221)	(1,383,358)
<b>Other comprehensive income</b>		
Foreign currency translation loss	-	(4,718)
Total comprehensive income for the year attributable to owners of the parent	(758,221)	(1,388,076)

# LOCATION SCIENCES GROUP PLC

(REGISTRATION NUMBER: 06458458)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	14	134,674	537,491
Property, plant and equipment	15	-	-
		<hr/>	<hr/>
		134,674	537,491
<b>Current assets</b>			
Trade and other receivables	17	228,072	331,559
Tax asset	12	-	113,871
Cash and cash equivalents		4,125,571	4,378,825
		<hr/>	<hr/>
		4,353,643	4,824,255
<b>Current liabilities</b>			
Trade and other payables	18	(157,864)	(183,175)
		<hr/>	<hr/>
Net current assets		4,195,778	4,641,080
Total assets less current liabilities		<hr/>	<hr/>
		4,330,453	5,178,571
<b>Net assets</b>			
<b>Equity</b>			
Share capital	21	16,340,507	16,298,007
Share premium		20,088,118	20,034,993
Merger relief reserve		11,605,556	11,605,556
Capital reserve		209,791	209,791
Reverse acquisition reserve		(9,225,108)	(9,225,108)
Equity reserve		1,135,319	1,135,319
Retained earnings		(35,823,730)	(34,879,987)
		<hr/>	<hr/>
Equity attributable to owners of the company		4,330,453	5,178,571

Approved by the Board on 23 June 2023 and signed on its behalf by:

**Simon Wilkinson**  
Director

# LOCATION SCIENCES GROUP PLC

(REGISTRATION NUMBER: 06458458)

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
<b>Assets</b>			
<b>Non-current assets</b>			
Investments	16	3,034,374	3,219,896
<b>Current assets</b>			
Trade and other receivables	17	58,797	132,919
<b>Current liabilities</b>			
Trade and other payables	18	(76,000)	(76,000)
Net current assets		(17,203)	56,919
Total assets less current liabilities		3,017,171	3,276,815
<b>Net assets</b>			
<b>Equity</b>			
Share capital	21	16,340,507	16,298,007
Share premium		20,088,118	20,034,993
Merger relief reserve		11,605,556	11,605,556
Equity reserve		1,135,319	1,135,319
Retained earnings		(46,152,329)	(45,797,060)
Total equity		3,017,171	3,276,815

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 £169,747 (2021: £3,796,912).

Approved by the Board on 23 June 2023 and signed on its behalf by:

**Simon Wilkinson**  
Director

## LOCATION SCIENCES GROUP PLC

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

	Share capital £	Share premium £	Merger relief reserve £	Capital reserve £	Reverse acquisition reserve £	Equity reserve £	Retained earnings £	Total £
At 1 January 2021	14,280,258	19,315,231	11,605,556	209,791	(9,225,108)	-	(33,540,223)	2,645,505
Loss for the year	-	-	-	-	-	-	(1,383,358)	(1,383,358)
Other comprehensive income	-	-	-	-	-	-	(4,718)	(4,718)
Total comprehensive income	-	-	-	-	-	-	(1,388,076)	(1,388,076)
New share capital subscribed	2,017,749	1,855,081	-	-	-	-	-	3,872,830
Warrants issued	-	(1,135,319)	-	-	-	1,135,319	-	-
Share-based payments	-	-	-	-	-	-	48,312	48,312
At 31 December 2021	16,298,007	20,034,993	11,605,556	209,791	(9,225,108)	1,135,319	(34,879,987)	5,178,571
	Share capital £	Share premium £	Merger relief reserve £	Capital reserve £	Reverse acquisition reserve £	Equity reserve £	Retained earnings £	Total £
At 1 January 2022	16,298,007	20,034,993	11,605,556	209,791	(9,225,108)	1,135,319	(34,879,987)	5,178,571
Loss for the year	-	-	-	-	-	-	(758,221)	(758,221)
Total comprehensive income	-	-	-	-	-	-	(758,221)	(758,221)
New share capital subscribed	42,500	53,125	-	-	-	-	-	95,625
Share-based payment credit	-	-	-	-	-	-	(185,522)	(185,522)
At 31 December 2022	16,340,507	20,088,118	11,605,556	209,791	(9,225,108)	1,135,319	(35,823,730)	4,330,453

The notes on pages 30 to 50 form an integral part of these financial statements.

## LOCATION SCIENCES GROUP PLC

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

	Share capital £	Share premium £	Merger relief reserve £	Equity reserve £	Retained earnings £	Total £
At 1 January 2021	14,280,258	19,315,231	11,605,556	-	(42,048,460)	3,152,585
Loss for the year	-	-	-	-	(3,796,912)	(3,796,912)
Total comprehensive income	-	-	-	-	(3,796,912)	(3,796,912)
New share capital subscribed	2,017,749	1,855,081	-	-	-	3,872,830
Share-based payments	-	-	-	-	48,312	48,312
Warrants issued	-	(1,135,319)	-	1,135,319	-	-
At 31 December 2021	16,298,007	20,034,993	11,605,556	1,135,319	(45,797,060)	3,276,815

	Share capital £	Share premium £	Merger relief reserve £	Equity reserve £	Retained earnings £	Total £
At 1 January 2022	16,298,007	20,034,993	11,605,556	1,135,319	(45,797,060)	3,276,815
Loss for the year	-	-	-	-	(169,747)	(169,747)
Total comprehensive income	-	-	-	-	(169,747)	(169,747)
Share-based payment credit	-	-	-	-	(185,522)	(185,522)
New share capital subscribed	42,500	53,125	-	-	-	95,625
At 31 December 2022	16,340,507	20,088,118	11,605,556	1,135,319	(46,152,329)	3,017,171

The notes on pages 30 to 50 form an integral part of these financial statements.

**LOCATION SCIENCES GROUP PLC**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

<b>Cash flows from operating activities</b>	<b>Note</b>	<b>2022</b> <b>£</b>	<b>2021</b> <b>£</b>
Loss for the year from continuing activities		(850,758)	(1,085,197)
Loss for the year from discontinued activities		92,537	(298,161)
Adjustments to cash flows from non-cash items:			
Depreciation and amortisation	7	259,335	508,862
Impairment charge	7	143,482	283,210
Profit on disposal of discontinued operations		-	(290,640)
Foreign exchange gain		-	(4,718)
Finance income	8	(8,368)	(2)
Share based payment transactions		(185,522)	48,312
Income tax expense		-	(113,871)
Shares issued other than for cash		85,000	120,000
Uplift in fair value of directors' fees		10,625	195,500
		<hr/>	<hr/>
		(453,669)	(636,705)
Working capital adjustments			
Decrease / (Increase) in trade and other receivables		103,487	88,225
Decrease in trade and other payables		(25,310)	(33,114)
		<hr/>	<hr/>
Cash used in operations		(375,492)	(581,594)
Income taxes received		113,871	166,272
		<hr/>	<hr/>
Net cash flow from operating activities		(261,622)	(415,322)
<b>Cash flows from investing activities</b>			
Interest received	8	8,368	2
Disposals of discontinued operations		-	450,138
Acquisition of intangible assets	14	-	(341,441)
		<hr/>	<hr/>
Net cash flows from investing activities		8,368	108,699
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares, net of issue costs		-	3,557,330
		<hr/>	<hr/>
Net cash flows from financing activities		-	3,557,330
Net increase/(decrease) in cash and cash equivalents		(253,254)	3,250,707
Cash and cash equivalents at 1 January		4,378,825	1,128,118
		<hr/>	<hr/>
Cash and cash equivalents at 31 December		4,125,571	4,378,825
		<hr/>	<hr/>

The notes on pages 30 to 50 form an integral part of these financial statements.

## LOCATION SCIENCES GROUP PLC

### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

	2022 £	2021 £
<b>Non-cash financing activities:</b>		
Share warrants exercised in year	-	10,000
Fees settled by share issues	-	120,000
Directors' fees settled by share issues	95,625	163,625
	<hr/>	<hr/>

For full details on non-cash financing activities see note 21

## LOCATION SCIENCES GROUP PLC

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £	2021 £
<b>Cash flows from operating activities</b>		
Loss for the year	(169,747)	(3,796,912)
Adjustments to cash flows from non-cash items		
Non-cash impairments	-	3,314,312
Share issues other than for cash	85,000	120,000
Uplift in fair value of directors' fees	10,625	195,500
	(74,122)	(167,100)
Working capital adjustments		
Decrease/(increase) in trade and other receivables	74,122	(132,918)
Increase / (decrease) in trade and other payables	-	57,000
Net cash flow from operating activities	-	(243,018)
<b>Cash flows from financing activities</b>		
Proceeds from issue of ordinary shares, net of issue costs	-	3,557,330
Decrease in inter-company loans	-	(3,314,312)
Net cash flows from financing activities	-	243,018
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 30 to 50 form an integral part of these financial statements.

# LOCATION SCIENCES GROUP PLC

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

### 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 developed a global platform called Verify, which brings transparency to the location based mobile advertising market. Verify allows marketers 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 ended 2022 with cash resources of £4,125,571, no debt and an annualised cash burn of less than £0.5 million. The Group continues to operate Verify which has a global client base with customers in Europe and South Africa and is seeking strategic alternatives to deliver shareholder value in the long term.

However, despite the actions of the Board, the Group continued to operate with a trading loss during the year and the same is expected throughout 2023. The new funds raised during 2021 will be utilised for the operation of Verify and for working capital purposes and future opportunities and enable the Group to also remain debt free. The Board will continue to monitor cash resources and progress the ongoing business review.

Based on the current status, after making enquiries and considering the existing cash resources of the business and the further cost reductions made during 2022, the Board has 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 Board 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.

## LOCATION SCIENCES GROUP PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

#### 2 Accounting policies (continued)

##### **Basis of consolidation**

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2022 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 2022. 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 2022, or later periods, have been adopted early.

None of the standards, interpretations and amendments which are effective for periods beginning after 1 January 2022, and which have not been adopted early, are expected to have a material effect on the financial statements.

# LOCATION SCIENCES GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

### 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.

# LOCATION SCIENCES GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

### 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.

# LOCATION SCIENCES GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

### 2 Accounting policies (continued)

#### Intangible assets

##### 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.

##### Amortisation

<b>Asset class</b>	<b>Amortisation method and rate</b>
Development costs	20% straight line

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

##### Depreciation

<b>Asset class</b>	<b>Depreciation method and rate</b>
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.

# LOCATION SCIENCES GROUP PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

### 2 Accounting policies (continued)

#### 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.

#### 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.

#### 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.

#### 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

## LOCATION SCIENCES GROUP PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

#### 2 Accounting policies (continued)

##### 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 as part of the May 2021 fundraise.

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).

#### 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 £143,482 (2021: £283,210) of development costs.

## LOCATION SCIENCES GROUP PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

##### Fair values of warrant instruments

Warrants issued in May 2021 are valued based on the fair value of the underlying services received. The directors' warrant instruments have been valued with reference to the fair value of the other warrants issued to third parties.

##### 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.

##### 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 marketers to authenticate where their adverts have been viewed and uses proprietary technology to detect location ad-fraud, which would otherwise go unnoticed. The Insights segment was disposed of during the year.

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:

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Verify	110,856	167,940
Location Data and Insights*	-	373,448
	<hr/> 110,856	<hr/> 541,388

\* disclosed within discontinued operations

## LOCATION SCIENCES GROUP PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

#### 4 Segmental analysis (continued)

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

	2022 £	2021 £
UK	60,249	383,003
ROW	50,607	158,385
	<hr/> 110,856	<hr/> 541,388

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:

	2022 £	2021 £
Verify - customer 1	58,109	113,120
Verify – customer 2	50,607	-

Average payments terms are set out in note 17. There are no significant financing components, nor variable consideration elements in customers' contracts.

#### 5 Other operating income

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

	2022 £	2021 £
Furlough receipts	-	11,267

#### 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 COVID-19 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.

## LOCATION SCIENCES GROUP PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

#### 6 Discontinued operations

On 21 October 2021, Location Sciences AI Limited entered into an agreement for the sale of the 'Insights business'.

Outlined below are the results for the year in relation to the portion of the business sold.

	2022 £	2021 £
Revenue	-	373,448
Direct expenditure	-	(144,286)
Gross profit from discontinued operations	-	229,162
Overheads	-	(817,963)
Loss before tax on discontinued operations	-	(588,801)
Sale proceeds received*	92,357	450,138
Net book value of assets sold	-	(159,498)
Profit on sale of discontinued operations	92,357	290,640
Total loss on discontinued operations	92,357	(298,161)

On the 31<sup>st</sup> January 2022 the Company received US\$125,000 in relation to the sale of the Insights business which was announced on 22 October 2021. This deferred consideration was not included in the sale proceeds recognised during 2021 as they did not meet the requirements for recognition within the accounting period.

#### 7 Loss before taxation

Arrived at after charging/(crediting)

	2022 £	2021 £
Depreciation expense	-	5,828
Amortisation expense	259,335	503,034
Research and development expenditure	-	-
Exceptional administrative expenses*	(42,040)	283,210
Share based payments	-	48,312
Net foreign exchange losses	-	4,718
Auditors remuneration		
- Company audit	10,000	10,000
- Subsidiary audit	15,000	15,000
Non-audit services:		
- Tax and other compliance services	7,750	7,750

\*Exceptional administrative expenses includes impairment of intangible assets of £143,482 (2021 - £283,210) and a credit on the reversal of share-based payments on the forfeit of share options of £185,522 (2021 - £nil).

## LOCATION SCIENCES GROUP PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

#### 8 Finance income and costs

	2021 £	2021 £
<b>Finance income</b>		
Interest income on bank deposits	8,368	2

#### 9 Staff costs

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

	2022 £	2021 £
Wages and salaries	331,703	794,544
Social security costs	38,899	102,073
Pension costs, defined contribution scheme	1,431	8,790
Share-based payment expenses (credit) – see note 7	(185,522)	48,312
Redundancy	-	19,035
	<u>187,000</u>	<u>972,754</u>

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

	2022 No.	2021 No.
Finance and operations	1	2
Research and development	-	4
Commercial and client services	-	1
Non-executive directors	2	2
	<u>3</u>	<u>9</u>

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

	2022 No.	2021 No.
Finance and operations	1	2
Non-executive directors	2	2
	<u>3</u>	<u>4</u>

#### 10 Key management compensation and directors' remuneration

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

	2022 £	2021 £
Salaries and other short-term employee benefits	314,924	706,071
Pension costs	1,320	2,636
Expense of share-based payments	-	25,912
	<u>316,244</u>	<u>734,619</u>

## LOCATION SCIENCES GROUP PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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 11 to 13. Directors' remuneration includes salaries settled by issue of shares, as disclosed in note 21.

#### 11 Auditors' remuneration

	2022 £	2021 £
Audit of the Company's financial statements	10,000	10,000
Audit of the subsidiaries' financial statements	15,000	15,000
	<u>25,000</u>	<u>25,000</u>
All other non-audit services comprising interim review and permitted tax services	7,750	12,750

#### 12 Income tax

Tax charged/(credited) in the income statement

	2022 £	2021 £
<b>Current taxation</b>		
UK R&D tax credit	-	(113,871)

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2022 - higher than the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	2022 £	2021 £
Loss before tax	<u>(858,946)</u>	<u>(1,199,068)</u>
Corporation tax at standard rate	(163,200)	(227,823)
Effect of expenses not deductible	-	9,640
Unrecognised deferred tax asset	145,652	167,042
Surrender of tax losses for R&D tax credit	-	35,339
Additional deduction for research development expenditure	-	(84,336)
Discontinued operations	17,548	(56,651)
Other differences	-	42,918
Total tax credit	<u>-</u>	<u>(113,871)</u>

Subject to the UK tax authority's agreement, the Group has UK tax losses of approximately £21,690,000 (2021: £20,933,000) available to carry forward and offset against future taxable profits arising from the same trade. The Group has a potential deferred tax asset of £5,423,000 (2021: £3,977,000) 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.

## LOCATION SCIENCES GROUP PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

#### 13 Loss per share

The calculation of loss per share is based on the loss of £758,221 (2021: £1,383,358) and on the number of shares in issue, being the weighted average number of equity shares in issue during the period of 2,629,956,603 0.1p ordinary shares (2021: 1,814,571,645 0.1p ordinary shares).

	2022 £	2021 £
Loss for the financial year	(758,221)	(1,383,358)

#### Earnings per share

Loss per share - basic and diluted	(0.029p)	(0.076p)
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#### 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.

#### 14 Intangible assets

##### Group

	Internally generated software development costs £
<b>Cost or valuation</b>	
At 1 January 2021	3,270,180
Additions	341,441
Disposal	(2,306,381)
At 31 December 2021	1,305,240
At 1 January 2022	1,305,240
Additions	-
At 31 December 2022	1,305,240
<b>Amortisation</b>	
At 1 January 2021	2,128,388
Amortisation charge	503,034
Disposal during the year	(2,146,883)
Impairment	283,210
At 31 December 2021	767,749
At 1 January 2022	767,749
Amortisation Charge	259,335
Impairment	143,482
At 31 December 2022	1,170,566

## LOCATION SCIENCES GROUP PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

#### Carrying amount

At 31 December 2022	134,674
At 31 December 2021	537,491
At 1 January 2021	1,141,792

Internal development represents the cost incurred in developing the Group's Verify proprietary location verification software with net book value of £134,674 (2021: £537,491). These internal costs have been capitalised in accordance with the Group's accounting policies where all the conditions for capitalisation have been met.

The intangible assets have on average a remaining amortisation period of 2 years.

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.

#### 15 Property, plant and equipment

##### Group

	Computer Equipment £	Office Equipment £	Total £
<b>Cost or valuation</b>			
At 1 January 2021	40,832	2,493	43,325
Additions	-	-	-
Disposals	(35,965)	(2,493)	(38,458)
At 31 December 2021	4,867	-	4,867
Additions	-	-	-
Disposals	(4,867)	-	(4,867)
At 31 December 2022	-	-	-
<b>Depreciation</b>			
At 1 January 2021	36,112	1,385	37,497
Charge for year	4,720	1,108	5,828
Eliminated on disposal	(35,965)	(2,493)	(38,458)
At 31 December 2021	4,867	-	4,867
Charge for year	-	-	-
Eliminated on disposal	(4,867)	-	(4,867)
At 31 December 2022	-	-	-
<b>Carrying amount</b>			
At 31 December 2022	-	-	-
At 31 December 2021	-	-	-
At 1 January 2021	4,720	1,108	5,828

## LOCATION SCIENCES GROUP PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

#### 16 Investments

##### Company

	2022 £	2021 £
Investment in subsidiaries	2,045,589	2,045,589
Capital contribution arising from IFRS 2 share-based payments charge	988,785	1,174,307
	3,034,374	3,219,896

##### Subsidiaries £

##### Cost or valuation

At 1 January 2021	3,171,622
Revaluation	(38)
Impairment	48,312
At 31 December 2021	3,219,896
Revaluation	(185,522)
At 31 December 2022	3,034,374

##### Carrying amount

At 31 December 2022	3,034,374
At 31 December 2021	3,219,896
At 1 January 2021	3,171,622

Details of the Group subsidiaries held as direct investments of the Company as at 31 December 2022 are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2021	2020
Location Sciences AI Limited	Verify	Same registered office address as group	100%	100%

#### 17 Trade and other receivables

	Group		Company	
	2022 £	2021 £	2022 £	2021 £
Trade receivables	160,892	175,875	-	-
Prepayments	47,534	149,403	58,797	132,919
Other receivables	19,646	6,281	-	-
	228,072	331,559	58,797	132,919

## LOCATION SCIENCES GROUP PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

Trade and other receivables are all current and the net carrying amount of trade receivables is considered a reasonable approximation of fair value. Average credit terms were 60 days (2021: 45) and average debtor days outstanding were 80 (2021: 65) excluding balances that have been fully provided for.

All of the Group's trade and other receivables have been assessed for impairment based upon the expected credit losses model. In order to manage credit risk, the Directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history.

Trade receivables are regularly reviewed for bad and doubtful debts. The Group's policy is to include a provision for impairment based on estimated credit losses. This includes an assessment where relevant of forward-looking information on macroeconomic factors that may affect the ability of customers to settle receivables. Trade receivables are written off where there is no reasonable expectation of recovery, for example where the customer has entered insolvency proceedings or where a customer has failed to make contractual payments for an extended period.

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	
	2022	2021
	£	£
31 to 60 days	18,738	32,680
61 to 90 days	12,068	40,082
91 to 120 days	6,711	17,578
3 to 6 months	103,253	41,575
	<u>140,771</u>	<u>131,915</u>

#### 18 Trade and other payables

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Trade payables	7,170	18,699	-	-
Payables to related parties	-	-	-	-
Accrued expenses	89,660	79,872	19,000	19,000
Social security and other taxes	57,000	81,215	57,000	57,000
Other payables	4,034	3,389	-	-
	<u>157,864</u>	<u>183,175</u>	<u>76,000</u>	<u>76,000</u>

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.

## LOCATION SCIENCES GROUP PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

#### 19 Obligations under leases

##### IFRS 16

For the year ended 31 December 2022, the following amounts have been recognised under IFRS 16 in relation to property leases:

	2022 £	2021 £
Expense incurred in relation to 'short-term' leases	-	14,563
Total cash outflow in year in relation to leases	-	14,563

#### 20 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.

The credit risk associated with trade receivables is minimal as invoices are based on contractual agreements with long-standing customers. Credit losses historically incurred by the Group have consequently been considered by the Directors to be exceptional in their occurrence. The Group maintains a provision against receivables, however, this is not necessarily linked to credit risk and the ageing of receivables is not the most relevant indicator to determine the potential impairment of a receivable. The nature of the Group's operations is such that misunderstandings or minor disagreements may arise during the course of contracts, which may sometimes require an adjustment to be made to achieve settlement and the Group's provisions are made on a case by case basis, based on Directors' knowledge of the circumstances surrounding overdue balances as they arise.

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.

The Company has significant credit risks associated with the inter-company debt due from its subsidiary, which is fully provided for as at the year end. As with the Group's policy for making provisions against trade receivables, provisions against inter-company debt is considered based on the Directors' knowledge of the subsidiary's trading activity and financial position.

##### Currency risk

The Group's operations are primarily located in the United Kingdom. The Group's transactions during 2022 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.

## **LOCATION SCIENCES GROUP PLC**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

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 2022.

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 2022.

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 IFRS 16 adjustments, is 1 (2021:1).

#### **Categories of financial instruments**

All of the Group's financial assets are classified as loans and receivables; see note 17. 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. All financial liabilities are due within one year.

The accounting policies applied are set out in note 2.

## LOCATION SCIENCES GROUP PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

#### 21 Share capital

##### Allotted, called up and fully paid shares

	2022		2021	
	No.	£	No.	£
New Ordinary shares of 0.1p each	2,647,587,398	2,647,587	2,605,087,398	2,605,087
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	376,651,734	3,389,866
	<u>4,064,951,530</u>	<u>16,340,506</u>	<u>4,022,451,530</u>	<u>16,298,007</u>

##### Reconciliation of shares

	<u>Number of shares</u>
Total number of shares at 1 January 2022	4,022,451,530
25 May 2022 share issue: settlement of director fees	<u>42,500,000</u>
At 31 December 2022	<u>4,064,951,530</u>

##### Share issue

On 25 May 2022, 42,500,000 ordinary shares were issued at the market value on day of admission of the shares at 0.225p to the non-executive directors as consideration for their second-year fees.

On 25 May 2021 various warrants were issued to certain parties as detailed in the section below.

##### Share rights

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

##### Warrants in Issue

**1) Promoter Warrants** - non-transferable warrants to subscribe for up to 1,500,000,000 Ordinary Shares, exercisable at the 0.20p for five years from 25 May 2021, were issued to certain members of the Concert Party in consideration of those persons assembling and co-ordinating the Concert Party's investment in the Company in May 2021 and facilitating the appointment of Simon Wilkinson as Non-Executive Chairman.

Name	Number of Ordinary Shares subject to Promoter Warrants
Richard Hughes	500,000,000
Mahmud Kamani	500,000,000
Simon Wilkinson	500,000,000

**2) Cornerstone Investor Warrants** - non-transferable warrants to subscribe for up to 250,000,000 Ordinary Shares, exercisable at 0.20p for five years from 25 May 2021, were issued to the Cornerstone Investors of the May 2021 placing.

Name	Number of Ordinary Shares subject to Cornerstone Investor Warrants
Ben Turner	50,000,000
Donna Turner	75,000,000
James Pope	50,000,000
Maxine Pope	75,000,000

## LOCATION SCIENCES GROUP PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

#### 21 Share capital (continued)

**3) Broker Warrants** - transferable warrants to subscribe for up to 100,000,000 Ordinary Shares, exercisable at the 0.20p for five years from 25 May 2021 were issued as shown below.

Name	Number of Ordinary Shares subject to Broker Warrants
Turner Pope	58,750,000
Dr Nigel Burton	25,000,000
Mark Slade	10,000,000
David Rae	6,250,000

**4) Director Warrants** - non-transferable warrants to subscribe for, in aggregate, 120,000,000 Ordinary Shares were issued to the Executive Directors and the Non-Executive Directors, exercisable at 0.20p for five years from 25 May 2021, provided that the Ordinary Shares have traded at a Volume Weighted Average Price (VWAP) at or above 0.30p for 20 consecutive Business Days, or on a change of control of the Company.

Name	Number of Ordinary Shares subject to Broker Warrants
Mark Slade	30,000,000
David Rae	30,000,000
Simon Wilkinson	30,000,000
Dr Nigel Burton	30,000,000

The expense recognised in respect of all warrants issued as part of the May 2021 fundraise has been recognised directly in the share premium reserve, based on the fair value of the services received that are considered to directly relate to the issuing of shares.

#### 22 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, 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.

The target share prices are as follows:

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

## LOCATION SCIENCES GROUP PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

#### 21 Share capital (continued)

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

	<b>2022</b>	<b>2021</b>
	<b>Number</b>	<b>Number</b>
Outstanding, start of period	24,666,666	26,222,222
Forfeited during the period	(24,666,666)	(1,555,556)
Outstanding, end of period	-	24,666,666

All remaining share options were forfeited during the year.

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

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Outstanding, start of period	2.25	2.25
Forfeited during the period	2.25	2.25
Outstanding, end of period	-	2.25

All remaining share options were forfeited during the year.

There was a credit on the reversal of share-based payments on the forfeit of share options of £185,522 during the period (2021: share-remuneration expense £48,312).

#### 23 Commitments

No capital expenditure was committed to as at 31 December 2022 (2021: £Nil).

#### 24 Related party transactions

None during the period.

#### 25 Net debt note

The Group and Company has no debt, thus no net debt note is presented.