FireAngel®

Annual Report & Accounts

For the year ended
31 December 2021

FireAngel Safety Technology Group plc

Vanguard Centre, Sir William Lyons Road, Coventry, CV4 7EZ
VAT No. GB 765 3419 14

Technology that saves lives

INTRODUTION:
Overview

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

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

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

FireAngel manufactures CO sensors at its subsidiary, Pace Sensors, for use in its CO alarms. All other manufacturing and product assembly is outsourced and almost all of the Group's product cost base is sourced in US dollars.

FireAngel's smoke, heat and accessory products are manufactured by Flex in Poland. Other ranges of smoke products are sourced from a leading supplier in the Far East. The Group's CO detectors are manufactured at Pace Technologies in China.

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

In this report

The Statutory Strategic Report comprises the Executive Chairman's Statement, the Strategic Review, the Performance Review, the Section 172 Companies Act Statement and the Risks and Risk Management sections.

Visit our investor website for the latest news and announcements:

www.fireangeltech.com

Operational headlines

- Demand, especially for connected products, was much higher than the Company's ability to supply, which has continued in the first few months of 2022
- The Company was pleased with its revenue growth over 2021 (2021: £43.5 million, 2020: £39.9 million)
- Severe supply chain disruption and inflation in H2, especially in Q4, of 2021 prevented an even better performance for the year
- 2021 started to benefit from the delivery of the gross margin improvement plan with gross margin of 23.2% (2020: 19.8%)
- Valuable agreement announced on 28 March 2022 with Techem Energy Services GmbH ("Techem") to develop a new generation smoke alarm primarily for the German market. Completion of phase 1 of this project, which has been paid for by Techem, has enabled the transition to a second development phase under an extended agreement with Techem

Revenue:
£43.5 million
(2020: £39.9 million)
9%

Adjusted Gross Margin
up to 23.2%
(2020: 19.8%)
3.4%

Financial headlines

- Revenue £43.5 million (2020: £39.9 million)
- Underlying LBITDA[1] £0.1 million (2020: LBITDA[1] £1.5 million)
- Underlying operating loss[2] £3.4 million (2020: underlying operating loss[2] £5.4 million)
- Gross profit[3] £10.1 million (2020: £6.2 million); adjusted gross profit[3] £10.1 million (2020: £7.9 million)
- Gross margin 23.2% (2020: 15.9%) on track with gross margin improvement plan; adjusted gross margin[3] 23.2% (2020: 19.8%)
- Non-underlying items totalling £0.3 million before tax (2020: £3.6 million)
- Underlying loss before tax[4] £3.4 million (2020: underlying loss before tax[4] £5.7 million)
- Loss before tax £3.7 million (2020: loss before tax £9.3 million)
- Basic and diluted EPS (2.0p) (2020: (7.7p))
- Net cash (before lease obligations) at 31 December 2021 £0.1 million (cash £3.3 million, invoice discounting drawdowns £nil, Coronavirus Business Interruption Loan Scheme ("CBILS") loan £3.2 million) (2020: net debt (before lease obligations) £3.7 million)
- Equity fundraising of £9.0 million (net of expenses) and refinancing of Coronavirus Large Business Interruption Loan Scheme ("CLBILS") into CBILS to generate an additional £1.7 million of cash strengthened the balance sheet in support of the Company's aim to improve margins substantially
- Financial performance improved compared with 2020 and in line with market expectations

Loss Before Tax
£3.7 million
(2020: £9.3 million)
60%

Underlying LBITDA
£0.1 million
(2020: £1.5 million)
92%

Equity Fundraising
(net of expenses)
£9 million

[1] Underlying LBITDA in 2020 of £1.2 million is loss before tax before depreciation and amortisation, finance costs, unrealised mark-to-market losses and non-underlying items (2019: underlying EBITDA of £0.2 million).

[2] Underlying operating loss in 2020 of £5.4 million is before non-underlying items (2019: underlying operating loss of £3.8 million before non-underlying items). A reconciliation of 'alternative performance measures' to measures prescribed in financial standards is given in the Performance Review section.

[3] Adjusted gross profit is stated before non-underlying items. Adjusted gross margin is adjusted gross profit as a percentage of revenue.

[4] Underlying loss before tax in 2020 of £5.7 million is before non-underlying items (2019: underlying loss before tax of £4.1 million before non-underlying items; for comparative purposes the underlying loss before tax includes the impact of changing to a more appropriate amortisation approach of £0.9 million in 2019).

Post-balance sheet events and outlook

- The Company announced on 28 March 2022 the formal conclusion of the agreement with Techem for developement phase 2, with a detailed specification to develop a new generation alarm ("NGSA") primarily for the German market
- Delivering a step change in gross margin enhancement from Q2 2022 onwards as planned
- A positive EBITDA forecast for 2022

INTRODUCTION:

FireAngel at a glance

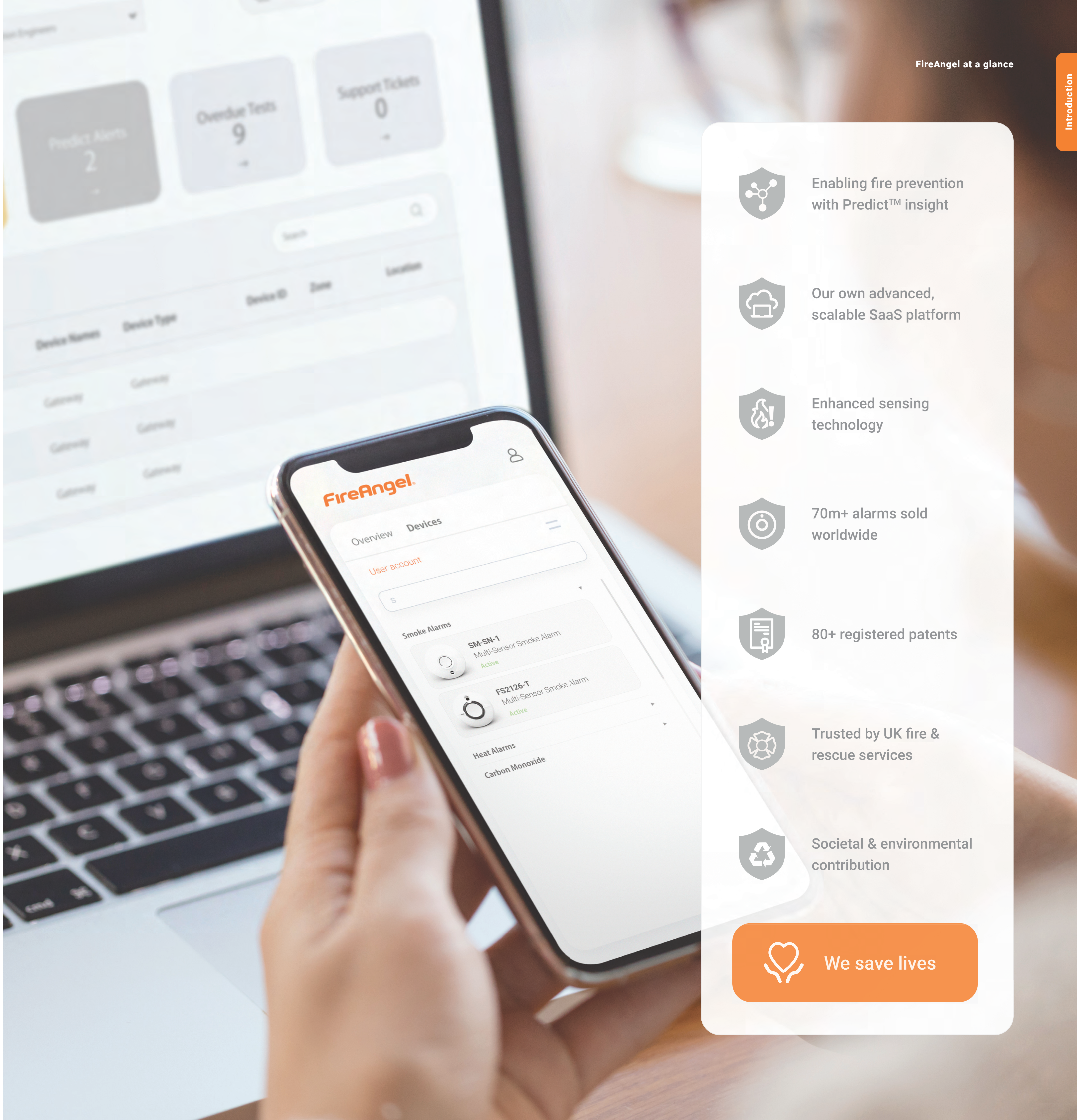
The FireAngel story started in 1998 when the business model was conceived by Nick Rutter, one of the two founders, who wanted to design and sell products:

1. Where existing product solutions did not meet customer needs;
2. Which had global sales potential;
3. Manufactured using plastics and electronics (as this was the area most familiar to Nick); and
4. Which would provide an opportunity to take advantage of economies of scale of manufacture with low cost manufacturers.

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

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

The product and brand advocacy we have from supplying smoke and hearing-impaired alarms to the UK F&RS is illustrated through strong customer loyalty across our business. This philosophy shapes our business model as we continue to listen to our customers' needs to develop the products they want in the future. Sourcing of our own smoke, heat and accessory products from Flex in Poland has enabled us to consolidate our product range, reduce lead times and allowed us to bring manufacturing closer to our core markets.



- Enabling fire prevention with Predict™ insight
- Our own advanced, scalable SaaS platform
- Enhanced sensing technology
- 70m+ alarms sold worldwide
- 80+ registered patents
- Trusted by UK fire & rescue services
- Societal & environmental contribution

We save lives

John Conoley
Executive Chairman

Strategic review

STRATEGIC REVIEW:

Executive Chairman's statement

Overview

We entered 2021 with strong momentum and, despite it being another unprecedented year shaped by the COVID-19 pandemic and its knock-on effects to global supply chains, the Board is pleased with how FireAngel has navigated these. The Company delivered improved financial performance through ongoing careful management of costs and changes to pricing. We are grateful for the support received from shareholders both old and new in the equity fundraising undertaken in April 2021, which raised £9.8 million (before expenses) and I am pleased that we have been able to deliver against our commitments made at that time.

> "We have made excellent progress in 2021 against our primary goal, to drive margin expansion and, in doing so, return to profitability, **with the aim of becoming cash generative at the end of 2022."**

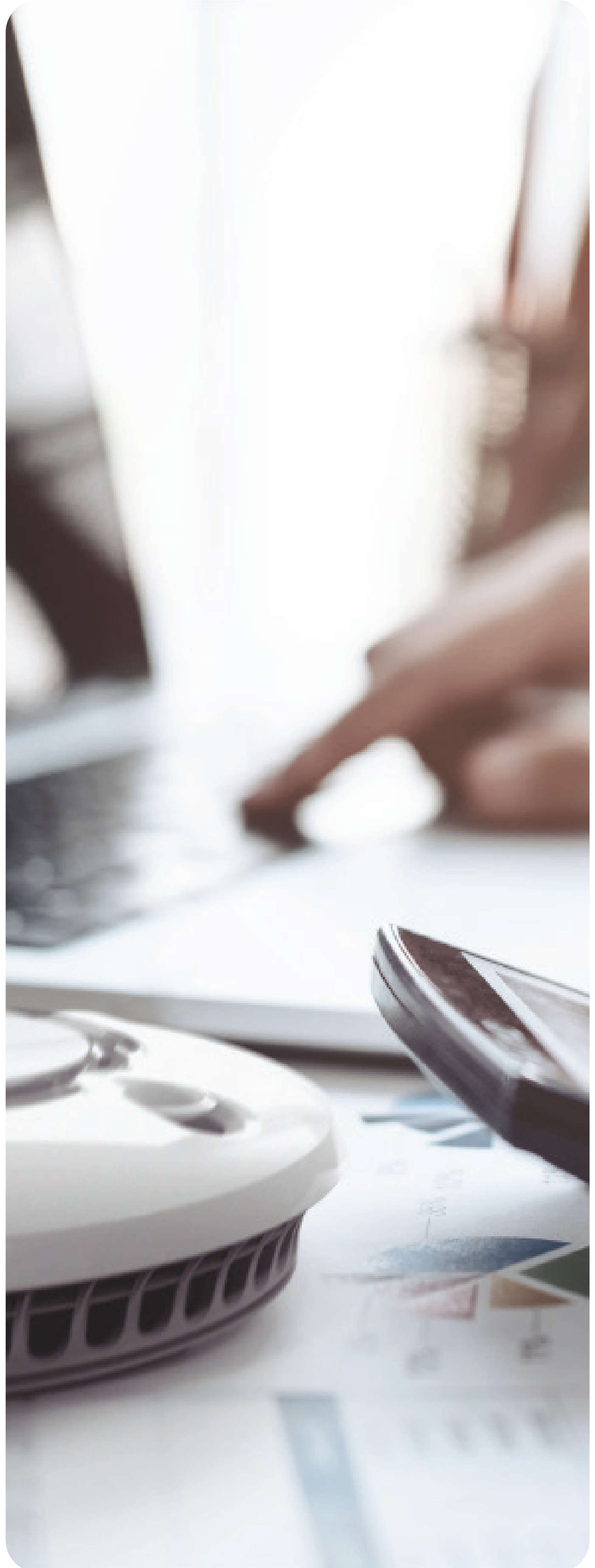
Our primary goal at the start of 2021 was to drive margin expansion and, in doing so, return to profitability and become cash generative by the end of 2022. This goal remains unchanged. We have made excellent progress through the improvement of underlying gross margin from 19.8% to 23.2%, delivering next generation products and connected homes technology, whilst maintaining our leading position in each of our UK Retail, UK Trade and International business units. It has been encouraging to see the excellent progress, providing a strong platform for further improvement.

In April 2021, we were delighted to sign a strategically important partnership agreement with Techem Energy Services GmbH ("Techem"), a leading service provider for green and smart buildings and a major supplier of technical solutions to the European rental market. Under the agreement, FireAngel is developing a new generation smoke alarm initially for the German rental market. This agreement is expected to be transformational for the Group and financial contributions are expected from 2021 and to be significant from 2024, especially, from FY 2025 onwards.

We saw further relevant legislation announced in 2021 that is expected to take effect in 2022. Crucially, the Department for Levelling Up, Housing and Communities announced in November 2021 changes that would require carbon monoxide alarms to be fitted in all UK rental properties with gas boilers or fires, as part of social housing reforms intended to improve standards. Precise details of timing and commitments are still under consideration, but we would expect to step up to meet any additional opportunity for the Company during the remainder of 2022 and 2023.

During the lockdowns of each of the last two years, as an essential business, we successfully maintained a balance between colleagues working from home and attending our sites in Coventry and Gloucester in person. There were no days in any lockdown where at least some of FireAngel' s staff did not attend the Company's UK locations in person to maintain the Company's mission to protect and save lives. However, we did not fully overcome the effects of product shortages which impacted customer satisfaction during the fourth quarter of 2021, and in the earlier part of this year. We experienced daily and unpredictable changes in expected supply, which stretched our teams and processes, and caused frustration to some customers for which I am truly sorry. The overall ledger is much to the credit of our colleagues and the Company, whose goodwill and commitment in the face of so many headwinds enabled us to still ship products to hundreds of thousands (if not millions) of customers last year.

I remain proud of the Company and of its staff for their achievements last year, and I thank my colleagues sincerely for their commitment.



Financial performance

The revenue outturn for 2021 was £43.5 million, an increase from £39.9 million in the prior year, which, whilst in line with our expectations, was restricted due to the effects of COVID-19 on the global supply chain.The gross margin for the year at 23.2% (2020: 15.9%) benefitted from planned internal improvements, but there were some additional product costs caused by the shortage of components.

The Group's balance sheet was further strengthened in the year through the refinancing of the Coronavirus Large Business Interruption Loan Scheme ("CLBILS") loan and replacing it with a Coronavirus Business Interruption Loan Scheme ("CBILS") introducing a further £1.7 million of cash in the year and, as set out above, raising £9.0 million (net of expenses) through an issue of new equity.

With gross margin and underlying operating profit above both the 2019 and 2020 comparables, several strategically important deals signed over the year, and the successful fundraising referred to above strengthening the Group's balance sheet and providing working capital for the next phase of our development, we are extremely pleased with our performance over the year. We believe that FireAngel is in an excellent position to capitalise on growth opportunities going forward.

Strategy

Our medium-term objectives remain unchanged from last year and, as has been previously outlined, the core target for the business is to continue improving gross margin year-on-year, by focusing on three key strands:

- **Migrating to higher value activities and cut out lower value, lower impact activities;**
- **Commercialising our investment in Connected technology; and**
- **Streamlining our value chain of end-to-end administrative and production activities.**

We are pleased with the progress made against each of these objectives.

The funds raised from the equity fundraising in April 2021 have been deployed to improve efficiencies and capabilities across the business, reducing costs, and further expanding our gross margin as part of the above strategic objectives. The funds have also been particularly helpful as we seek to mitigate the current global supply chain challenges and allowed us to forward procure more components.

Strategic progress

Moving to Higher Value Activities

As we confirmed in 31 January 2022's trading update, the Group's project to source entry level products, which are uneconomic to design and produce in Europe, from an existing Chinese partner, has been successful. Deliveries of these products to customers started this month and are expected to be margin enhancing from Q2 2022. This newer product set has, to date, not been materially affected by component issues.

In April 2021, we announced our agreement with Techem, as outlined above. Following a £1.4 million fee for use of our IP payable over the development period, a royalty fee per product will be payable to FireAngel, with 7 million devices forecast to be produced once manufacturing of the new alarms begins in 2024.

We are scaling up our activities to deliver on this agreement, with the second phase (Development Phase 2) having commenced in late 2021. Billing originally commenced in Q2 2021 with approximately £1.0 million having been invoiced by the Company in the year for development work and for use of existing Company IP in the project.

Commercialising connected technology

In February 2021, we announced an agreement with a social housing customer in Scotland to provide approximately 4,000 properties with connected smoke, heat, and carbon monoxide alarms. This contract was of strategic importance as we believe we can be a key supplier of safety equipment for new homes and see excellent potential in supplying the social housing market, particularly given the UK Government's target of building 300,000 new homes each year.

Our expertise in connected technology was also a material factor in securing our partnership with Techem. The world of green and smart buildings is a connected world and we have long been pioneers in connected alarms for safety.

Overall, during the year, and, in particular, the latter part, we could not meet demand for connected products in all sectors due to the supply chain issues and component shortages referred to above. In addition, in 2021, we absorbed inflation which, despite the improving gross margin overall, restricted our gross margin performance. Good performances in many areas were in spite of the issues faced.

We were pleased to announce that we had been re-selected as one of the official suppliers of smoke alarms and associated products to the UK Fire and Rescue Service ("UK F&RS") for four years. This contract was awarded in March 2021 and, with a greater focus on connected products, was testament to the quality and reliability of FireAngel's products as the selection process was concluded following rigorous price, quality, and social impact evaluations.

In 2020, we sold approximately 500,000 connected alarms. Despite our supply problems in 2021, we still managed to sell 665,000 connected alarms, a 33% increase on the preceding year. I am pleased with that of course, but we had unsatisfied demand for far more, especially in UK Retail and UK Trade.

In 2021, we unveiled our new Connected Homes technology, the "New Generation Cellular Gateway", which will enable predictive safety data to be passed onto social housing landlords, meaning that they are better able to offer protective and preventative measures for their tenants. We expect to produce this in volume in Q3 of this year.

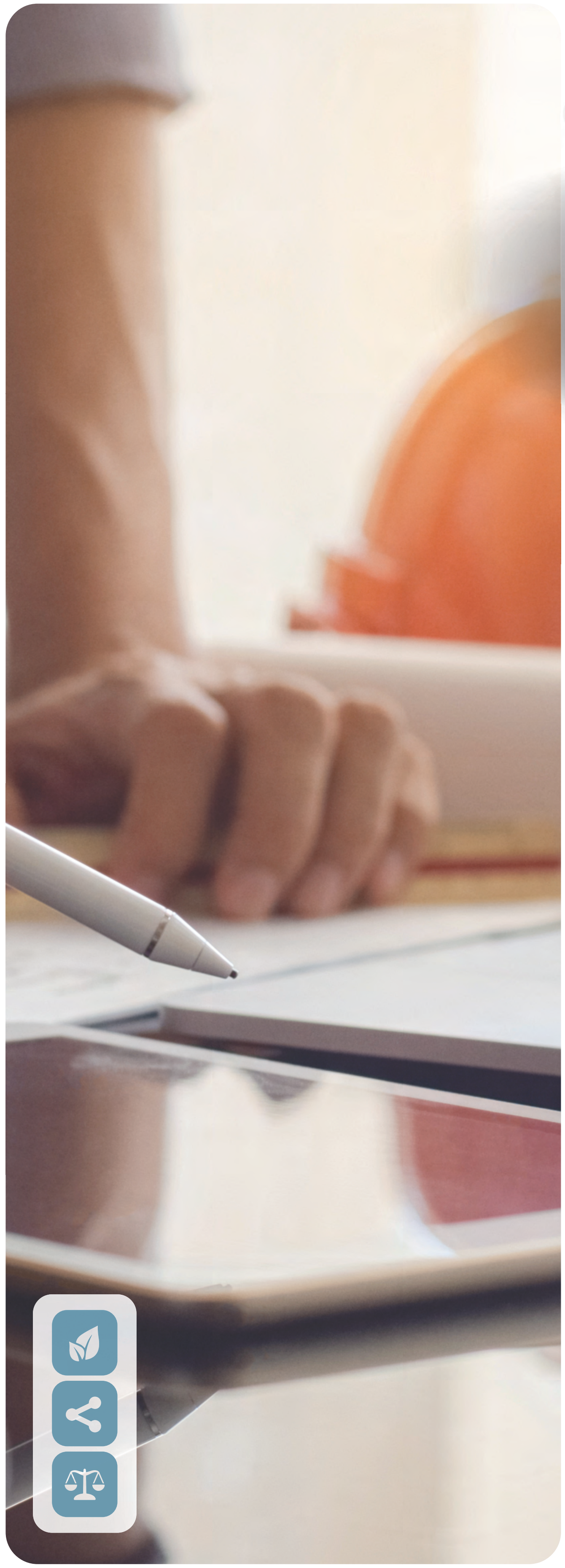
Our initial trials with such initiatives have either been delayed or knocked off course by the immediate imperatives of our own business these past two years, and by the COVID-19 related priorities and/or concerns in turn of our customers. However, we expect to be able to regain momentum this year, and we remain confident that safety and care data will be an important contributor to our success in the medium to long term.

At the end of 2021, there were 32,000 devices registered on our mobile app, showing continued strong growth in the uptake of these products and it is pleasing to see that our customers are using them to their full potential.

Value Chain Improvements

We continued to make improvements to the Group's value chain over the course of the year, particularly against our strategy to review the economic potential of our Stock Keeping Units ("SKUs"). This review highlighted that several of our lower value alarms were uneconomic and led us to reduce our SKUs by a third. The aim has been to reduce complexity and increase efficiency, while lowering risks on stock obsolescence.

Efficiencies across the business have improved from increasing our electronic data interchange ("EDI") capabilities to development of our IT and software systems to provide automated improved processes and communications and reducing the need to increase headcount in line with the increased volumes of the business. The move over to cardboard packaging for our products has not only removed 10 tons of plastics waste from the supply chain in 2021, but also added 1% to our gross margin for 2021 and in future years.



"Underpinning our excellent progress is our proposition to protect and save lives with innovative, cutting-edge home safety technology."

Environmental, Social & Governance ("ESG")

As a fire safety focused technology company, Environmental, Social and Governance ("ESG") issues are already at the heart of our business. In order to put a more deliberate focus on the Company's ESG activities, we have established an ESG Committee. The committee, which is chaired by me, has been put in place to provide oversight and measurement of our ESG related activities across the business.

The committee is comprised of employees at various levels from across the business. Whilst we will develop a longer-term journey, we have decided on some clear initial goals for this year which include carbon footprint measurement and commencing implementation of the environmental standard ISO 140001. We will update on progress in future results announcements.

Management team

The Group was delighted to promote Zoe Fox in April 2021 to the Board as Chief Finance Officer having been Company Secretary since 2019 and Finance Director of the Group's principal subsidiary since 2010. Prior to this, she was Finance Director of BRK Brands Europe Limited, part of the Jarden Corporation. Jon Kempster who was the Company's interim CFO from December 2020 until April 2021 remains on the Board as a Non-Executive Director. Jon is a chartered accountant whose career has included various CFO plc Board positions. Jon's broad financial knowledge and experience bring additional support and input to the Board.

Outlook

We are confident that the middle part of this year will see a step change in gross margin performance, as planned. We have recently begun to ship our new entry level products, a project we initiated in 2020, which will add to the gross margin performance of the overall business beginning Q2 2022. We have reviewed our pricing arrangements, particularly to offset the strong inflationary pressures, and our actions here will begin to have an impact as Q2 2022 progresses.

With the return of an adequate supply of components and products, we expect to see a continuation of the shift of our product mix towards higher margin connected products. We will also continue to put measures in place to safeguard our growth and meet the strong demand we are seeing for our connected products, while developing initiatives focused on growing the core business.

We are particularly excited to have begun the second and major phase of our partnership with Techem. This is a transformational opportunity, from which I expect the Company and its shareholders will derive significant value, potentially across the next ten years. We will continue to update investors on this project's progress as we cross key milestones and, in due course, we hope to expand the already significant opportunity with this partner.

> **"Techem is of long-term value and great significance for FireAngel.** This opportunity has crystallised further with the formal signing of DP2."

We are in an improved financial position and are well capitalised following our April 2021 fundraising and remain comfortable with market expectations for FireAngel to be EBITDA positive in 2022. We will continue to support our near-term financial performance with cost mitigations and price adjustments where necessary or prudent to position ourselves to take full advantage of future growth opportunities.

Whilst we do not underestimate the current challenges and uncertainties facing us, we believe that our business model, the strong demand for our products, our ability to adapt to changing circumstances and the increasing regulation around safety standards, leaves us in a good position to continue to grow and prosper.

Underpinning our excellent progress is our proposition to protect and save lives with innovative, cutting-edge home safety technology. We are excited about the potential in our business pipeline and believe that we are well placed to deliver attractive growth and shareholder returns.

John Conoley
Executive Chairman
28 March 2022

STRATEGIC REVIEW:

Our proprietary technology

Our range of products is comprehensive, allowing the Group to tailor its smoke and CO alarms and accessories to suit its customers' needs at various price points under the following brands:

FireAngel

A market-leading and innovative battery-operated range of smoke and CO alarms principally targeted at UK Retail and the UK Fire & Rescue Services (FR&S).

AngelEye

Launched in 2012, FireAngel sells smoke alarms and CO detectors principally into the French market under the AngelEye brand which has become a leading brand targeted at the DIY channel in France.

SPECIFICATION | Pro

FireAngel Specification and FireAngel Pro are our ranges of smoke, heat and CO alarms which feature Smart RF technology enabling all devices to connect wirelessly, significantly removing the time-consuming requirement for wiring, channelling or trunking. These are the only alarms with proven low carbon footprints producing on average 95% less carbon dioxide compared with other leading mains-powered alarms. These ranges allow their connectivity to be upgraded to communicate information outside the property by installing a FireAngel Connect Gateway. The system features 'FireAngel PredictTM', patented technology to identify and highlight dangerous patterns of behaviour that increase fire risk. A network including a FireAngel Connect Gateway can provide real-time fire and CO safety notifications via remote monitoring of the alarms for more accurate risk management.

PACE SENSORS

CO sensors used within FireAngel's CO products are developed by FireAngel and Pace Sensors, FireAngel's wholly-owned subsidiary in Canada. Pace Sensors' CO sensors are used within all FireAngel, AngelEye and Pace Sensors' CO alarms.

STRATEGIC REVIEW:

Environmental, Social and Governance Report

Waste recycle programme at our Pace Sensors factory

120 Jigsaws ordered to teach school children on fire safety hazards at home

1st Appointment of female director to the Board

23 Redundant company laptops sold on to employees for charity

19 Technical support staff graduating from new training academy

49% of people tested their fire alarm in 2020/21, following the Fire Kills national campaign

7 of workforce now trained in mental health first aid

We have reduced our packaging usage by more than **10 Tonnes**

9 million People reached during Project SHOUT media day in 2021, up 38% from 2020

5.7% of revenue invested in Research & Development

250 trees planted in Madagascar, funded by the company

Introduction

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

Environmental report

Protecting and supporting the environment are both important and crucial to our continuing success. To support the environment, FireAngel have embraced a number of initiatives be it active recycling at the Coventry, Gloucester and Pace Canada offices to encouraging staff to cycle to work through a tax efficient cycle to work scheme.

Our commitment to protecting our planet and environment can also be seen in other activities and actions we have undertaken in 2021. These include the consolidation of our UK warehouses into one premises based in Gloucester reducing the requirement for internal UK transfer shipments and will have a positive impact on offsetting and reducing our carbon footprint as will adopting a hybrid working pattern leading to less business travel. FireAngel have also removed all ionisation alarms from all its UK warehouse facilities through accredited disposal channels which has allowed FireAngel to terminate the radiation permits held with the Environment Agency.

The Group also ensures its operating activities are undertaken in an environmentally conscious manner and currently reports on scope 1 and 2 as required of the Streamlined Energy & Carbon reporting requirements with enhanced reporting on Scope 3 to be developed in the next 12 months. A carbon reduction plan will also be implemented.

In the next 12 months FireAngel's carbon footprint will be measured more formally and actions will be taken to reduce it.

Social

Our commitment to high ethical standards includes positively supporting our stakeholders be they employees, customers, investors, suppliers or the community in which we operate.

Our employees are very important to us and a number of initiatives were launched in 2021 to ensure they feel supported. These included the introduction of a hybrid working pattern following employee consultation and was approved by the Board. The COVID pandemic has, also, highlighted the importance of mental health and has led to FireAngel training a number of people in mental health and wellbeing issues.

Our customers, likewise, are very important with feedback being encouraged through contact with the Business unit directors and the marketing, product management and new product introduction teams. Customer communications and contact is also available via our call centre, social media channels or on the company's website.

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

Governance

A key focus has been on maintaining FireAngel's Board as a well- functioning team led by the Executive Chairman and ensuring it has the necessary skills, experience and capabilities to support it in achieving its corporate goals and assisting it on its ESG journey. Its commitment to diversity, together with recognition of her experience, skill set and expertise, is shown by the appointment of Zoe Fox as its first female director.

An ESG committee was established in quarter one of 2022 and several initial meetings have been held and the committee will meet regularly over the next year. The initial commitments include drawing up its terms of reference to ensure it meets its responsibilities and promotes the success of the business, and a plan to measure the company's carbon footprint this year with the aim of reducing it. A further commitment by FireAngel will be to formalise its current Environmental Management activities with the implementation of a fully certified ISO 14001:2015 Environmental Management system expected in the next 12 months . Implementation will cover UK operations directly together with our associated supply chain activities and will fit with existing accreditations held by our key contract manufacturing partners.

Health and Safety

We regard health and safety as an important element to our success. We view the standards of health and safety required by law as being only the minimum standards to be met and we endeavour to follow best practice at each of our sites.

Performance Review

PERFORMANCE REVIEW:

Group financial results

Overview

2021 started with strong momentum in sales which continued through the year, but the impact of COVID-19 on the global supply chain reduced the ability to achieve all of the Group's full sales potential, especially in H2. Excellent progress was made within the year in the Company's gross margin improvement plan with improved margins starting to be achieved across all business units.

Underlying Group performance

	2021			2020		
	Before non-underlying items £m	Non-underlying items £m	Total £m	Before non-underlying items £m	Non-underlying items £m	Total £m
Revenue	43.5	-	43.5	39.9	-	39.9
Cost of sales	(33.4)	-	(33.4)	(32.0)	(1.7)	(33.7)
Gross profit	10.1	-	10.1	7.9	(1.7)	6.2
Operating expenses	(13.6)	(0.3)	(13.9)	(13.6)	(1.9)	(15.5)
Other operating income	0.1	-	0.1	0.3	-	0.3
Operating loss	(3.4)	(0.3)	(3.7)	(5.4)	(3.6)	(9.0)
Add back:						
Depreciation and amortisation	3.3			3.9		
Underlying LBITDA	(0.1)			(1.5)		

Total revenue increased by 9.0% to £43.5 million (2020: £39.9 million) resulting in an underlying LBITDA[1] of £0.1 million (2020: £1.5 million). The adjusted gross profit[2] was £10.1 million (2020: £7.9 million), which represented an adjusted gross margin[2] of 23.2% (2020: 19.8%). The underlying operating loss[3] was £3.4 million (2020: underlying operating loss of £5.4 million). The underlying loss before tax[4] was £3.4 million (2020: underlying loss before tax £5.7 million).

[1] Underlying LBITDA of £0.1 million is loss before tax ,depreciation and amortisation, finance costs and non-underlying items (2020: underlying LBITDA of £1.5 million).

[2] Adjusted gross profit is stated before non-underlying items. Adjusted gross margin is adjusted gross profit as a percentage of revenue.

[3] Underlying operating loss of £3.4 million is before non-underlying items (2020: underlying operating loss of £5.4 million before non-underlying items)

[4] Underlying loss before tax of £3.4 million is before non-underlying items (2020: underlying loss before tax of £5.7 million before non-underlying items)

The key drivers for changes in revenue and adjusted gross margin are detailed above in the Executive Chairman's statement (below).

Overall cash inflow in the year was £1.8 million (2020: outflow of £0.6 million) and net cash (before lease obligations) at 31 December 2021 was £0.1 million. This compared with net debt (before lease obligations) of £3.7 million at 31 December 2020. The net movement of £3.8 million comprised an increase in cash and cash equivalents of £1.8 million. There was a net decrease in bank debt of £1.9 million through an equity fundraise of £9.0 million (net of fees), the repayment of £2.5 million under the Company's invoice discounting facility, a repayment of £2.6 million of loans under the Coronavirus Large Business Interruption Loan Scheme ('CLBILS') and a drawdown of £3.2 million of loans under the Coronavirus Business Interruption Loan Scheme ('CBILS').

Income statement

Revenue by business unit

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

	2021	2020	Inc/(dec)	Inc/(dec)	2021 Proportion	2020 Proportion
	£m	£m	£m	%	%	%
UK Trade	**11.1**	8.0	**3.1**	**39%**	**26%**	19%
UK Retail	**15.6**	16.6	**(1.0)**	**(6%)**	**36%**	42%
UK F&RS	**2.4**	2.9	**(0.5)**	**(17%)**	**5%**	7%
UK Utilities & Leisure	**0.8**	0.9	**(0.1)**	**(11%)**	**2%**	3%
Total sales in the UK	**29.9**	28.4	**1.5**	**5%**	**69%**	71%
International	**10.9**	9.2	**1.7**	**18%**	**25%**	23%
European Partner	**1.0**	-	**1.0**	**N/A**	**2%**	-
Pace Sensors	**1.7**	2.3	**(0.6)**	**(26%)**	**4%**	6%
Total revenue	**43.5**	39.9	**3.6**	**9%**	**100%**	100%

As of 1 January 2021, the business reassigned a number of customers to different business units. Four customers with a combined revenue of £0.4 million in 2020 which were previously reported within the Utilities business unit are now reporting through the Trade business unit. The 2020 sales comparatives have been adjusted accordingly.

Overall, the Group's revenue increased by 9.0% to £43.5 million (2020: £39.9 million). The £3.6 million increase in sales was largely due to stronger international sales, legislation, increased connected sales and relaxing of COVID-19 lockdown restrictions.

UK Trade sales, one the higher margin business units, had a 39% increase on prior year, H1 2021 saw strong performance across UK Trade as lockdown restrictions were lifted and the market fully reopened, demand continued into H2, but due to supply chain constraints could not be completely fulfilled. New business was won and an uplift in sales was seen as a result of Scottish legislation.

UK Retail was another business unit which had a strong start to the year and continued with strong demand into H2 which was not all fulfilled. Margins increased with the improved mix of Connected sales. Sales in the full year retracted slightly by 6%, but would have outperformed 2020 sales had it not been for the supply chain challenges in H2.

International sales were up 18% over the prior year. The impact of the COVID-19 lockdown restrictions continued to significantly hamper international retail sales in the earlier part of the year but recovered in H2 with sales growing in Amazon in multiple countries and, in particular, Benelux Trade which grew, with sales up 47% on 2020 and 65% up on 2019 driven by Dutch legislation.

UK F&RS and UK Utilities & Leisure business units continued to be impacted by COVID-19 with restricted access to properties and COVID-19 priorities for the customers. The Group was also pleased to announce in March 2021 that it had been re-selected as one of the official suppliers of smoke alarms and associated products to the UK F&RS, which continues FireAngel's long standing relationship with UK F&RS and is the second time the Group has been included in such a framework agreement.

As set out in the Chairman's statement above, the increase in demand for our products was not met in full during H2 2021 as the global supply chain challenges impacted our ability to supply. However, the Group was able to sell more Connected alarms in 2021 than in the previous two years for UK Trade, UK Retail, International, UK F&RS, and Utilities & Leisure, which improve the Group's margins.

The revenue of £1.0 million from our European partner, Techem, is recognised under IFRS15 accounting standards, adopting the input methodology approach to phase revenue recognition as this is based upon direct efforts to satisfy the dominant component of the performance obligation which is the product design. The total revenue associated with this contract amalgamates the background IP, minimum royalty amounts and the charges for the product development phases. To determine the correct accounting treatment the Group has looked at the individual elements of the contract and has concluded that there is one central non-distinct performance obligation. See note 7 for further details.

Revenue at Pace Sensors, the Group's manufacturer of CO sensors, decreased to £1.7 million (2020: £2.3 million), reflecting the higher stock levels in the supply chain.

Gross profit and gross margin

Adjusted gross profit increased to £10.1 million (2020: £7.9 million) and represented an improved adjusted gross margin of 23.2% (2020: 19.8%).

During the year, overall gross profit was impacted by additional purchase price variances caused from the global supply chain challenges, predominantly increasing costs due to securing components on the open market. This added an additional £0.8 million to the cost of sales. The non-underlying costs for the year within gross margin was a small net credit of £22,000. Non-underlying items impacting gross profit in the prior year amounted to £1.7 million.

The overall gross profit increased from £6.2 million to £10.1 million, representing a gross margin of 23.2% (2020: 15.9%). The increase in gross profit was largely due to the reduction in non-underlying items to a credit of £22,000 (2020: charge of £1.7 million), described below, the increase in revenue and the progress made in improving the Group's gross profit by delivering connected technology and moving to higher value activities as part of the Company's gross margin improvement plan.

Exchange rates

During the year, on average the value of sterling against the US dollar remained largely the same with the peak in May and June 2021 where sterling strengthened against the US Dollar by 3% from the average rate for the year. Sterling strengthened against the Euro with a 6% increase over the course of the year. The Group has a forward hedging policy, which aims to mitigate the risk of currency fluctuations by locking into current rates for future periods on a set percentage of expected future currency flows. The weakening or strengthening of sterling against the US dollar or Euro during the year increases or decreases the committed sterling cost of forward contracts entered into in accordance with the Group's policy to hedge future US dollar purchase and Euro sale requirements. This mark-to-market decrease or increase in sterling cost is required to be recognised in cost of sales for the year and, to the extent that this was not mitigated, by the retranslation of other US dollar or Euro denominated monetary items. The Group had a £1.0 million positive impact on the gross margin for the year, in 2020 there was a £0.3 million increase in the sterling cost which was detrimental to the gross profit.

Overheads

The Group's overhead costs comprise of the distribution and administrative costs of running the business. Excluding non-underlying items totalling £0.3 million (2020: £1.9 million), further details of which are given below, and depreciation and amortisation of £3.3 million (2020: £3.9 million), overheads of £10.3 million were 6.1% higher than the prior year's £9.7 million, due largely to the increased distribution costs impacted by global supply chain challenges and the continued investment in people to improve processes across the organisation and to deliver the Company's strategic objectives.

Total overhead costs amounted to £13.9 million (2020: £15.5 million).

Non-underlying items in 2021

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

Within cost of sales:

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

- An amount of £66,000 was expensed in relation to the settlement of warranty issues with certain distributors (2020: £0.3 million)
- The Group was able to sell stock lines that had previously been impaired which resulted in a non-underlying credit of £88,000

Within operating expenses:

- Share-based payment charges of £0.3 million were incurred during the year (2020: £0.2 million)

Non-underlying items in 2020

Non-underlying costs totalling £3.6 million were incurred in the year as follows:

Within cost of sales:

- Provision for warranty costs: the FireAngel battery warranty provision, an isolated historical issue relating to a third-party supplier first identified in April 2016, was increased by £1.2 million to reflect an increase in the terminal volume of units expected to be impacted by the issue based on the level of returns currently being seen; in addition, an amount of £0.3 million was expensed in relation to the settlement of warranty issues with certain distributors.
- Stock impairment and disposal costs: £0.2 million net was provided in the year as a result of a further review of product lines and future development plans in line with the Group's strategy to become a more technology-led connected home solutions provider. This comprised gross impairment charges of £0.4 million offset by proceeds of £0.2 million from stock previously impaired.

Within operating expenses:

- Intangible capitalised development assets of £1.4 million were impaired during the year as a result of a thorough review of product lines and future development costs.
- Tangible assets of £0.2 million were impaired during the year as a result of a thorough review of tooling required for ongoing product lines.
- Restructuring costs of £0.1 million were incurred in the year.
- Share-based payment charges of £0.2 million were incurred during the year.

Result for the year

The Group's underlying LBITDA for the year amounted to £0.1 million compared with underlying LBITDA of £1.5 million in 2020.

The underlying operating loss for the year amounted to £3.4 million compared to an underlying operating loss of £5.4 million in 2020. After taking account of non-underlying items of £0.3 million (2020: £3.6 million) and finance charges of £nil (2020: £0.3 million) as a result of interest on borrowings in the year, the Group reported a loss before tax of £3.7 million (2020: loss before tax £9.3 million).

The Group booked a tax credit of £0.4 million (2020: tax credit of £0.6 million) due largely to the recognition of tax losses and the surrender of taxable losses for a research and development tax credit.

Basic and diluted EPS for the year was a loss of 2.0 pence per share (2020: loss of 7.7 pence per share).

Statement of financial position

The net assets of the Group amounted to £20.2 million at 31 December 2021 (2020: £14.2 million) and can be summarised as follows:

	2021	2020
	£m	£m
Goodwill	**0.2**	0.2
Plant and equipment	**3.3**	4.3
Capitalised development costs	**11.8**	11.7
Purchased software costs	**1.6**	2.0
Non-current assets	**16.9**	18.2
Net cash balances	**3.3**	1.5
Loans and borrowings	**(3.2)**	(5.2)
Net cash / (debt)	**0.1**	(3.7)
Lease liabilities	**(1.0)**	(1.4)
Net working capital	**5.0**	3.8
Net tax asset (including deferred tax)	**0.5**	0.7
Net derivative financial assets/ (liabilities)	**0.3**	(0.7)
Warranty provision	**(1.6)**	(2.7)
Net assets	**20.2**	14.2

Non-current assets at 31 December 2021 amounted to £16.9 million compared with £18.2 million at 31 December 2020. The most significant components of this were capitalised development costs, with a net book value of £11.8 million, plant and equipment of £3.3 million and purchased software costs of £1.6 million. Capitalised development assets of £0.1 million were impaired during the year as a result of a thorough review of product lines and future development costs.

Total capital expenditure (excluding right of use assets) decreased to £2.0 million compared to £2.8 million in 2020. Of this total, £1.5 million represented capitalised development expenditure to further enhance the Group's connected homes and wider technology portfolio as described in note 18 to the financial statements (2020: £2.6 million). All research and development costs associated with the development of the new generation smoke alarm for Techem was charged to the customer.

Total capital expenditure of £2.0 million (2020: £2.8 million) compares with depreciation, amortisation and impairment charges totalling £3.3 million (2020: £5.4 million).

Working capital increased by £1.2 million to £5.0 million at 31 December 2021. While stock decreased by £2.9 million to £3.7 million (2020: £6.6 million) at 31 December 2021, the build-up of stock was hindered due to the ongoing effect of COVID-19 impacting the global supply chain thereby reducing our supply of stock from some suppliers.

Trade and other receivables decreased by £0.6 million to £9.4 million (2020: £10.1 million) as a result of reduced revenue in the final quarter of the year due to supply chain challenges resulting in lower stock being available for sale in the last few months of the year. In the year, average debtor days decreased from 62 to 53 due to a change in the mix of sales and lower UK Retail sales as a proportion of the total revenue in Q4 2021.

Trade and other payables decreased by £4.7 million to £8.1 million (2020: £12.8 million). Average creditor days reduced significantly to 21 days (2020: 72 days) due to the increased pressure to support our manufacturing partners with extended working capital exposure from longer component lead times resulting in increased credit exposure in addition to purchasing components on the open market with minimal credit terms.

Net tax assets at 31 December 2021 amounted to £0.4 million (2020: £0.7 million) and comprised a current tax asset of £0.4 million (2020: £0.7 million), deferred tax assets of £3.1 million (2020: £2.4 million) and deferred tax liabilities of £3.1 million (2020: £2.4 million). Deferred tax assets reflect temporary timing differences in the treatment for tax and accounting of the Group's trading losses and share-based payments charge. Deferred tax liabilities largely reflect timing differences in the treatment of accelerated research and development tax credits on product development costs.

The Group's warranty provision at 31 December 2021 amounted to £1.6 million (2020: £2.7 million) of which £1.0 million is expected to be utilised within twelve months of the balance sheet date. This provision predominantly covers the expected costs of replacing smoke alarm products over the next two to three years where an issue in certain batteries provided by a third-party supplier, announced in April 2016, may cause a premature low battery warning chirp. While the utilisation of the provision has broadly tracked to the revised 31 December 2020 estimates, the amounts provided are the Board's best estimate of the ongoing liability (refer to note 3).

Cash

The Group had net cash (before lease obligations) [1] of £0.1 million at 31 December 2021 (2020: net debt (before lease obligations) [1] £3.7 million). The movement in net debt (before lease obligations) during the year is reflected in the statement of financial position as follows:

	£m
Increase in cash balances and net cash inflow	(1.8)
Reduction of invoice discounting drawdown	(2.5)
Repayment of CLBILs	(2.6)
Drawdown of CBILS loan	3.2
Reduction in net debt (before lease obligations)	(3.7)

The net cash inflow of £1.8 million in the year is summarised in the table below. The most significant non-operating cash flow items include the costs of the warranty provision and other non-underlying items totalling £1.3 million, capital expenditure of £2.0 million (as described above), the draw down on the Coronavirus Business Interruption Loan Scheme ("CBILS") loan of £3.2 million and the repayment of the Coronavirus Large Business Interruption Loan Scheme ("CLBILS") of £2.6 million and the cash flows in relation to the equity fundraising described below.

In March 2021, the Group refinanced its existing CLBILS. As the Group's revenue dropped below £45.0 million, the CLBILS (which had reduced to £2.0 million at the end of March 2021) was refinanced under the CBILS with HSBC UK. The new loan of, in aggregate, £3.7 million ("New Loan") comprises a CBILS loan of £3.2 million and an additional Receivables Finance CBILS of £0.5 million. The New Loan, which was used to partially to pay off the balance of the CLBILS, has a term of 6 years with the first year being free of interest and capital repayments and an interest rate thereafter of 3.99 per cent. over the Bank of England's base rate. While the full £3.2 million CBILS loan was drawn down in full in March 2021, the £0.5 million additional Receivables Finance CBILS as at the date of this announcement has not been drawn on. The Group maintains its existing Invoice Discounting Facility of £7.5 million, which at 31 December had not been drawn on.

In April 2021, the Group raised £9.8 million (gross) through the issue of 54,444,444 new ordinary shares of 2p nominal value at an issue price of 18p per share. Share issue expenses amounted to £0.8 million. The net proceeds of £9.0 million were to provide the Group with the resources to deliver the strategy and return to profitability.

	2021	2020
	£m	£m
Underlying operating loss[2]	**(3.4)**	(5.4)
Depreciation and amortisation charges	**3.3**	3.9
(Increase)/ decrease in working capital	**(1.0)**	2.1
Decrease in fair value of derivatives	**(1.0)**	0.3
(Used by)/from operations before non-underlying payments	**(2.1)**	0.9
Cash cost of warranty provision and other non-underlying items	**(1.3)**	(2.3)
Cash used by operations	**(3.4)**	(1.4)
Interest paid (net)	**(0.1)**	(0.3)
Taxation received	**0.6**	0.7
Capital expenditure	**(2.0)**	(2.8)
Proceeds from share issue (net)	**9.0**	5.5
(Repayment) of invoice finance	**(2.5)**	(4.4)
Drawdown of loan	**3.2**	3.2
Repayment of loan	**(2.6)**	(0.6)
Loan restructuring costs	**-**	-
Lease payments	**(0.4)**	(0.5)
Net cash flow	**1.8**	(0.6)

[1] Net cash (before lease obligations) in 2021 of £0.1 million is calculated as cash and cash equivalents, loans and borrowings and invoice discounting facilities (2020: net debt (before lease obligations): £3.7 million)

[2] Underlying operating loss in 2021 of £3.4 million is before non-underlying items (2020: underlying operating loss of £5.4 million before non-underlying items).

Use of non-GAAP financial performance measures

Certain disclosures and analyses set out in this annual report include measures, which are not defined by generally accepted accounting principles ('GAAP') under international accounting standards in conformity with the Companies Act 2006. We believe this information, along with comparable GAAP measurements, is useful to investors. Management uses these financial measures, along with the most directly comparable GAAP financial measures, in evaluating our operating performance. Non-GAAP measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with GAAP.

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

Underlying profit measures

	2021 £m	2020 £m
Adjusted gross profit		
Reported gross profit	**10.1**	6.2
Non-underlying items:	**-**	
- Provision for warranty costs	**0.1**	1.5
- Provision against stock and disposal costs (net)	**(0.1)**	0.2
Adjusted gross profit	**10.1**	7.9

Adjusted gross margin percentage

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

	2021 £m	2020 £m
Underlying operating losas		
Reported operating loss	**(3.7)**	(9.0)
Non-underlying items:		
- Provision for warranty costs	**0.1**	1.5
- Provision against stock and disposal costs (net)	**(0.1)**	0.2
- Restructuring costs	**-**	0.1
- Impairment of intangible assets	**-**	1.4
- Impairment of tangible assets	**-**	0.2
- Share-based payments charge	**0.3**	0.2
Underlying operating loss	**(3.4)**	(5.4)

	2021 £m	2020 £m
Underlying loss before tax		
Reported loss before tax	**(3.7)**	(9.3)
Non-underlying items:		
- Provision for warranty costs	**0.1**	1.5
- Provision against stock and disposal costs (net)	**(0.1)**	0.2
- Restructuring costs	**-**	0.1
- Impairment of intangible assets	**-**	1.4
- Impairment of tangible assets	**-**	0.2
- Share-based payments charge	**0.3**	0.2
Underlying loss before tax	**(3.4)**	(5.7)

	2021 £m	2020 £m
Underlying LBITDA		
Reported loss before tax	**(3.7)**	(9.3)
Finance costs	**-**	0.3
Depreciation and amortisation	**3.3**	3.9
Non-underlying items:		
- Provision for warranty costs	**0.1**	1.5
- Provision against stock and disposal costs (net)	**(0.1)**	0.2
- Restructuring costs	**-**	0.1
- Impairment of intangible assets	**-**	1.4
- Impairment of tangible assets	**-**	0.2
- Share-based payments charge	**0.3**	0.2
Underlying LBITDA	**(0.1)**	(1.5)

Net cash before lease obligations

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

Dividend

As a result of the loss reported for the year, and consistent with the decision not to declare an interim dividend (2020: nil pence per share), the Directors do not recommend the payment of a final dividend (2020: nil pence per share). The total dividend payable for 2021 is therefore nil pence per share (2020: nil pence per share).

Post balance sheet events

As announced on 28 March 2022 the Group successfully completed the fully funded Development Phase 1 (DP1) of its partnership with Techem and has now formally concluded the agreement with Techem for Development Phase 2 (DP2), with a detailed specification. It is expected that the development period will last until the end of 2024 and the new generation smoke alarm will be available for sale in H2 2024. Techem has also selected the FireAngel CO sensor, manufactured by FireAngel's CO sensor factory in Canada, to be incorporated exclusively into the new alarm, which is expected to significantly increase the medium-term financial opportunity for the Group.

Zoe Fox
Chief Finance Officer
28 March 2022

PERFORMANCE REVIEW:
Section 172 Companies Act statement

The Board of Directors in undertaking their roles recognise their responsibilities to comply with the statutory duties under the Companies Act 2006. This includes complying with S.172 and the duty to promote the success of the company for the benefit of its members as a whole. These provisions form part of the Company's long term strategic decision making, including the desirability of the company to maintain a reputation for high standards of business conduct in all its actions and endeavours and to act fairly between all members. This is shown by engaging in regular dialogue with our investors and customers, supporting the Community by sponsoring conferences and awards, paying suppliers promptly or increase training relating to the wellbeing of our employees. The statement required under the Companies (Miscellaneous Reporting) Regulations 2018 setting out how the Board of Directors of FireAngel have performed their duty under S. 172 with regard to the stakeholder factors listed in S.172 (1) are set out below.

Who was engaged?	Why were they engaged?	How were they engaged?	What was discussed and what were the outcomes and actions?
Investors The Company's major shareholders are set out on page 52 of the Statutory Directors' Report.	The Board believes it is important to have open communications with shareholders to continue to access capital to ensure the long-term success of the business. Through its engagement activities the Board seeks to: • broaden the investor base to encourage long-term support and increased liquidity in the market for the Company's shares • obtain investor buy-in into the Group's strategic objectives and how they are executed	The Board's approach to investor engagement is detailed in the Corporate Governance Report on page 36. Key interactions included through: • Physical and virtual meetings with major institutional investors • One-to-one investor meetings with the Executive Chairman, Chief Finance Officer and Chair of the Audit and Remuneration Committees • Videos and interviews	The Directors regularly engage with investors through the cycle of presentations linked to results announcements during which the topics of strategy, governance and performance are discussed. In addition to this, specific matters on which the Board engaged and the outcomes and actions that followed, included: • Mitigation against the impact of COVID-19: the Directors discussed with certain major institutional shareholders the impact of COVID-19 on the Company's financial position and challenges on supply chains and component shortages and agreed proposed actions to conserve cash and protect the financial result • Long-Term Incentive Plan considerations: feedback and input around the quantum and performance criteria of a LTIP award to Senior managers was sought from certain major institutional shareholders • Board appointments: feedback and input was provided by certain major institutional shareholders around the appointment of a Chief Financial Officer and a Non-Executive Director • Fundraising in May 2021: certain existing shareholders were consulted as to their appetite for participating in a fundraising in April 2021, the outcome of which was a Firm placing ,Conditional Placing and Open Offer of the fundraising amount subject to clawback under the open offer
Suppliers The Group has a limited number of international suppliers who manufacture products designed by the Group.	With all its production outsourced, the performance of the Group's suppliers is crucial to the continued success of the business. In some cases production of the Group's products represents a significant proportion of the supplier's total output. It is therefore vital that the Group engages with these suppliers to ensure the continuity of supply in the longer term. The global impact of COVID-19 on both the availability and cost of products meant that close co-operation with key suppliers was crucial to ensure continuity of supply and appropriate credit terms in the face of uncertain demand.	Key interactions included through: • Regular operational workshops held virtually between key staff at the Group's facilities and the suppliers' manufacturing facilities • Presentation of strategic and product roadmaps • Sharing detailed COVID-19 impact assessments including variation in expected demand through reforecasts, production and delivery issues and COVID-19 risk assessments • Visits to key production centres (when restrictions lifted) to foster closer working relationships and discuss supply chain and production issues • Supporting waste reduction initiatives in global supply chain and purchase of components	• Close sharing of quality data led to improvements to production processes which reduced waste and increased yields through improved quality • Collaboratively sharing the impact of COVID-19 disruption on forecast demand, capacity and cash flows led to mutually agreed changes to production and delivery schedules and temporary extensions to payment terms and conditions • Tri party conversation and collaborations with the Group's suppliers and their critical component suppliers

Who was engaged?	Why were they engaged?	How were they engaged?	What was discussed and what were the outcomes and actions?
Employees The Group employs staff with key managerial, engineering and technical skills.	The contribution of the Group's dedicated staff and management team is critical to the Group's success. Should the Group be unable to attract new employees, or retain existing staff, this could have a material adverse effect on the Group's ability to grow or maintain its business. The Board's duty to ensure a safe working environment for the Company's employees is its top priority and continues to be the first consideration in all decisions made during the COVID-19 pandemic.	The Group's approach to Employees engagement is detailed in the Environment, Social and Governance section of the Strategic Review report on page 16. Key interactions included through: • Regular communication, guidance and feedback throughout the COVID-19 pandemic as to measures being taken to ensure a safe working environment, recommended working practices and the financial impact on the Company • Company Briefing Updates delivered throughout the year by the Executive Chairman • Presentation of the Group's strategic and five-year plan to its senior management team through a Strategy days • Cost of living increase • Monthly newsletter The Smoke Signal circulated internally to ensure all employees can remain connected wherever their place of work • Employee surveys • Training by St. John's ambulance in First Aid for Mental Health	• Discussions around safe working practices and attendance at the workplace led to a number of changes to the workplace environment to ensure the safety of employees and those visiting our sites • Introduction of hybrid working with a mixture of home working and office working • Employee responses to the Company Briefing Updates helped focus future briefings on specific areas of current product development and feature sets, future strategy and remuneration policies • Cost of living increase should encourage employee retention and recruitment whilst also reflecting marketplace trends
Customers The Group has customers of varying size across its divisions both in the UK and internationally.	The Group is dependent upon its customers and distribution channels to sell and promote its products in its chosen markets. The Group's products form part of range strategies and long-term rollout plans for many of its customers. Customer feedback and communication is therefore vital to ensure that the Group's products evolve as part of a planned, thought-through strategy such that supply meets future demand.	Key interactions included through: • Regular account management meetings with key customers during 2021 including discussing stock availability • Sharing detailed COVID-19 impact assessments including variation in expected demand through reforecasts, production and delivery issues and COVID-19 risk assessments • Supporting waste reduction initiatives by proactively updating product repackaging from PET to cardboard • Partnership and engagement with German energy and efficiency service provider for real estate sector (Techem)	• Key customers and industry groups provided feedback on proposed future range strategies and evolving feature sets which impacted the Group's connected homes technology product design and market positioning plans • Customer feedback on future demand as a result of prolonged COVID-19 lockdown restrictions • Supporting of waste recycling initiatives has saved 1.9 million PET boxes from landfill • Fully funded research and development programme for a new generation smoke alarm. Design phase 1 defined specification for new generation alarm. design phase 2 develops new alarm for sale from 2024
Lenders The Group has access to debt finance through its banking relationships.	In addition to equity funding, the Group uses debt finance to provide short-term funds. The Group must demonstrate the future viability of the business in order to ensure that debt finance continues to be available at acceptable rates of interest. The impact of COVID-19 lockdown restrictions led to an immediate and material reduction in sales and debtors, with a corresponding reduction in funding available through the Group's invoice discounting facility.	Key interactions included through: • Input into the Group's fundraising plans in April 2021 • Applying for and securing a Coronavirus Business Interruption Loan Scheme ('CBILS') loan for £3.2 million and an additional £0.5 million Receivables Finance CBILS with extended payment terms to replace the Coronavirus Large Business Interruption Loan Scheme • Performance review meetings throughout the year including presentation of the Group's budget for the year ahead • Independent audit of the Group's compliance with the terms of the invoice discounting facility and Group's forecasts	• The Group discussed with its primary lender the intention to raise £9.8 million through a Conditional placing, Firm placing and open offer • The Group discussed the impact of COVID-19 lockdown restrictions on demand and short-term funding with its primary lender which led to it securing a CBILS loan of £3.2 million and an additional £0.5 m Receivables Finance CBILS in March 2021
Communities and Environment	Provide unique insight into community to ensure FireAngel's mission being met. Protect vulnerable members of Society. Protect and save lives and properties. Support and be engaged in our local communities. Support students with career progression and work placements. Fund and support Trauma Teddy Community initiative.	• Ongoing and frequent collaboration with customers • Ongoing and frequent dialogue with the Fire and Rescue Service to protect lives and property • Sale of pioneering Connected Homes Technology in Social Housing • Partnering with Fire and Rescue Services to produce videos on gas safety to educate the wider community • Donations to various charities including CO and fire fighter charities • Giving presentations and providing work experience • Partnered with Derbyshire FRS to fund their Trauma Teddy Community Initiative . Buddy Bear issued by front line staff and police colleagues to young children who have witnessed an incident that may cause trauma • Sponsoring NFCC Prevention and Protection Conference Exhibition at UK's largest Fire Safety event • Headline sponsor of ASCP Safety and compliance awards. • Project SHOUT	• Reduced maintenance visits • Environmental benefits of data being accessed remotely and taking appropriate action when required • Partnership with Ealing Council 18,000 devices now installed across 11 blocks with rollout of hardware and connectivity continuing. • Buddy Bear supports the children (and by extension the Community) through the ordeal and is a keepsake of the emergency staff who helped them through it and is a positive influence. It also, helps break down barriers • Raise awareness of importance of gas appliances being serviced by a Gas Safe registered engineer

Section 172 Companies Act statement

Principal decisions

Principal decisions are defined as those material to both the Group and any of its key stakeholder groups. In making the following principal decisions the Board considered the outcome from its stakeholder engagement as well as the need to maintain a reputation for high standards of business conduct and the need to act fairly between the members of the Company. The standards expected of a listed public company provide an excellent framework for governance and behaviours which are taken very seriously and endorsed by the Board and senior Executive management. The Board Executives have regular contact with our various stakeholders including our shareholders, bank, suppliers and customers. We have through COVID-19 undertaken regular communications to employees as many have been remote working since the first lockdown in March 2020 and subsequent release of restrictions. This has been very important to maintain a positive dialogue and to recognise that all employees are vital in assisting the Group deliver the strategic transformation that has begun, is continuing and represents the future of the Group.

Principal decision 1: Fundraising in May 2021

In March 2021, the Board concluded that it was in the best interests of the Company, and was most likely to promote its success, for it to enter into a fundraising process to raise £9.8 million (gross). In particular, the Board considered its engagement with certain major institutional shareholders and its lender in assessing the quantum and method of fundraising. Further details of the fundraising are given in note 31 to the financial statements.

Principal decision 2:

Throughout 2021 the Board closely monitored and reacted to the continued impact of COVID-19, prolonged lockdown restrictions and impact on Global supply chain. The most significant decisions taken by the Board in this area involved employee safety and financial management. Employee safety and wellbeing remained a key consideration.

The Board continued with its pattern of safe working practices to ensure the safety of the Company's employees including working from home as required. They also implemented a hybrid working environment. Challenges continued from the Covid 19 pandemic including in the global supply chain and component shortages. The Board took appropriate steps to deal with these challenges including securing a new Coronavirus Business Interruption Loan Scheme of £3.2 million and an additional £0.5 million Receivables Finance CBILS. It also furloughed some staff at Pace Sensors in Canada and according to Canadian regulations.

Principal decision 3:

In complying with S.172 the duty to promote the success of FireAngel The Board has recognised the need to migrate to higher value activities. This action should benefit company employees and other stakeholders including investors. A principal decision was taken in April 2021 to sign a long term partnership agreement with Techem Energy Services GmbH one of the leading service providers for green and smart buildings. The agreement was to provide a fully funded research and development programme for a new generation smoke alarm. In so doing it consolidated its position for being innovative and a market leader in the European home safety products markets. The development of these new smoke alarms whilst generating revenue for the business, establishes FireAngel's market position in providing high quality home safety products to ensure the protection and safety of its customers and vulnerable members of society whilst ensuring employment for our talented employees.

Zoe Fox
Chief Finance Officer
28 March 2022

PERFORMANCE REVIEW:
Risks and risk management

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

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

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

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

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

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

Read more about how the Group manages risk in the Corporate Governance report on page 36.

The Audit Committee advises the Board of Directors on matters of risk management. It has its own report, which can be read on pages 42 and 43.

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

	Risk Factors that may impact the business	**Mitigation** What we are doing to minimise the risk
The impact of COVID-19.	COVID-19 significantly impacted demand for the Group's core products and continued to do so in the first quarter of 2021 as new lockdown restrictions were imposed. The Board believes that the medium and long-term prospects for the Group's unique technology are strong.	Throughout 2021, the Board took mitigating actions to conserve cash and protect profit, whilst maintaining capability. These included placing a number of employees on furlough in Canada, further savings through a reassessment of R&D project deliverables. To conserve cash, the Group took advantage of the Government's tax payment deferral arrangements. In March 2021 the Group refinanced its existing CLBILS loan to a combined CBILS and receivables finance CBILS to provide further headroom and to support the revenue growth expected in 2021. Further measures could include deeper structural cost savings and tougher working capital management through negotiation of payment terms with key suppliers.
Failure to convert connected home opportunities.	Business would not meet strategic priorities for 2022 which could affect market perception and ultimately cashflow in 2022.	Whilst the supply chain situation restricted the ability to meet market demand for connected products in 2021, the company continued to maintain its presence with customers and the market generally through the close relationships of the sales force and by continuing the sponsorship of Housing Technology magazine. Demand outstripped the ability to supply in 2021, and such demand remains high at the start of 2022. The company has built a backlog of orders which will support growth as supply chain issues ease, and the move of our new Cellular Ceiling Mount Gateway into volume production this year will increase the relevance and ease of rollout of the connected product portfolio in general.
Product prices from the Group's primary smoke alarm and connected products manufacturer cannot be reduced.	The relationship with the Group's primary smoke alarm and connected products manufacturer is now well established. Whilst satisfactory progress has been made in increasing production yield and volumes, there remain challenges in levels of utilisation and efficiency in the manufacturing process which continue to impact product costing in the short term.	The Group's supply chain and technical teams are working with its primary manufacturing partner to ensure that efficiency is improved to reduce the future production costs. The renewed ability to physically visit factories in anywhere in the world is seen as a very important and welcome development. In addition the streamlining of product lines is helping with creating economies of scales within manufacturing.
Inability to multi-source production.	Due to the high complexity and certification requirements of the Group's products, it is not practical to multi-source production across a number of suppliers. This weakens the Group's negotiating position with its existing suppliers and increases the concentration risk associated with a sole source of supply.	This is being addressed through future modularity of product design and regular dialogue around forecast requirements and financial stability as well as bringing in new suppliers.

Risks and risk management

Continued

	Risk Factors that may impact the business	Mitigation What we are doing to minimise the risk
Product warranty risk.	The number of the Group's smoke and CO products in the market increases annually and it is inevitable, given the technology-content of the Group's products. Occasionally the Group will experience product warranty issues. As at 31 December 2021, a provision of £1.6 million is recognised against the FireAngel battery warranty provision, a historical legacy issue relating to a third-party supplier.	The Group seeks to ensure that products manufactured by its suppliers comply with the relevant product specifications which are approved by various test houses and regulatory bodies. If a product is not compliant, the Group would potentially have a warranty claim on its supplier. Where it becomes clear there are issues with batches of a certain product, the Group makes specific provision to cover 100% of the estimated warranty costs of providing free of charge replacements with a 'no quibble' warranty policy. Product returns in each market are managed by the Group's in-house Technical Support team which records all product warranty by the manufacture date.
Exchange rate risk.	The Group operates internationally giving rise to exposure from changes in foreign currency exchange rates. The majority of the components used in the manufacture of the Group's products are priced in US dollars. The Group also receives a significant proportion of its revenues in euros from sales into Europe.	The Group manages this risk through the matching of foreign currency receipts and payments, where possible, and also through a policy of hedging using forward exchange contracts to guarantee the future exchange rate at which chosen volumes of currency are exchanged, however, if such levels of uncertainty continue and the value of sterling against the US dollar remains depressed, this may have a material adverse effect on the operating results, business, financial condition and prospects of the Group. The management will also continue to closely manage pricing strategies and customer expectations.
Working capital and liquidity risk.	Recent poor financial results may lead to reduced credit terms being offered by suppliers. The requirement to pay suppliers earlier than anticipated could put short term pressure on the Group's cash flows risking possible covenant breaches and deferral of investment decisions.	The Group maintains regular communications with its suppliers around the size and timing of payment runs and routinely provides updates on the Group's performance as part of scheduled account management meetings. The Company also engages with credit reference agencies to provide updates on funding arrangements and connected homes ratings.
Changing trends in the market place.	The introduction of connected home products and solutions could potentially reduce the popularity of the Group's standalone safety product range. New products and technologies may emerge in the future as more viable alternatives to the Group's products.	The Group is selling its own connected home solutions products and is increasing its investment in technology and products which connect to the internet. The Group continues to invest in product technology to reduce the cost of connected home solutions and to ensure that they are the products of choice for the Group's customers. Significant resources are dedicated to product research and development to keep the business and its products at the forefront of technology. The Group seeks to stay abreast of emerging market trends to position the Group to exploit and commercialise such technologies as they appear. The Group regularly reviews other technologies to ensure that it has the right technology and engineering capability in-house.
Competition risk.	Several home safety product companies are considered to be direct competitors of the Group. These companies vary in the relative strength of their product offering. As competitors launch new products, the Group's prospects may be impacted which could either reduce or enhance the Group's product sales.	The Group monitors competitors' offerings and regularly reviews competitor products. The Group's continued investment in new products and technology provides a barrier to new entrants in the market. High Certification costs act as a significant barrier to entry. The Group continues to commit significant resources to research and development.
Intellectual property risk.	Many of the Group's products are protected by intellectual property rights and the market can be characterised as having relatively high barriers to entry in this regard. Before introducing new products, the Group carefully checks that it is not infringing the patented technology of third parties. Potentially, third parties could seek to copy or find a workaround to the Group's registered technology.	The Group's principal protection in the market lies in its business model and patented intellectual property rights. The breadth of the Group's product range and its ability to add new products and leverage its brands across the markets it serves represents a significant barrier to entry to competitors. New patents continue to be registered to protect its intellectual property where the Group believed it is appropriate. The Group may need to take legal action to enforce its intellectual property, to protect trade secrets or to determine the validity or scope of the proprietary rights of others which may result in substantial costs and the diversion of resources and management attention with no guarantees as to the outcome of any litigation.
Distributor relationships.	The Group works with third party distributors of its products in Continental Europe who own the key customer relationships and undertake marketing support activities to drive revenue in the markets they serve. The Group is dependent upon these distributors to fulfil these roles in an effective and efficient manner to continue to grow sales in these jurisdictions. Given the significant concentration of sales through a small number of distributors, the Group closely monitors sales by the third-party distributors.	The Group has contracts with most of its major distributors. Many of these relationships are well established and, in some cases, the distributor only or mainly sells the Group's products. The Group ensures that the contractual relationships with its customers are fair and commercially beneficial for both parties and monitors outstanding credit balances owed by distributors to minimise potential bad debt risk for the Group.
Product certification compliance.	Products are required to comply with the appropriate certification standards. If products do not comply, certification bodies could insist on quarantining the product for further testing, rework, or, in extreme situations, a recall. This could affect the Group's future revenues and profits.	The Group seeks to ensure that all products are manufactured in accordance with the relevant product certification standards. Detailed compliance records are maintained for each product which is approved for sale. In addition, detailed testing is performed on each product with traceability of key components a contractual commitment by each of the Group's suppliers. The Group works closely with the standard review bodies to ensure that its products remain of the highest quality. Suppliers are also audited by independent third parties to ensure that they maintain the highest quality standards.

	Risk Factors that may impact the business	Mitigation What we are doing to minimise the risk
Staff recruitment and retention risk.	As with most businesses, particularly those operating in a technical field, the Group is dependent on engaging employees with key managerial, engineering and technical skills. The contribution of the Group's dedicated staff and management team has been, and continues to be, critical to the Group's success. If the Group is unable to attract new employees, or retain existing employees, this could have a material adverse effect on the Group's ability to grow or maintain its business.	The Group places great importance on open communication with its employees, including regular staff updates. The Group aims to offer appropriate remuneration packages and incentive arrangements in order to mitigate this risk and seeks to create a supportive working environment where employees are encouraged to learn and develop in their roles through personal development plans. Group provided a 4% cost of living rise for all staff (excluding the Executives) in January of 2022, and is reviewing continually pay levels to attract and retain staff. For recruitment the company works with a range of recruiters now to maximise reach, and accommodates a wider range of working pattern preferences. The deliberate focus on ESG by the Group is also felt to be an attractive part of our offer to potential staff.
International trade regulations.	The Group's activities involve the import and export of products. Any changes in the regulations covering such movements might impact the Group's trading activities. Increasing geographical reach and continual expansion of the Group's customer base, particularly into Continental Europe, exposes the Group to a potentially wider set of regulatory restrictions.	The Group closely monitors international import and export regulations and adapts its procedures to minimise duty costs while remaining compliant.
Health and safety risk.	As the Group's product range evolves and develops, the risk of non-compliance with health and safety regulations increases.	The Group places the greatest importance on maintaining the highest standards of health and safety compliance. The Group's procedures comply with the requirements of ISO audits and detailed records are maintained to ensure that products are correctly stored and disposed.
Cyber & Information Security.	Use of IT exposes the Company to cyber and information security attacks potentially leading to data breaches and loss of confidential information. This could hinder competitiveness and risk reputational damage and subsequent financial loss.	Increased investment in technology and training to prevent cyber and security attacks and educating about cyber security dangers and being alert to potential cyber security attacks. A mitigigating action is that our Anti virus software has both malware and spyware protection included.
Governance, legal, regulatory and internal controls.	The Group operates in a complex regulatory environment and is subject to new/updated legislation which could impact the business. It is important that all changes are fed through to the business and internal controls are sufficiently robust. Failure to do so could impact the Company's reputation and erode investor confidence.	Regular attendance on appropriate training courses, horizon scanning and engagement with professional advisers to ensure the Company is kept abreast of all new and updated legislative and governance changes. This information can be circulated to the Board and key members of the Executive team. Regular reviews by the Board and professional advisers of internal controls and processes to ensure the Company is compliant with current legislation and regulations.
Environmental, social and governance issues (ESG).	ESG issues are at the forefront of any Company's thinking. ESG impacts FireAngel be it environmentally from waste pollution or GHG emissions in its supply chain, socially through employee relations in the UK or through its third-party supply chain. FireAngel can also be impacted through its governance processes, for example, through its board structure and governance frameworks, business ethics and culture. A failure to address these correctly and properly could affect the Company's reputation and its finances.	The key to ensure ESG is taken seriously by FireAngel has been the buy-in from the FireAngel Board. This ensures alignment between ESG and strategy and identifes the key ESG issues impacting the Company ensuring they are embedded in the Company in a positive manner. Establishing an ESG commiittee comprised of members from different business units and levels has been a key action.
Board and Leadership.	One of the keys to the success of the Company is to ensure that the Board is a well functioning balanced team led by the Chair. Failure to comply with statutory duties and governance processes could affect the Company's reputation and financial position.	The Company seeks to minimise this risk by ensuring that Directors appointed have the necessary up -to date skills , experience and knowledge required to run it.
Manufacturing and Supply Chain.	The Company is dependent on a limited number of international manufacturers to produce the goods designed by the Group. The Covid pandemic and lockdown has highlighted risks to the supply chain and component shortages threatening production.	To minimise this issue the Company has proactively engaged with the manufacturers to ensure the risk to the supply of components is minimised.
Tool replacement.	Failure or wear of tools is a risk in any production environment. Key tools on the production lines in Poland are ageing. Increased failures at peak production periods could impact production, especially if multiple failures coincided.	The Company has conducted an assessment of wear and tear and has developed a schedule of tool duplication and replacement across the next 18 months. The costs will be within normal budgeting expectations.
Russia/ Ukraine Conflict.	The risks from this conflict are developing constantly. This could impact supply of materials into all parts of global supply chains, and is in a country adjacent to our factories in Poland. The situation may slightly impact inflation further through for example fuel rises. By its nature however, this is a very fluid and unpredictable situation.	We are maintaining frequent dialogue with Flex in Poland and with component suppliers as to how this is impacting them and what mitigations they have. Impact to date has been invisible to FireAngel but we will continue to monitor the situation. FireAngel has the ability to adjust prices later in the year should further unexpected inflation begin to affect margins.

The Statutory Strategic Report comprises the Strategic Review, the Performance Review, the Section 172 Companies Act Statement and the Risks and Risk Management section.

The Statutory Strategic Report has been approved by the Board.

On Behalf of the Board

Zoe Fox
Chief Finance Officer
28 March 2022

Governance

GOVERNANCE

Board of Directors and Company Secretary

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

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

Executive Directors

John Conoley, Executive Chairman

Appointed to the Board *22 January 2019, Executive Chairman 01 August 2019*
Years on Board - *3*
Committee Membership - *Environmental, Social and Governance, Nominations*

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

Non-Executive Chairman of Wameja Limited, the AIM and ASX quoted innovative mobile financial services company that was acquired by MasterCard in 2021.

Zoe Fox, Chief Finance Officer

Appointed to the Board - *30 April 2021*
Years on Board -*1*
Committee Membership - *Environmental, Social and Governance, Nominations*

Zoe has extensive experience of working as a Finance Director. She was previously Finance Director of the Group's principal subsidiary, a role she had held since 2010 and prior to her appointment to the Board of Directors. Previously she was the Finance Director at BRK Brands Europe Limited which was partt of the Jarden Corporation. She was the Company Secretary until 30th November 2021.

Non-Executive Directors

Glenn Collinson,
Independent Non-Executive Director

Appointed to the Board - *01 August 2020*
Years on Board - *1*
Committee Memberships - *Audit, Nomination, Remuneration*

Glenn started his career at Racal and worked for Motorola and Texas Instruments before co-founding Cambridge Silicon Radio (CSR) in 1998 where he served as an Executive Director. He helped it grow from a concept to a $3 billion market capitalisation entity in 2006 and a big player in the Bluetooth market. Since leaving CSR he has held a number of executive and non-executive directorships in both public and private companies that specialise in technology. This specialisation is a tremendous asset to FireAngel in developing and promoting Connected Homes Technology. He holds a BSc. In Physics and MSc. In Electronics from Durham University together with an MBA from Cranfield University.

Other key appointments

Glenn is non-executive chairman of Aquis Exchange PLC and a Non-Executive Director of Aquis Exchange Europe SAS, pureLiFi Limited, Vsora SAS and Glenn Collinson Consulting Limited.

Simon Herrick,
Senior Independent Non-Executive Director

Appointed to the Board - *24 September 2019*
Years on Board - *2*
Committee Memberships - *Audit, Nomination, Remuneration*

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

Other key appointments

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

Jon Kempster,
Non-Executive Director

Appointed to the Board - *17 December 2020, Non-Executive Director 30 April 2021*
Years on Board - *1*
Committee Memberships - *Nomination, Remuneration*

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

Other key appointments

Jon is a Non-Executive Director and Chair of the Audit and Risk Committee at Ted Baker plc, a NED and Chair of the Audit Committee at Redcentric plc, Bonhill plc and Serinus Energy plc. He is also a Trustee of the Delta plc pension scheme.

Graham Whitworth,
Non-Executive Director

Appointed to the Board - *22 May 2000*
Years on Board - *22 years*
Committee Memberships - *Nomination*

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

Company Secretary

Dawn Williams,
Company Secretary

Dawn joined FireAngel in May 2021 on an interim basis and was appointed Company Secretary on 30th November 2021. She brings Company Secretarial and governance experience which has been gained in various FTSE 250 Companies. Dawn has also held the position of Company Secretary at Eldon Insurance Services Limited.and is now responsible for all corporate governance activities for the group and provides advice and support to the Board and its committees.

GOVERNANCE

Corporate governance report

Introduction

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

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

During 2018 the Board conducted its first review of the Company's corporate governance policies and procedures to ensure it was compliant with the reporting changes that came into effect in September 2018. The Board has fully adopted, and is working towards full compliance with, the QCA Code' for small and mid-size quoted companies.

The extent of compliance with the ten principles that comprise the QCA Code was most recently reviewed by the Board on 23rd March 2022. The results of this review, together with an explanation of any areas of non-compliance, and any steps taken or intended to be taken to move towards full compliance, are set out below:

Principle		Current compliance	Comment and disclosures
Deliver growth			
1	Establish a strategy and business model which promote long-term value for shareholders.	Full.	The Group's business model and strategy, together with the key risks which impact on achieving these goals, and the mitigating actions being taken to address these risks are documented in the Introduction, Strategic review and Risks and risk management sections of this Annual Report. These disclosures are supplemented by information in the About Us section of our website www.fireangeltech.com.
2	Seek to understand and meet shareholder needs and expectations.	Full.	The Group's commitment and approach to engagement with its shareholders, be it institutional or private investors is documented in the Investor relations section of this Corporate governance report of this Annual Report. The success of this engagement is measured through approval of shareholder resolutions recommended by the Board. This is communicated in the Regulatory announcements section of the Investors area of the Group's website www.fireangeltech.com.
3	Take into account wider stakeholder and social responsibilities and their implications for long-term success.	Full.	The Group takes its responsibilities to its different stakeholder groups both internally, its employees, and externally, its suppliers, customers and the community in which it operates seriously. It recognises that these relationships are crucial to its long term success in fulfilling its mission which is to protect and save lives by making innovative, leading -edge technology home safety products which are simple and accessible. Further details on its approach and actions in relation to wider stakeholder involvement and social responsibilities are detailed in the Environmental, Social and Governance section and Section 172 Companies Act Statement of this Annual Report.
4	Embed effective risk management, considering both opportunities and threats, throughout the organisation.	Full.	The Board in developing and reviewing its Risk management framework seeks to identify,assess and mitigate all risks in order to execute and deliver its strategy. In so doing it considers its wider stakeholder responsibilities and duties to its supply chain.The Group's internal control environment and system of risk management, including the key risks to which the Group is exposed, are documented in this Corporate governance report and the Risks and risk management section of this Annual Report.

Principle		Current compliance	Comment and disclosures
Maintain a dynamic management framework			
5	Maintain the Board as a well-functioning, balanced team led by the chair.	Partial.	The role, composition and independence of the Board are documented in this Corporate governance report of this Annual Report and supplemented by information in the Directors section of the Investors area of our website www.fireangeltech.com. The Board recognises that the primary responsibility of the chair is to lead the Board effectively and to oversee the adoption, delivery and communication of the Group's corporate governance model. There should be adequate separation from the day-to-day business to be able to make independent decisions. The chair should not normally also fulfil the role of chief executive. This separation of roles existed in the Group from John Conoley's appointment as Non-Executive Chairman on 22 January 2019 until his appointment as Executive Chairman on 1 August 2019 after the departure of the Chief Executive. The Nominations Committee considered carefully the appropriateness of the joint role and concluded that John's skillset and experience were well matched to the current requirements of the Group as it transitioned to become a provider of safety-critical connected home solutions. The joint role, discussed beforehand with major shareholders, is still expected to be short to medium term in tenure until the Group has moved further in its transition described above, at which point it is the intention to appoint a Chief Executive with skills appropriate for the challenges of the transitioned business. In addition, Board independence and structure, are considered to be sufficiently robust to ensure that independent decisions can be made despite increased day-to-day involvement by the chair.
6	Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities.	Full.	The Board believes that the current composition of Directors have the necessary up to date experience, skills and capabilities needed to deliver the strategy of the Company for the benefit of shareholders and the wider stakeholder community over the medium to long term. The experience and skills of each Director are described in the Board of Directors section of the Governance section of this Annual Report and supplemented by information in the Directors section of the Investors area of our website www.fireangeltech.com. The roles of the Senior Independent Non-Executive Director and the Company Secretary, together with a description of the ongoing education of the Directors, are detailed in this Corporate governance report of this Annual Report.
7	Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.	Partial.	Given the continued changes in Board composition during 2021, it was again concluded that a formal process for evaluating the Board would be undertaken by the Nominations Committee when new structures and relationships had been established. However, the understanding, effectiveness and contribution of each Director is kept under constant review by the Chairman with each Director's performance being reviewed before any proposal for re-election at the Annual General Meeting.
8	Promote a corporate culture that is based on ethical values and behaviours.	Full.	The Group's corporate culture permeates everything the Group does. It is evident in the Business Model set out in the Introduction section of this Annual Report, in the Environment, Social and Governance section and addressed specifically in the Chairman's Introduction.
9	Maintain governance structures and processes that are fit for purpose and support good decision-making by the board.	Full.	It is incumbent on the Group to maintain governance structures and processes which fit with its corporate culture and are appropriate to their size, complexity and capacity, appetite and tolerance for risk.The Board structure, its committees, their roles and members, and the roles of Directors with specific remits, are described in this Corporate governance report and in the individual committee reports of this Annual Report. The terms of reference of the committees are detailed in the Resources section of our website www.fireangeltech.com. These governance structures will evolve and be updated in parallel with its objectives, strategy and business model to reflect the development and transformation of the Company.
Build trust			
10	Communicate how the Group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	Full.	The Group's approach and actions in relation to wider stakeholder engagement are detailed in the Section 172 statement of this Annual Report. Details of all shareholder communications are provided on the Group's website, including historical annual reports, general meetings and the outcome of all general meeting votes. The Group's regulatory RNS and RNS Reach announcements are also listed in the Regulatory announcements section of the Investors area of our website www.fireangeltech.com.

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

Leadership and operation of the Board

The Board usually have ten full meetings scheduled in a year, with attendance in person expected where possible, although meetings during 2021 have largely been held via video conference due to COVID-19 restrictions. In more normal times, Board members may occasionally join by video conference if other commitments prevent attendance in person. In addition, ad hoc board meetings are called to address exceptional or administrative matters.

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

Leadership and operation of the Board

Continued

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

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

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

Two business unit directors collectively manage 5 of the Group's business units, the other 2 business units are managed by two senior managers. They report into, and meet with, the Executive Chairman. Trading review meetings are also held weekly and include key managers from each of the departments across the business. Business unit reviews are typically held once per quarter and together with the trading review meetings, this provides the forum for the Executive Chairman to ensure a consistent implementation of FireAngel's business agenda across the organisation. Business unit meetings are also attended by other senior departmental managers as required.

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

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

The Board agenda

The Board's responsibilities include:

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

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

Board meetings

During 2021 matters dealt with by the Board included:

- approval of the Group's equity fundraising documentation in April 2021;
- reviewing the Group's response to COVID-19 including approval of documentation around the Group's CBILS facility;
- review and monitoring of Group strategy and progress against business objectives;
- operational and financial performance of the Group;
- approval of the Group's budget;
- approval of financial statements and dividend policy;

- risk management oversight;
- Board and senior management succession planning;
- approval of large contracts and bids;
- consideration of Audit and Remuneration Committee reports and recommendations;
- review of corporate governance matters and reporting including a review of compliance with the QCA Code for small and mid-size quoted companies, first adopted during 2018;
- review and update the Group's plans in relation to Brexit;
- the re-appointment of RSM UK Audit LLP as external auditor, upon the recommendation of the Audit Committee; and
- review of the Group's product development roadmap and technological developments in the industry.

Excluding ad hoc Board meetings for general administrative matters, the number of Board and Board Committee meetings during 2021 attended in person or by video conference or telephone is set out as follows:

	Total number of meetings		
	Board	Audit Committee	Remuneration Committee
JR Conoley[1] *Executive Chairman*	12	-	3
Jon Kempster	6	4	-
Zoe Fox[2]	6	1	-
G Collinson	12	5	3
SE Herrick *Chairman of Audit and Remuneration Committees*	12	5	3
J Kempster[3]	6	-	2
GRA Whitworth	12	-	-

[1] Number of Remuneration Committee meetings eligible to attend: 3

[2] Number of meetings eligible to attend after appointment, Board: 6; Audit Committee: 1

[3] Number of meetings eligible to attend after appointment as a Non-Executive Director, Board: 6; Audit Committee:0 Remuneration Committee: 2

Board Committees

The Group has two standing Board Committees: an Audit Committee and a Remuneration Committee. The roles and activities of those Committees are included in the respective Committee reports on pages 42 to 48.

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

Directors' conflicts of interest

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

The beneficial interests of all Directors in the share capital of the Company are set out on page 52 of the Annual Report.

Effectiveness and ensuring the Board is effective

The Board has considered the overall balance between Executive and Non-Executive Directors and believes that the structure of the Board, with two Executive and four Non-Executive Directors, ensures that there is no one individual or interest group dominating the decision-making process.

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

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

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

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

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

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

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

Performance evaluation

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

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

Where required, the Executive Chairman holds meetings with the Non-Executive Directors without the other Executive Director present. The Non-Executive Directors, led by the Senior Non-Executive Director, meet without the Chairman present at least once annually to appraise the Chairman's performance.

Internal control

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

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

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

- the effective and efficient operation of the Group by enabling management to respond appropriately to significant risks to achieving the Group's business objectives;

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

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

The principal risks and uncertainties facing the Group, together with mitigating actions taken to address those risks, are set out on pages 29 to 31. These reflect the risks of most concern to the Group, as considered at recent Board and Audit Committee meetings.

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

Investor relations

The Board believes it is important to have open communications with shareholders and seeks to ensure that these are informative and transparent. The Executive Directors make themselves available to, and expect to meet with, major institutional shareholders at least twice per year to discuss the published financial results. In line with the Company's commitment to ensuring appropriate communication structures are in place for all sections of its shareholder base, the Executive Directors will deliver a live investor presentation of its 2021 Final results via the Investor Meet Company platform on 29 March 2022 This will allow the Executive Directors to address questions from its shareholders submitted pre-event and during the live presentation.

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

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

Whistleblowing procedures

The Board has adopted a whistleblowing policy which provides a mechanism for all employees to raise concerns to the Non-Executive Directors, in strict confidence and without recrimination, regarding any unethical business practices, fraud, misconduct or wrongdoing. Any such incident would be addressed confidentially by the Audit Committee. There were no whistleblowing reports during 2021 nor to the date of this report.

Anti-bribery and anti-corruption policy

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

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

By Order of the Board

John Conoley
Executive Chairman
28 March 2022

GOVERNANCE

Audit Committee report

On behalf of the Board, I am pleased to present the Audit Committee report for the year ended 31 December 2021 which provides information about the Audit Committee, its principal duties, and the specific matters it has considered during the year.

The Group's Audit Committee comprises:

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

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

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

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

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

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

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

Key considerations in 2021

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

- the suitability of the Group's accounting policies and practices;
- the half-year and full-year financial results, including the appropriateness of using the going concern concept;
- the auditor's report for 2020;
- the evaluation of the performance and independence of RSM UK Audit LLP as the Group's external auditor;

- the review and approval of the external auditor's plan and costs for 2021, which detailed the proposed audit scope and risk and governance assessment;
- the review and approval of the external auditor's fees for 2021; and
- the internal control environment across the Group.
- Review of the Executive Finance Team.
- Review of the Business Risk register.

Significant financial statement reporting issues

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

Internal controls

The Board of Directors, advised by the Audit Committee, has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. Details of the system of internal control, the principal risks facing the Group, and the strategies put in place to mitigate them, are set out in the Risk and Risk Management section on pages 29 to 31.

Audit independence

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

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

RSM UK Audit LLP was appointed as auditor in 2001. This appointment has not been subject to a tender process since that date although, from time to time, the Board has benchmarked the audit cost with third parties. The Committee has concluded that RSM UK Audit LLP continues to provide an effective audit and the Committee and Board will recommend their reappointment at the 2022 Annual General Meeting. The Group Audit Partner is required to rotate after a maximum period of five years in the role. Mr. Michael Thornton having reached the end of his term was replaced as Audit Partner by Mr. Graham Bond as the new Group Audit Partner in 2021.

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

Non-audit services

RSM UK Audit LLP provides non-audit services to the Group, which are governed, so as to safeguard its independence and objectivity, by the Group's non-audit services policy. Compliance with the policy is actively managed and an analysis of non-audit services is reviewed throughout the year. Due to the change in Ethical Standards during 2020 RSM resigned from providing the Group with corporation tax services. However, they have continued to provide services relating to VAT advice. During the year ended 31 December 2021, 20 per cent. of services provided to the Group were non-audit services and related predominantly to VAT advice (see note 9 to the financial statements).

By Order of the Board

Simon Herrick
Chairman of the Audit Committee
28 March 2022

Governance

GOVERNANCE

Remuneration Committee report

Introduction

On behalf of the Board, I am pleased to present the Remuneration Committee report for the year ended 31 December 2021, which provides information about the Remuneration Committee, the remuneration policies approved and applied by the Board, and the actual remuneration of Directors earned during the year. The report is divided into two sections: a policy report, which sets out the approach to remuneration, and a remuneration report, which details amounts paid to the Directors during 2021.

Basis of preparation

This report follows the principles of the Companies Act 2006. The Directors have chosen to apply these principles as best practice and in order to provide greater transparency to shareholders. This includes details of the Committee's policy on Directors' remuneration, which will be put to an advisory vote at the 2022 Annual General Meeting.

Remuneration Committee

The Group's Remuneration Committee comprises:

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

All the Committee members are Independent Non-Executive Directors, with the exception of Jon Kempster who is not independent,and have no personal or financial interests, other than as shareholders, in the matters considered by the Committee.

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

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

Remuneration philosophy

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

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

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

Remuneration policy framework

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

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

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

The Committee monitors the market competitiveness of the overall remuneration package for each member of the Group's senior management team in order to ensure the Group is able to retain and attract new talent as required.

Group employee considerations

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

Shareholder views

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

Key considerations in 2021

During the year the Committee 3 times and considered the following matters:

- consideration of the terms and conditions for Executive Director and Non-Executive Director appointments; and
- approval of the performance criteria and share option awards under the FireAngel Safety Technology Group 2015 Long-Term Incentive Plan.

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

Remuneration policy for Executive Directors

Element	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Fees.	To reward individuals for fulfilling the relevant role and to attract individuals with the skills and calibre required.	The Committee makes recommendations to the Board on the remuneration of the Non-Executive Directors. The level of remuneration is set within a limit approved from time to time by shareholders. Non-Executive Directors are paid a base fee covering Board and committee membership.	Fees are set at a level appropriate for the role and are reviewed regularly, taking into account fees payable to Non-Executive Directors of companies of a similar size and complexity.	Evaluation of overall contribution to the Board.
Salary.	It is essential that the Group pays competitive salaries to attract and retain individuals of the right calibre to develop and execute the business strategy.	Salary levels are set using careful judgement, taking into account the scope of the role and responsibilities, performance, experience, potential, retention issues and salaries elsewhere in the Group and in the market place. Judgement will be informed, but not led, by reference to companies of similar size and complexity. Salaries are reviewed annually either in March or October taking into account the financial performance of the Group. Salary increases are not automatic. In exceptional circumstances, salaries may be increased on other dates in the year.	Annual salary increases will not normally exceed average increases for employees in other appropriate parts of the Group. On occasion, increases may be larger where the Committee considers this to be necessary to align with market rate or exceptional performance. Circumstances where this may apply include: growth into a role to reflect a change in scope of role and responsibilities or where market conditions indicate lack of competitiveness and the Committee judges that there is a risk in relation to attracting or retaining Executives. Where the Committee exercises its discretion to award increases above the average for other employees, the resulting salary will not exceed the competitive market range.	Overall contribution to the Group. Individual performance is the primary consideration in setting salary alongside overall affordability and market competitiveness.
Benefits.	To provide market competitive benefits sufficient to recruit and retain.	Benefits include life assurance and medical insurance.	Benefits will be market competitive taking into account the role and the local market.	None.
Pension.	To provide market competitive pension arrangements sufficient to recruit and retain.	New Executive Directors of the Group are offered membership of the Group's defined contribution pension plan. Pension contributions are based only on an individual's salary.	The maximum employer contribution to the Group's defined contribution pension arrangements is 10% of gross salary.	None.
Annual performance-related bonus.	To incentivise and reward execution of the business strategy, delivery of financial performance targets and the Group's strategic plan.	In line with the scheme covering other senior members of staff, performance-related bonuses for the Executive Directors are based on the achievement of specific financial targets for the Group and agreed personal objectives.	Bonus potential is capped at an appropriate level to encourage outperformance of budgeted targets.	Bonus payments are at the discretion of the Remuneration Committee and take into account the overall financial performance of the Group.
Share Schemes.	To incentivise and reward execution of the business strategy, delivery of financial performance targets and the Group's strategic plan.	Under the Long-Term Incentive Plan, selected employees are entitled to exercise an option to receive a certain number of shares at any time after a three-year vesting period, at a cost to the employee of the nominal value of the shares. The number of shares awarded at the end of the three-year period is dependent on the achievement of certain performance criteria.	Value of shares at time of vesting less nominal value.	Vesting of the awards is dependent on achievement of total shareholder return on a pro-rata basis.

Details of the Directors' emoluments are given below.

a) Remuneration

	Salary, fees and car allowances £000	Benefits £000	Bonuses[1] £000	Pension allowance[2] £000	**2021 Total £000**	2020 Total £000
Executive Directors						
JR Coneley	251	3	-	14	**268**	253
Z Fox[3] (appointed 30 April 2021)	127	4	-	13	**144**	-
NA Rutter (resigned 5 February 2020)	-	-	-	-	**-**	20
MJ Stilwell (resigned 17 December 2020)	-	-	-	-	**-**	194
Non-Executive Directors						
G Collinson (appointed 1 August 2020)	36	-	-	-	**36**	15
SE Herrick (appointed 24 September 2019)	36	-	-	-	**36**	35
J Kempster[4] (appointed 30 April 2021)	119	-	-	-	**119**	6
J Shepherd (resigned 1 August 2020)	-	-	-	-	**-**	18
AV Silverton (resigned 30 June 2020)	-	-	-	-	**-**	17
GRA Whitworth[5]	115	7	-	-	**122**	177
Total	684	14	-	27	**725**	735

[1] Bonuses are paid or accrued based on the achievement of agreed personal objectives and corporate performance metrics

[2] Pension allowance includes both contributions to the Group's defined contribution pension scheme and cash payments in lieu of contributions

[3] Zoe Fox was appointed as Chief Finance Officer on 30 April 2021

[4] Jon Kempster was appointed as Chief Finance Officer on 17 December 2020 and stepped down from this position on 30 April 2021 and was immediately appointed as Non-Executive Director

[5] On 27 May 2020, Graham Whitworth's role changed from Executive Director to Non-Executive Director of the Board

b) Share schemes

Directors' interests in unvested and vested share option awards.

	Number of awards over shares at 1 January 2021	Awards granted in the year	Awards waived in the year	Awards exercised in the year	Number of awards over shares at 31 December 2021	Expiry date	Exercise price (pence)
2014 EMI							
GRA Whitworth	125,000	-	-	-	125,000	28/04/2024	200
2015 LTIP							
JR Coneley	1,500,000	-	1,500,000	-	-	02/08/2029	2
JR Coneley	5,000,000	-		-	5,000,000	30/11/2030	2
JR Coneley	-	1,821,272	-	-	1,821,272	08/07/2031	2
ZA Fox	-	1,311,316	-	-	1,311,316	08/07/2031	2
Share matching scheme							
JR Coneley	281,514	-	-	-	281,514	01/06/2030	2
JR Coneley	25,000	-	-	-	25,000	03/07/2030	2
JR Coneley	49,660	-	-	-	49,660	18/12/2030	2

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

The employee share matching incentive scheme was closed following the release of the Company's audited final results for the year ended 31 December 2020. John Coneley cancelled his 1,500,000 LTIP shares on 8th July 2021.

c) Service contracts

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

	Notice period
G Collinson	3 months
JR Conoley	6 months
ZA Fox	6 months
SE Herrick	3 months
J Kempster	3 months
GRA Whitworth	*

** Graham's contract expires on 29 January 2023 and can be extended by mutual consent.*

Policy on exit payments

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

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

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

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

Policy on new appointments

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

By Order of the Board

Simon Herrick
Chairman of the Remuneration Committee
28 March 2022

GOVERNANCE

Statutory Directors' report

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

Principal activities

The principal activities of FireAngel Safety Technology Group plc (the 'Company') and its subsidiary companies (the 'Group') are set out within the Statutory Strategic Report, which comprises the Strategic Review, the Performance Review, the Section 172 Companies Act Statement and the Risks and Risk Management section, on pages 9 to 31.

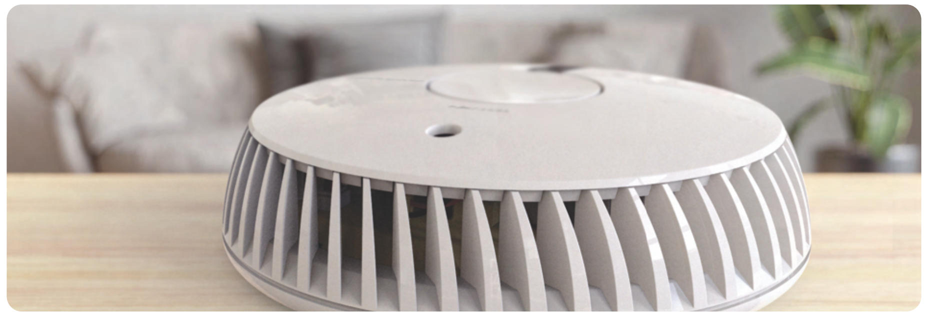
Review of business and future developments

The consolidated income statement for the year ended 31 December 2021 is set out on page 63.

A review of the Group's business activities during the year and its prospects for the future can be found in the Strategic Review and the Performance Review on pages 9 to 31. The information required by Schedule 7 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 including likely future developments and trading outlook has been included in the Separate Strategic Report on pages 9 to 25 in accordance with section 414C (11) of the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Engagement with suppliers, customers and others in a business relationship

The board understands the need to forge constructive relationships with suppliers, customers and other key stakeholders. Details of this are supplied in the Section 172 statement on page 26.



Key performance indicators

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

- **Sales performance.** Sales are reviewed each week to assess individual business unit performance against budget and to ensure all sales opportunities are being appropriately pursued. The Group seeks to build long-term customer relationships and maximise the sales mix of its higher margin products
- **Gross margin percentage.** Gross margins are reviewed each week to assess individual business unit performance and to identify areas to improve the profitability of the Group. Different market segments have varying gross margin opportunities, depending on the level of competition in that market and the positioning of the Group's products and brands
- **Adjusted gross margin percentage.** The adjusted gross margin of the Group is measured to understand underlying business performance before the impact of non-underlying items
- **Operating result.** The fixed costs of the business are carefully managed to ensure that, in conjunction with the gross profit generated, the Group can return an acceptable operating result
- **Underlying operating result.** The operating performance of the Group before the impact of non-underlying items is monitored to better understand the underlying trends in operating results
- **Underlying EBITDA.** The underlying cash generation of the business is measured through operational cash flows represented by underlying EBITDA
- **Basic EPS.** The Group seeks to reward its shareholders with an annual dividend where possible
- **Net working capital.** The Group seeks to proactively manage its working capital to ensure that it minimises its asset base to maximise cash flow from which to pay dividends

Key performance indicators

Continued

- **Investment in research and development.** The Group's principal source of product differentiation is through investment in its technology base, rather than simply price. The Board regularly reviews the Group's product roadmap to ensure its internal investment is focussed on the right areas and that products come to market on time
- **Staff turnover.** Turnover is reviewed as part of the monthly management information pack and is reviewed to highlight underlying trends and resources
- **Order fulfillment (in time and in full deliveries).** Reviewed in the monthly management pack where orders performance regarding delivery times and fulfillment vs the customer expectations are monitored
- **Returns.** The Group collects and records various data around the product customer returns such as batch codes and reported faults this is reviewed monthly looking for trends

Commentary on the key performance indicators above is set out in the Performance Review on pages 19 to 25.

Streamlined Energy and Carbon Reporting (SECR)

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

This report was produced in accordance 'GHG Reporting Protocol - Corporate Standard' methodology and have used the 2021 UK Government's conversion factors for company reporting.

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

Energy consumption used to calculate emissions	2021	2020	Change
	KWh	kWh	%
Gas (kWh)	**119,244**	217,335	**(45%)**
Electricity (kWh)	**195,098**	193,007	**1%**
Transport fuels (kWh)	**155,159**	182,198	**(15%)**
Total energy consumption	**469,501**	592,540	**(21%)**

Business Carbon Footprint	2021	2020	Change
	tCO2e	tCO2e	%
Emissions from combustion of gas (Scope 1)	**21.8**	40.0	**(46%)**
Emissions from other activities the company owns or controls including operation of facilities (Scope 1)	**4.7**	6.1	**(23%)**
Emissions from purchased electricity (Scope 2)	**41.4**	45.0	**(8%)**
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing of the fuel (Scope 3)	**34.1**	41.3	**(17%)**
Emissions from other activities (Scope 3): Transport – other	**3.7**	3.9	**(5%)**
Total gross Scope 1, Scope 2 & Scope 3 emissions	**105.7**	136.3	**(22%)**
Total gross GHG emissions per unit turnover/revenue (tCO2e/£M)	**2.43**	3.42	**(29%)**
Total gross GHG emissions tCO2e by FTE – Full time equivalent employees (tCO2e/FTE)	**0.85**	1.12	**(24%)**

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

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

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

Principal risks and uncertainties

Details of the principal risks and uncertainties considered by the Board to affect the Group, and the related risk mitigation actions, are given on pages 29 to 31.

Group results and dividends

The financial results for the year and financial position of the Group and the Company are as shown on pages 63 and 66. The consolidated loss after tax for the year was £3.3 million (2020: loss after tax of £8.7 million).

As a result of the loss reported for the year, and consistent with the decision not to pay an interim dividend (2020: nil pence per share), the Directors do not recommend payment of a final dividend for the year (2020: nil pence per share). The total dividend payable for 2021 was therefore nil pence per share (2020: nil pence per share).

Financial instruments

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

Research and development expenditure

The Group has continued to invest in research and development of both software and hardware products during the year. The people and non-people costs of product development on specific identifiable projects are capitalised in accordance with the accounting policy set out on page 70. General research costs undertaken in respect of the Group's principal activities are charged through the income statement as incurred.

Share capital and voting rights

The Company's issued share capital comprises a single class of ordinary shares of 2p each, with 181,066,637 shares in issue and listed on AIM of the London Stock Exchange as at 31 December 2021. No shares were held in treasury. Details of movements in the issued share capital can be found in note 31 to the financial statements.

Each share carries the right to one vote at general meetings of the Company. Holders of the shares are entitled to receive the Company's annual report. They are also entitled to attend and speak at general meetings of the Company, to appoint one or more proxies or, if they are corporations, corporate representatives, and to exercise voting rights. They have the right to ask questions at the Annual General Meeting relating to the business of the meeting and for these to be answered, unless such answer would interfere unduly with the business of the meeting, involve the disclosure of confidential information, if the answer has already been published on the Group's website or if it is not in the interests of the Group or the good order of the meeting that the question be answered.

All issued shares are fully paid up and carry no additional obligations or special rights. The full rights are set out in the Company's Articles of Association (the 'Articles'), the latest copy of which can be found in the Incorporation section of the Investors area of the Group's website at www.fireangeltech.com. There are no restrictions on transfers of shares in the Company, or on the exercise of voting rights attached to them, other than those which may from time to time be applicable under existing laws and regulations.

Control and share structure

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

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

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

Directors' interests in shares

Interests of the Directors and their connected persons in the issued share capital of the Company as at 31 December 2021 were as follows:

	2021 number of shares held	2021 interests in share schemes	2021 Total interests in shares	2020 Total interests in shares
G Collinson	62,832	-	62,832	-
JR Conoley	1,189,463	7,177,446	8,366,909	7,280,529
ZA Fox	52,417	1,443,260	1,495,677	-
SE Herrick	-	-	-	-
J Kempster	31,417	-	31,417	-
GRA Whitworth	3,730,781	125,000	3,855,781	3,685,398
	5,066,910	8,745,706	13,812,616	10,965,927

Since the year end to 25 March 2022, the interests of the Directors and their connected persons in the issued share capital of the Company have not changed.

Significant shareholdings

As at 25 March 2022, the Company was aware of the following holdings, excluding holdings of Directors and their connected persons, of 3% or more of the Company's total issued share capital:

	Number of shares	% of total voting rights	Nature of interest
BRK Brands (UK)	42,307,931	23.4	Direct
Downing LLP	29,381,591	16.2	Indirect
Canaccord Genuity Group Inc	20,862,500	11.5	Indirect
BGF Investment Management Limited	18,250,965	10.1	Indirect
Killik & Co LLP	10,400,798	5.7	Direct

Agreements affected by change of control

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

Board of Directors

All Directors were in office throughout the year ended 31 December 2021 with the exception of the following appointments and resignations during the year:

- Zoe Fox (appointed 30 April 2021)
- Jon Kempster (appointed 30 April 2021)

Details and biographies of the current Directors and Company Secretary are shown on page 33.

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

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

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

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

Conflicts of interest

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

Directors' and officers' liability insurance

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

No indemnity is provided for the Group's auditor.

Employment policies

The Group employed an average of 153 people in 2021 (2020: 153).

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

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

Policy on payment of suppliers

The Group's policy during the year was to pay suppliers in accordance with agreed terms. At 31 December 2021, the Group had 21 days' purchases outstanding in trade payables (2020: 72 days'). The reduction was due to the increased pressure to support our manufacturing partners with extended working capital exposure from longer component lead times resulting in increased credit exposure in addition to purchasing components on the open market with minimal credit terms.

Going concern

The Group has been loss making in recent years and absorbed cash at an operational level. The Group has raised fresh equity and support from its bank through the government backed loan schemes. The impact of COVID-19 has been material to the Group due to the knock-on effect of COVID-19 on global supply chains. The Company has navigated these well, but shortage of inventory and components has prevented the growth originally planned. In H1 2021 the business saw good expansion and improvements in its underlying trading, this was curtailed in H2 by the supply chain restrictions experienced, but the Group started to deliver on the gross margin improvement plan improving adjusted margins from 19.8% in 2020 to 23.2% in 2021 which, along with new pricing strategies has provided a strong platform to protect and improve margins in 2022.

The Group is anticipated to absorb cash in FY 2022 but will start to generate cash from H2 2022 and continue in full year 2023. The forecasts show the Group has sufficient cash to deliver the strategy and return the Group to profitability and cash generative activity levels.

The Directors have reviewed the forecast sales growth, budgets and cash projections for the period to June 2023 including sensitivity analysis on the key assumptions such as the potential impact of reduced sales for the next twelve months and beyond. The base case scenario reflects the remaining uncertainty regarding the timing of the return to normal trading circumstances. Various plausible but severe downside scenarios were then applied to the base case linked to the trading conditions seen in the 2021 financial year, assuming revenues would not see the expected growth and that margins may deteriorate. The results showed sufficient cash headroom throughout the outlook period. The base case was then reverse stress tested and the level of deterioration required for the Group to exceed the banking headroom was deemed to be highly unlikely.

Going concern

Continued

The Directors have assessed both the discretionary and the non-discretionary cash requirements of the Group during this period. In determining whether the Group and Parent Company's financial statements can be prepared on a going concern basis, the Directors considered the Group's business activities, together with the factors likely to affect its future development, performance and position. The Group has continued to benefit from a supportive relationship with its bank and reviewed the financial position of the Group, its cash flows, borrowing facilities and banking covenants. The key factors considered by the Directors were:

- the implications of the current economic environment and future uncertainties around the Group's revenues and profits by undertaking forecasts and projections on a regular basis;
- the impact of the competitive environment within which the Group operates;
- the impact of COVID-19 and related global supply chain issues;
- the potential actions that could be taken in the event that revenues or gross profits are worse than expected, to ensure that operating profit and cash flows are protected.

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

Annual General Meeting

The notice convening the Annual General Meeting is distributed separately to shareholders at least 20 working days before the meeting. Separate resolutions are proposed on each substantially separate issue. Details of the resolutions passed at the 2022 Annual General Meeting will be made available on the Company's website after the meeting.

Post balance sheet events

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

Auditor

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

Statement as to disclosure of information to the auditor

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

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

Forward-looking statements

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

The Directors' Report has been approved by the Board.

On Behalf of the Board

Zoe Fox
Chief Finance Officer
28 March 2022

Zoe Fox
Chief Finance Officer

Financial statements

FINANCIAL STATEMENTS:
Statement of Directors' responsibilities

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

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

The Group and Company financial statements are required by law and UK-adopted International Accounting Standards to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK-adopted International Accounting Standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

On Behalf of the Board

Zoe Fox
Chief Finance Officer
28 March 2022

FINANCIAL STATEMENTS:

Independent auditor's report

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

Opinion

We have audited the financial statements of FireAngel Safety Technology Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company cash flow statements, the consolidated statement of changes in equity, the company statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Accounting Standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Summary of our audit approach

Key audit matters	**Group** • Revenue recognition • Going concern • Impairment of product development costs **Parent Company** • Impairment of intercompany receivables
Materiality	**Group** • Overall materiality: £195,000 (2020: £400,000) • Performance materiality: £146,000 (2020: £300,000) **Parent Company** • Overall materiality: £97,500 (2020: £200,000) • Performance materiality: £73,100 (2020: £150,000)
Scope	Our audit procedures covered 96% of revenue, 95% of total assets and 99% of loss before tax.

Key audit matters

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

Revenue recognition

Key audit matter description	The group has entered into a new contract in the year which involves the development of a new generation smoke alarm. This contract involves judgement in the identification of performance obligations and significant estimation in measuring revenue to be recognised in the period. The revenue recognised from this contract in the year of £1.0m has been detailed in notes 6 and 7, and the summary of significant accounting policies in note 2 and critical accounting estimates and areas of judgement in note 3.
How the matter was addressed in the audit	Our work has included, but was not restricted to: • Obtaining and reviewing the contract which the group has entered into during the year • Reviewing management's assessment of the contract and treatment under IFRS 15 Revenue from contracts with customers and assessment of management's use of an expert • The use of an auditor's expert to assess the treatment of the contract adopted by management • Consideration of whether the contract represented a joint arrangement under IFRS 11 Joint arrangements • Review of the key judgements in respect of the recognition of revenue, including the performance obligations and the determination of the transaction price • Review of the disclosures in respect of revenue and critical accounting estimates and judgements

Going concern

Key audit matter description	It is the responsibility of the directors to form an opinion on whether the going concern basis of accounting is appropriate and to identify and disclose any material uncertainties that may cast significant doubt on the group's or parent company's ability to continue as a going concern. When planning our current year audit we identified a significant risk that there may be material uncertainties regarding the availability of funds required to meet the group's operational cash requirements and to deliver the group's strategy. The directors have set out their assessment of going concern in the summary of significant accounting policies in note 2.
How the matter was addressed in the audit	Our audit work included, but was not restricted to: • Obtaining and reviewing the cash flow forecasts prepared by management for the period to 30 June 2023 • Checking the mathematical accuracy of the cash flow forecasts • Reviewing the cash flow forecasts in light of our understanding of the business to identify and challenge the key assumptions therein, to assess the level of cash headroom and to assess likely covenant compliance • Considering the impact of management's sensitivities on the forecast cash flows and covenant compliance (including downside scenarios relating to revenue and gross margins) • Adjusting the cash flow forecasts for our own sensitivities to consider potential uncertainties within management's forecasts • Reviewing the key terms of banking facilities • Review of the disclosures within the financial statements to assess whether they accurately reflect management's assessment of going concern, including any uncertainties

Impairment of development costs

Key audit matter description	The group continues to develop new products and has capitalised product development costs with a carrying value of £13.4 million at the reporting date, of which £7.2 million relates to projects where amortisation has not yet commenced. In accordance with the stated accounting policy, management only capitalises these costs on the basis that it is probable that the asset created will generate future economic benefits and management is required to consider whether or not there are any indicators of impairment for each asset at each reporting date. As a result of these considerations, the group has recorded an impairment charge of £0.1m as disclosed in note 18. The recovery of these assets in future periods is dependent upon the successful completion and product sales from each project. The potential for impairment is one of the most significant risks of material misstatement due to the quantum of the costs capitalised in respect of certain individual projects and also due to the exercise of management judgement regarding inherently uncertain future outcomes relating to the adoption of new technologies and future sales performance. The directors have explained the estimation uncertainties relevant to their impairment considerations in note 3, and detailed analysis of the amounts capitalised is set out in note 18.

Impairment of development costs

How the matter was addressed in the audit	Our audit work included, but was not restricted to: • Discussing product development expenditure during the year with management to understand progress and to identify areas of greater potential risk • Obtaining and reviewing management's impairment assessment for all projects within capitalised product development costs and performing audit work as follows: ◦ For projects where amortisation has not yet commenced, we challenged management's assessment, corroborated explanations to supporting evidence where available including key assumptions relating to future revenue and considered any contradictory evidence ◦ For projects where amortisation has commenced, we reviewed the sales and margin achieved on products using this technology and compared the margins achieved with unamortised capitalised costs at the reporting date to assess the period over which the capitalised costs will be recovered • Reperforming management's impairment calculations and assessing whether the impairment in the period was accurately calculated • Considering the adequacy of disclosures and whether they are in accordance with the applicable financial reporting framework

Impairment of intercompany receivables
(parent company only)

Key audit matter description	As at 31 December 2021 the parent company statement of financial position includes amounts owed by subsidiary undertakings of £35.0 million. The balance is interest free and repayable on demand. The subsidiary undertakings does not have sufficient liquid assets to make repayment should the parent company demand repayment. Due to the size of the balance owed by the subsidiary undertaking and the degree of judgement and estimation needed to calculate an appropriate expected credit loss provision this matter is one of the most significant risks of a material misstatement for the parent company. At 31 December 2021, the gross amount owed by subsidiary undertakings was £42.3 million and the ECL recorded was £7.3 million as detailed in notes 3 and 22.
How the matter was addressed in the audit	We obtained management's calculation of the Expected Credit Loss ("ECL") and the underlying calculations prepared to support the carrying value of the balance and performed work as follows: • Assessed the reasonableness of the recovery scenarios considered by management and the probabilities assigned thereon • Reviewed and challenged the assumptions and estimates utilised in the model. • Recalculated the computation of the ECL • Considered the adequacy of the disclosures and whether they were in accordance with the applicable financial reporting framework

Our application of materiality

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

	Group	Parent company
Overall materiality	£195,000 (2020: £400,000)	£97,500 (2020: £200,000)
Basis for determining overall materiality	5% of loss before tax	5% of net assets (restricted for purposes of providing a Group opinion)
Rationale for benchmark applied	Loss before tax is considered the most appropriate benchmark for the users of the financial statements.	Net assets are considered to be the most appropriate benchmark for the parent company as it is primarily a holding company.
Performance materiality	£146,000 (2020: £300,000)	£73,100 (2020: £150,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £9,750 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £5,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

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

	Number of components	Revenue	Total assets	Loss before tax
Full scope audit	2	96%	95%	99%
Total	**2**	**96%**	**95%**	**99%**

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting is set out above in our Key Audit Matters section entitled 'Going concern'.

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 57, 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.

Independent auditor's report

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

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

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

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

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

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the audit engagement team included:
UK-adopted IAS, Companies Act 2006 and AIM Rule 19 relating to the preparation of annual accounts	Review of the financial statement disclosures and testing to supporting documentation; Completion of disclosure checklists to identify areas of non-compliance.
Tax compliance regulations	Inspection of advice received from external tax advisors. Consideration of whether any matter identified during the audit required reporting to an appropriate authority outside the entity.
Product certification requirements	Inquiry of management and those charged with governance.

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

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

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

Use of our report

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

GRAHAM BOND FCA (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

14th Floor, 20 Chapel Street, Liverpool L3 9AG

28 March 2022

FINANCIAL STATEMENTS:

Consolidated income statement

For the year ended 31 December 2021

		2021			2020		
		Before non-underlying items	**Non-underlying items (note 8)**	**Total**	Before non-underlying items	Non-underlying items (note 8)	Total
	Note	**£000**	**£000**	**£000**	£000	£000	£000
Revenue	6	**43,472**	**-**	**43,472**	39,928	-	39,928
Cost of sales	9	**(33,393)**	**22**	**(33,371)**	(32,032)	(1,717)	(33,749)
Gross profit		**10,079**	**22**	**10,101**	7,896	(1,717)	6,179
Operating expenses	9	**(13,580)**	**(280)**	**(13,860)**	(13,606)	(1,924)	(15,530)
Other operating income	10	**82**	**-**	**82**	291	-	291
Loss from operations	9	**(3,419)**	**(258)**	**(3,677)**	(5,419)	(3,641)	(9,060)
Finance costs	12	**(33)**	**-**	**(33)**	(278)	-	(278)
Loss before tax		**(3,452)**	**(258)**	**(3,710)**	(5,697)	(3,641)	(9,338)
Income tax credit	13	**430**	**-**	**430**	630	-	630
Loss attributable to equity owners of the Parent		**(3,022)**	**(258)**	**(3,280)**	(5,067)	(3,641)	(8,708)
Basic earnings per share	15			**(2.0)**			(7.7)
Diluted earnings per share	15			**(2.0)**			(7.7)

All amounts stated relate to continuing activities.

Consolidated statement of comprehensive income

For the year ended 31 December 2021

	2021	2020
	£000	£000
Loss for the year	**(3,280)**	(8,708)
Items that may be reclassified subsequently to profit and loss:	**32**	(22)
Exchange differences on translation of foreign operations (net of tax)		
Total comprehensive loss for the year	**(3,248)**	(8,730)

Consolidated and Company statement of financial position

As at 31 December 2021

		Consolidated		Company	
	Note	2021	2020	2021	2020
		£000	£000	£000	£000
Non-current assets					
Goodwill	17	**169**	169	**-**	-
Other intangible assets	18	**11,825**	11,738	**-**	-
Purchased software costs	18	**1,625**	2,059	**-**	-
Property, plant and equipment	19	**3,242**	4,263	**-**	-
Shares in subsidiaries	20	**-**	-	**675**	392
		16,861	18,229	**675**	392
Current assets					
Inventories	21	**3,737**	6,558	**-**	-
Trade and other receivables	22	**9,430**	10,071	**34,969**	29,857
Current tax asset		**464**	711	**-**	-
Derivative financial assets	23	**291**	-	**-**	-
Cash and cash equivalents		**3,294**	1,466	**2**	2
		17,216	18,806	**34,971**	29,859
Total assets		**34,077**	37,035	**35,646**	30,251
Current liabilities					
Trade and other payables	28	**(8,135)**	(12,834)	**-**	-
Lease liabilities	24	**(456)**	(440)	**-**	-
Current tax liabilities		**-**	(32)	**-**	-
Provisions	27	**(1,012)**	(1,491)	**-**	-
Invoice discounting facilities	24	**-**	(2,539)	**-**	-
Loans and borrowings	24	**(480)**	(2,600)	**-**	-
Derivative financial liabilities	23	**-**	(693)	**-**	-
		(10,083)	(20,629)	**-**	-
Net current assets /(liabilities)		**7,133**	(1,823)	**34,971**	29,859
Non-current liabilities					
Loans and borrowings	24	**(2,743)**	(23)	**-**	-
Lease liabilities	24	**(492)**	(941)	**-**	-
Provisions	27	**(541)**	(1,254)	**-**	-
		(3,776)	(2,218)	**-**	-
Total liabilities		**(13,859)**	(22,847)	**-**	-
Net assets		**20,218**	14,188	**35,646**	30,251
Equity					
Called up share capital	31	**3,621**	2,531	**3,621**	2,531
Share premium account		**30,009**	22,104	**30,009**	22,104
Currency translation reserve		**153**	121	**-**	-
Retained earnings		**(13,565)**	(10,568)	**2,016**	5,616
Total equity attributable to equity holders of the Parent Company		**20,218**	14,188	**35,646**	30,251

The Company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own statement of comprehensive income. The result for the year dealt with in the financial statements of the Company was a loss of £3,882,562 (2020: loss of £1,591,000).

The financial statements and notes to the accounts on pages 63 to 96 were approved and authorised for issue by the Board of Directors on 28 March 2022 and were signed on its behalf by:

John Conoley
Executive Chairman

Zoe Fox
Chief Financial Officer

Company registered number: 3991353

Consolidated and Company cash flow statement

For the year ended 31 December 2021

		Consolidated		Company	
	Note	2021	2020	2021	2020
		£000	£000	£000	£000
Loss before tax		**(3,710)**	(9,338)	**(3,883)**	(1,591)
Finance expense		**33**	278	**-**	5
Operating loss for the year		**(3,677)**	(9,060)	**(3,883)**	(1,586)
Adjustments for:					
Depreciation of property, plant and equipment, and right-of-use assets		**1,420**	1,429	**-**	-
Amortisation of intangible assets		**1,876**	2,482	**-**	-
Loss on disposal of non-current assets		**47**	-	**-**	-
Non-underlying items	8	**258**	3,641	**-**	-
Cash flow relating to non-underlying items		**(1,242)**	(2,287)	**-**	-
Decrease in fair value of derivatives		**(984)**	264	**-**	-
Provision against intercompany receivables		**-**	-	**3,883**	1,586
Operating cash flow before movements in working capital		**(2,302)**	(3,531)	**-**	-
Movement in inventories		**2,909**	(479)	**-**	-
Movement in receivables		**732**	1,911	**(8,995)**	(5,496)
Movement in provisions		**-**	(28)	**-**	-
Movement in payables		**(4,714)**	683	**-**	-
Cash used in by operations		**(3,375)**	(1,444)	**(8,995)**	(5,496)
Income taxes received		**645**	680	**-**	-
Net cash used in by operating activities		**(2,730)**	(764)	**(8,995)**	(5,496)
Investing activities					
Capitalised development costs		**(1,529)**	(2,554)	**-**	-
Purchase of property, plant and equipment		**(434)**	(277)	**-**	-
Net cash used in investing activities		**(1,963)**	(2,831)	**-**	-
Financing activities					
Repayment of loan		**(2,600)**	(600)	**-**	-
Drawdown of loan	24	**3,200**	3,223	**-**	
Repayment of invoice finance		**(2,539)**	(4,445)	**-**	-
Proceeds from issue of ordinary shares (net of expenses)		**8,995**	5,499	**8,995**	5,499
Repayment of lease obligations		**(441)**	(381)	**-**	-
Interest paid		**(124)**	(278)	**-**	(5)
Net cash generated by financing activities		**6,491**	3,018	**8,995**	5,494
Net increase/ (decrease) in cash and cash equivalents		**1,798**	(577)	**-**	(2)
Cash and cash equivalents at beginning of year		**1,466**	2,062	**2**	4
Non-cash movements – foreign exchange		**30**	(19)	**-**	-
Cash and cash equivalents at end of year		**3,294**	1,466	**2**	2

Consolidated statement of changes in equity

For the year ended 31 December 2021

	Share capital £000	Share premium account £000	Currency translation reserve £000	Retained earnings £000	Total £000
Balance at 1 January 2020	**1,519**	**17,617**	**143**	**(2,103)**	**17,176**
Loss for the year	-	-	-	(8,708)	(8,708)
Net foreign exchange gains from overseas subsidiaries	-	-	(22)	-	(22)
Total comprehensive loss for the year	**-**	**-**	**(22)**	**(8,708)**	**(8,730)**
Transactions with owners in their capacity as owners:					
Issue of equity shares	1,012	-	-	-	1,012
Premium arising on issue of equity shares	-	5,062	-	-	5,062
Share issue expenses	-	(575)	-	-	(575)
Credit in relation to share-based payments	-	-	-	243	243
Total transactions with owners in their capacity as owners	1,012	4,487	-	243	5,742
Balance at 31 December 2020	**2,531**	**22,104**	**121**	**(10,568)**	**14,188**
Loss for the year	-	-	-	(3,280)	(3,280)
Net foreign exchange gains from overseas subsidiaries	-	-	32	-	32
Total comprehensive loss for the year	**-**	**-**	**32**	**(3,280)**	**(3,248)**
Transactions with owners in their capacity as owners:					
Issue of equity shares	1,090	-	-	-	1,090
Premium arising on issue of equity shares	-	8,711	-	-	8,711
Share issue expenses	-	(806)	-	-	(806)
Credit in relation to share-based payments	-	-	-	283	283
Total transactions with owners in their capacity as owners	**1,090**	**7,905**	**-**	**283**	**9,278**
Balance at 31 December 2021	**3,621**	**30,009**	**153**	**(13,565)**	**20,218**

Company statement of changes in equity

For the year ended 31 December 2021

	Share capital £000	Share premium account £000	Retained earnings £000	Total £000
Balance at 1 January 2020	**1,519**	**17,617**	**6,964**	**26,100**
Loss for the year	-	-	(1,591)	(1,591)
Total comprehensive loss for the year	**-**	**-**	**(1,591)**	**(1,591)**
Transactions with owners in their capacity as owners:				
Issue of equity shares	1,012	-	-	1,012
Premium arising on issue of equity shares	-	5,062	-	5,062
Share issue expenses	-	(575)	-	(575)
Credit in relation to share-based payments	-	-	243	243
Total transactions with owners in their capacity as owners	1,012	4,487	243	5,742
Balance at 31 December 2020	**2,531**	**22,104**	**5,616**	**30,251**
Loss for the year	-	-	(3,883)	(3,883)
Total comprehensive loss for the year	**-**	**-**	**(3,883)**	**(3,883)**
Transactions with owners in their capacity as owners:				
Issue of equity shares	1,090	-	-	1,090
Premium arising on issue of equity shares	-	8,711	-	8,711
Share issue expenses	-	(806)	-	(806)
Credit in relation to share-based payments	-	-	283	283
Total transactions with owners in their capacity as owners	**1,090**	**7,905**	**283**	**9,278**
Balance at 31 December 2021	**3,621**	**30,009**	**2,016**	**35,646**

FINANCIAL STATEMENTS:

Notes to the financial statements

For the year ended 31 December 2021

1. Principal activities

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

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

2. Summary of significant accounting policies

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

Basis of preparation

These consolidated financial statements are prepared in accordance with UK – adopted International Accounting Standards. The financial statements are presented in thousands (£'000) unless otherwise indicated.

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

Basis of consolidation

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

Subsidiaries

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

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

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

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

Going concern

The Group has been loss making in recent years and absorbed cash at an operational level. The Group has raised fresh equity and support from its bank through the government backed loan schemes. The impact of COVID-19 has been material to the Group due to the knock-on effect of COVID-19 on global supply chains. The Company has navigated these well, but shortage of inventory and components has prevented the growth as originally planned. In H1 2021 the business saw good expansion and improvements in its underlying trading, this was curtailed in H2 by the supply chain restrictions experienced, but the Group started to deliver on the gross margin improvement plan improving adjusted margins from 19.8% in 2020 to 23.2% in 2021 which, along with new pricing strategies has provided a strong platform to protect and improve margins in 2022.

The Group is anticipated to absorb cash in FY 2022 but will start to generate cash from H2 2022 and continue in full year 2023. The forecasts show the Group has sufficient cash to deliver the strategy and return the Group to profitability and cash generative activity levels.

The Directors have reviewed the forecast sales growth, budgets and cash projections for the period to June 2023 including sensitivity analysis on the key assumptions such as the potential impact of reduced sales for the next twelve months and beyond. The base case scenario reflects the remaining uncertainty regarding the timing of the return to normal trading circumstances. Various plausible but severe downside scenarios were then applied to the base case linked to the trading conditions seen in the 2021 financial year, assuming revenues would not see the expected growth and that margins may deteriorate.

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

The Directors have assessed both the discretionary and the non-discretionary cash requirements of the Group during this period. In determining whether the Group and Parent Company's financial statements can be prepared on a going concern basis, the Directors considered the Group's business activities, together with the factors likely to affect its future development, performance and position. The Group has continued to benefit from a supportive relationship with its bank and reviewed the financial position of the Group, its cash flows, borrowing facilities and banking covenants. The key factors considered by the Directors were:

- the implications of the current economic environment and future uncertainties around the Group's revenues and profits by undertaking forecasts and projections on a regular basis;
- the impact of the competitive environment within which the Group operates;
- the impact of COVID-19 and related global supply chain issues;
- the potential actions that could be taken in the event that revenues or gross profits are worse than expected, to ensure that operating profit and cash flows are protected.

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

Changes in accounting policies and disclosures

New standards, amendments and interpretations adopted by the Group

The following new standards and amended standards, none of which have had a material impact on these financial statements, are mandatory and relevant to the Group for the first time for the financial period commencing 1 January 2021:

- Interest rate benchmark reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

Accounting standards in issue but not yet effective

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

- Amendments to IAS 12 – Deferred tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 8 – Definition of Accounting Estimates
- Amendments to IAS 1 – Disclosure of Accounting Policies
- Annual Improvements to IFRS 2018-2020
- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to IFRS 3 – Reference to Conceptual Framework
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current

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

Revenue recognition

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

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

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

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

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

2. Summary of significant accounting policies
Continued

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

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

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

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

Revenue recognition – warranty obligations

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

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

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

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

Government Grants

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

Interest income

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

Accounting for discretionary payments made to customers

The Group made discretionary payments in total amounting to £0.5million (20120: £0.5million) to certain UK retailers in respect of maintaining the ongoing relationship with these customers and to secure promotional activities during the year. Such costs are taken to the income statement in the year to which they relate and are recorded in operating expenses.

Goodwill

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

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

Other intangible assets – internally-generated intangible assets

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

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

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits;
- the development cost of the asset can be measured reliably;

- the Group has the intention to complete the asset and the ability and intention to use or sell it;
- the product or process is technically and commercially feasible; and
- sufficient resources are available to complete the development and to either sell or use the asset.

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

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

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

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

Other intangible assets – computer software

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

Plant, equipment and tooling

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

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

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

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

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

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

Impairment of plant and equipment and intangible assets

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

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

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

Notes to the financial statements

2. Summary of significant accounting policies

Continued

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

Leases

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

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

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

Functional and presentation currency

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

Foreign currency transaction and balances

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

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

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

Retirement benefit costs

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

Taxation

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

Current tax

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

Deferred tax

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

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

Financial instruments

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

a) Financial assets

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

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

b) Trade receivables

Trade receivables are initially measured at their transaction value and are subsequently measured at amortised cost. Under IFRS 9 the expected credit loss model requires the Group to consider expectations of future events when determining its expectations of impairment.

c) Borrowings

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

d) Financial assets at fair value through profit and loss

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

e) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

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

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

f) Recognition and measurement

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

g) Impairment of financial assets

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

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

Inventories

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

2. Summary of significant accounting policies

Continued

Forward currency derivatives

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

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

Cash and cash equivalents

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

Trade payables

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

Provisions

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

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

Equity instruments

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

Share-based payment transactions

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

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

Operating segments

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

Non-underlying items

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

3.Critical accounting estimates and areas of judgement

Impacting the Group

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

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

European Partner Revenue recognition

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

Consideration has been given as to whether to adopt IFSR15 revenue recognition accounting principles or IFRS 11 joint venture accounting treatment. The Group has concluded that Techem are in control of the design phase and thus do not require a unanimous consent of both parties which is required to adopt IFRS 11 treatment.

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

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

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

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

Warranty provision for FireAngel products

In April 2016, the Group identified a non-safety critical issue in relation to certain batteries supplied by a third-party supplier that may cause a premature low battery warning chirp in certain of its smoke alarm models sold in the UK and in Continental Europe. As a result, to support the Group's customer service obligations, the Board increased the Group's total warranty provisions as at 31 December 2015 to £6.8 million and has continued to provide replacement products in line with the Group's contractual obligations. Between 2019 and 2020 the Group provided a further £3.8 million to reflect an increase in the terminal volume of units expected to be impacted by the issue based on the level of returns seen.

With specific reference to FireAngel products, the determination of the amount of the provision, which reflects the Board's best estimate of resolving these issues, requires the exercise of significant judgement. It is necessary, therefore, to form a view on matters which are inherently uncertain, such as the returns profile over time, the final return rate, whether the return rate of each year of production will be similar, whether the return rates from different sales channels will vary and the average cost of redress. There is a greater degree of uncertainty in assessing these factors when an issue is first identified. Consequently, the continued appropriateness of the underlying assumptions will be reviewed on an ongoing basis against actual experience and other relevant evidence, and adjustment made to the provision over time as required.

The provision relates mainly to the high impedance battery issue and is most sensitive to the assumption regarding the final return percentage rate. The expected terminal rate of return percentage for each year of production for each market was estimated by FireAngel's Technical team.

To prevent the issue happening again, various product design changes were implemented at both the supplier of the batteries and to the firmware used in finished products when manufactured at the Group's primary smoke alarm and connected devices manufacturing partner. The Group has also reviewed its returns processes to reduce the cost of servicing product returns and has identified a number of significant improvements that will reduce the cost of servicing the warranty in the field going forwards.

3.Critical accounting estimates and areas of judgement

Continued

Impairment of non-financial assets

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

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

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

During 2021, the Group recognised an impairment charge of £0.1 million against its capitalised intangible product development costs after a thorough review of product lines and future development costs (see note 18).

The Board notes that the Group has a significant value of intangible assets on the balance sheet at the year end. Connected homes intangible assets with a net book value of £2.1 million are not yet being amortised as they are currently being developed for sale. Connected home intangible assets with a net book value of £3.4 million are being amortised. The Board expects that in future, the vast majority of products sold will in some way be connected (through Wi-safe 2, Z-wave or Zigbee technology) and given that the Group already has a connected homes technology product offering which is working, the Board believes that the carrying value of connected homes technology intangibles is not impaired. In reaching this conclusion, the Board also acknowledges the losses incurred by the Group over the past three years and the heightened risk of impairment that this leads to.

Deferred tax recognition

At 31 December 2021 there is a deferred tax asset of £1,500,811 which has not been recognised as the timing of utilisation is uncertain. Deferred tax assets should only be recognised where they are more likely than not to be realised. Whilst the Group expects a return to profitability in the future, the generous deduction available for research and development expenditure means that it is likely to be several years before these losses will need to be accessed.

Inventory provision

The Group reviews each stock keeping unit ('SKU') on a line-by-line basis taking into account sales and gross margins achieved on every SKU over the past 24 months and the expected sales of each SKU over the next twelve months (and beyond) and the likely gross margin thereon.

Discontinued SKUs are fully provided against (at 100% of the cost) as future sales are very unlikely. In addition, where stock is identified as being slow-moving, a 10% provision is typically booked against the cost of the stock. The Group's stock provisioning policy reviews unit sales and margins on each line of stock and considers the level of sales likely to be achieved in the future, and at what margin, before determining if a stock provision is required.

Historically, on eventual sale of slow-moving SKUs, the Group has not experienced any material issues where the net realisable value of stock ultimately transpires to be less than the book value of the stock (plus associated rework costs). Moreover, where stock has been identified as slow-moving, ten-year life products are typically reworked into seven-year or five-year product packaging and sold as such still at a positive net margin. Even after rework costs, the net realisable value of slow-moving SKUs typically exceeds the combined product and rework costs. The Group is fortunate that products are certified to common European standards (and certain country standards) and many products are saleable in markets other than the original market destination.

The inventory provision at 31 December 2021 amounted to £0.5 million (2020: £0.6 million).

Impacting the Company only

Recoverability of intercompany receivables

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

In accordance with IFRS 9 'Financial Instruments', as the subsidiary undertaking cannot repay the loan at the reporting date, the Company has made an assessment of expected credit losses. Having considered multiple scenarios on the manner, timing, quantum and probability of recovery of the receivables, a lifetime expected credit loss ('ECL') of £7.3 million has been provided.

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

The carrying value of amounts owed by subsidiary undertakings at 31 December 2021, net of provisions, was £35.0 million (2020: £29.9 million) and is disclosed in note 22 to the financial statements.

4. Financial risk management

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

Liquidity risk

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

Maturity analysis

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

	Within 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Total
2021	**£000**	**£000**	**£000**	**£000**	**£000**
Trade payables	3,465	-	-	-	3,465
Loans and borrowings	160	343	2,720	-	3,223
Other payables	4,265	-	-	-	4,265
Lease liabilities	246	251	507	-	1,004
Financial liabilities	**8,136**	**594**	**3,227**	**-**	**11,957**
2020					
Trade payables	7,032	-	-	-	7,032
Loans and borrowings	3,439	1,700	23	-	5,162
Other payables	3,654	-	-	-	3,654
Lease liabilities	247	252	1,001	-	1,500
Derivative financial liabilities	587	106	-	-	693
Financial liabilities	**14,959**	**2,058**	**1,024**	**-**	**18,041**

The table below analyses the Group's financial assets held for managing liquidity risk which are considered to be readily saleable or are expected to generate cash inflows to meet cash outflows on financial liabilities.

	Within 6 months	6 months to 1 year	1 to 5 years	Over 5 years	Total
2021	**£000**	**£000**	**£000**	**£000**	**£000**
Trade receivables and other debtors	9,011	-	-	-	9,011
Cash and cash equivalents	3,294	-	-	-	3,294
Derivative Financial assets	240	51	-	-	291
Financial assets	**12,545**	**51**	**-**	**-**	**12,596**
2020					
Trade receivables and other debtors	9,430	-	-	-	9,430
Cash and cash equivalents	1,466	-	-	-	1,466
Financial assets	**10,896**	**-**	**-**	**-**	**10,896**

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

Foreign currency risk

The Group operates in a number of markets across the world and is exposed to foreign exchange risk arising from various currency exposures in particular, with respect to the US dollar and euro. The Group is exposed to foreign currency risk arising from recognised assets and liabilities as well as commitments arising from future trading transactions. The Group has a forward hedging policy, which aims to mitigate the risk of currency fluctuations by locking into current rates for future periods on a set percentage of expected future currency flows. The weakening or strengthening of sterling against the US dollar or Euro during the year increases or decreases the committed sterling cost of forward contracts entered into in accordance with the Group's policy to hedge future US dollar purchase and Euro sale requirements.

The notional principal amounts of the outstanding foreign currency forward contracts at 31 December 2021 were US $18.5 million (2020: US $15.5 million).

4. Financial risk management

Continued

Sensitivity analysis

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

The approximate impact on the Group's operating result in 2021 from a one cent change in the value of the US dollar and euro against sterling on a full year basis is approximately £0.2 million and £0.1 million respectively.

Interest rate risk

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

Credit risk

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

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

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

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

Maximum exposure to credit risk	**2021 £000**	2020 £000
Trade receivables and other debtors	**9,011**	9,430
Cash and cash equivalents	**3,294**	1,466
	12,305	10,896

The Group did not have any financial instruments that would mitigate the credit exposure arising from the financial assets designated at fair value through profit or loss in either the current or the preceding financial year.

The Company's credit risk arises exclusively through its intercompany balances which stand at £35.0 million (2020: £29.9 million). For the Company, impairment losses on financial assets measured at amortised cost relate solely to amounts due from fellow group companies and total £7.3 million at 31 December 2021 (2020: £3.5 million). The impairment loss recorded against amounts due from fellow group companies is calculated based on lifetime expected credit losses.

5. Capital management

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

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

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

6. Revenue and segmental reporting

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

IFRS 8 requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker ('CODM'). The CODM has been determined to be the Executive Chairman as he is primarily responsible for the allocation of resources and the assessment of the performance.

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

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

Revenue from continuing operations	**2021 £000**	2020 £000
Business Units:		
UK Trade	**11,054**	8,000
UK Retail	**15,614**	16,603
UK Fire & Rescue Services	**2,367**	2,875
UK Utilities	**826**	923
International	**10,891**	9,198
European Partner	**1,043**	-
Pace Sensors	**1,677**	2,329
Total revenue from external customers	**43,472**	39,928

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

As of 1 January 2021, the business has reassigned a number of customers to different business units. Four customers with a combined revenue of £0.4m in 2020 which were previously reported within the Utilities business unit are now reporting through the Trade business unit. The 2020 sales comparatives have been adjusted accordingly.

For 2021, revenues of approximately £4.7 million were derived from one external customer (2020: £9.4 million from two external customers), which individually contributed over 10% of total revenue of the Group. These revenues are attributable to the UK Retail business unit. An analysis of the Group's revenue is as follows:

	2021 £000	2020 £000
Continuing operations:		
UK	**29,861**	28,400
Continental Europe	**11,839**	8,961
Rest of World	**1,772**	2,567
	43,472	39,928

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

	2021 £000	2020 £000
Continuing operations:		
UK	**16,671**	18,050
Canada	**190**	179
Non-current assets	**16,861**	18,229

7. Revenue recognition – European Partner

In April 2021 the Group signed a long-term partnership agreement with a Techem to provide a research and development programme for a new generation smoke alarm. The Group has looked at the individual element of the contract and has concluded that there are not separate performance obligations and as such the contract forms one central non-distinct performance obligation.

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

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

The contract between the two parties guarantees a minimum royalty fee of €3 million. The minimum royalty fee of €3m has been included in the initial contract consideration which is being recognised as described above. This amount will be payable as products are sold and therefore the contract includes a significant financing element. The Group currently values the consideration of the design and development phase of the contract at £6.7 million (£6.2 million in revenue and £0.5 million as interest receivable). The Group has recorded a net contract asset of £0.1m as the contract billing arrangements at specific milestones does not mirror the accounting treatment of performance obligation satisfaction.

7. Revenue recognition – European Partner

Continued

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

	2021 £000
Revenue recognised	1,043
Costs recognised	(437)
Gross profit attributable to contract	**606**
Revenue recognised	1,043
Interest income recognised	91
Total consideration	**1,134**
Billing to date	(1,060)
Accrued income	**74**

8. Non-underlying items

	2021 £000	2020 £000
Within cost of sales		
Provision for warranty costs (note a)	-	1,168
Commercial distributer settlements (note b)	66	324
Provision against stock and disposal costs (note c)	(88)	225
	(22)	1,717
Within operating expenses		
Restructuring and fundraising costs (note d)	-	77
Impairment of intangible assets (note e)	-	1,416
Impairment of tangible assets (note f)	(3)	188
Share-based payment charges	283	243
	280	1,924
Total non-underlying items	**258**	3,641

a. In 2020, the FireAngel battery warranty provision, an isolated legacy issue relating to a third-party supplier first identified in April 2016, was increased by £1.2 million. The additional provision was made to reflect an increase in the terminal volume of units expected to be impacted by the issue based on the level of returns being seen. The cash impact of the warranty provision in 2021 was £1.2 million.

b. Customer settlements relating to the battery impedance totalled £0.1m for the year (2020: £0.3 million). There was no cash impact in 2021 relating to these settlements.

c. During 2021 the Group was able to sell stock lines that had previously been impaired which resulted in a non-underlying credit of £0.1 million (2020: £0.2 million charge). The cash impact in 2021 for disposing of stock previously provided for was £50,000.

d. Restructuring and certain fundraising costs of £0.1 million were incurred and paid in the 2020.

e. No non-underlying intangible impairment charge was recorded in 2021 after a thorough review of product lines and future development costs. The prior year charge was £1.4 million.

f. Tangible assets of £0.2 million were impaired during the 2020 as a result of a thorough review of tooling required for ongoing product lines.

9. Loss from operations

The following table analyses the nature of expenses:	2021 £000	2020 £000
Staff costs (note 11)	6,932	6,005
Depreciation and amortisation (notes 18 and 19)		
- Owned assets	2,851	3,424
- Right-of-use assets	445	395
Premises costs	920	841
Cost of inventories recognised as an expense	29,785	27,928
Inventory provision recorded in year, excluding non-underlying charges	100	112
Techem costs recognised (note 7)	437	-
Distribution costs	1,075	977
Marketing and trade contributions	1,008	953
Professional fees, excluding Non-Executive Directors	722	890
Research and development costs	177	283
Non-underlying items excluding staff costs (note 8)	(25)	3,398
Foreign exchange revaluations and mark-to-mark movements	(430)	717
Other net expenses/costs	3,234	3,356
Total cost of sales and operating expenses	**47,231**	49,279

Loss from operations has been arrived at after charging:

	2021 £000	2020 £000
Net foreign exchange losses/ (gains) excluding foreign currency forward transactions	589	477
Research and development costs	177	283
Amortisation and impairment of intangible assets	1,876	3,898
Depreciation of owned assets	975	1,033
Depreciation on right-of-use assets	445	396

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

	2021 £000	2020 £000
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts.	39	36
Fees payable to the Company's auditor and their associates for other services to the Group:		
The audit of the Company's subsidiaries	81	73
Other audit related services	-	-
Total audit fees	**120**	109
Taxation services	30	5
Accounting services	-	-
Total non-audit fees	**30**	5

10. Other operating income

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

11. Staff costs

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

	2021 Number	2020 Number
Manufacturing (Pace Sensors)	22	26
Technology	41	40
Administration	49	49
Sales and marketing	27	26
Executive and Non-Executive Directors	6	7
Warehousing	7	5
	152	153

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

	2021 £000	2020 £000
Wages and salaries	6,787	6,612
Social security costs	674	613
Other pension costs	238	224
Share-based payment expense	283	243
Total remuneration	**7,982**	7,692
Less:		
Capitalised product development costs (note 18)	(1,050)	(1,687)
Total remuneration charged to the income statement	**6,932**	6,005

Throughout 2021 the Company had no employees (2020: nil)

12. Finance costs

	2021 £000	2020 £000
Interest expense on bank balance	**(84)**	(227)
Lease liability interest expense	**(40)**	(51)
Interest received on discounted cash flows	**91**	-
Total finance costs	**(33)**	(278)

13. Income tax

	2021 £000	2020 £000
Current tax		
UK corporation tax credit	**(434)**	(711)
UK – adjustments in respect of prior periods (credit)/charge	**16**	(49)
Foreign tax charge	**(12)**	130
	(430)	(630)
Deferred tax (note 29)		
Origination and reversal of temporary differences	**-**	-
Adjustments in respect of prior periods	**-**	-
Income tax credit	**(430)**	(630)

Domestic income tax is calculated at 19% (2020: 19.00%) of the estimated assessable profit or loss for the year.

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

	2021 £000	%	2020 £000	%
Loss before tax	**(3,710)**		(9,338)	
Tax at the domestic income tax rate of 19.00% (2020: 19.00%)	**(705)**		(1,774)	
Tax effect of expenses that are not deductible in determining taxable profit	**60**		52	
Effect of allowance for capitalised development expenditure	**(187)**		(306)	
Adjustments in respect of prior periods	**16**		(49)	
Deferred tax not recognised	**544**		1,428	
Impact of foreign tax rates	**(30)**		59	
Difference in current and deferred tax rates	**(351)**		-	
Effect of tax rate change on opening patent box set-off	**279**		-	
Other adjustments	**(56)**		(40)	
Tax credit and effective tax rate for the year	**(430)**	**12%**	(630)	7%

The weighted average applicable tax rate was 12% (2020: 7%). The tax credit for 2021 is largely due to enhanced research and development tax relief at a rate of 230% and operating losses in the year of £3.7 million.

Tax losses are, where possible, realised during the year through surrender for research and development tax credits.

At 31 December 2021 there is a deferred tax asset of £1,500,811 which has not been recognised as the timing of utilisation is uncertain. Deferred tax assets should only be recognised where they are more likely than not to be realised. Whilst the Group expects a return to profitability in the future, the generous deduction available for research and development expenditure means that it is likely to be several years before these losses will need to be accessed.

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

	2021 £000	2020 £000
Deferred tax		
Share-based payments	**-**	-
Income tax charge	**-**	-

14. Dividends

As a result of the loss reported for the year, and consistent with the decision not to pay an interim dividend (2020: nil pence per share), the Directors do not recommend payment of a final dividend for the year (2020: nil pence per share). The total dividend payable for 2021 is therefore nil pence per share (2020: nil pence per share).

15. Earnings per share

	2021	2020
Earnings from continuing operations	**£000**	£000
Earnings for the purposes of basic and diluted earnings per share (loss for the year attributable to owners of the Parent)	**(3,280)**	(8,708)
Number of shares	**'000**	'000
Weighted average number of ordinary shares – basic calculation	**160,308**	112,865
Dilutive potential ordinary shares from share options	**-**	-
Weighted average number of ordinary shares – diluted calculation	**160,308**	112,865

	2021 Pence	2020 Pence
Basic earnings per share	**(2.0)**	(7.7)
Diluted earnings per share	**(2.0)**	(7.7)

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

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

16. Financial instruments

2021 Financial assets	Assets at fair value through profit and loss £000	Financial assets at amortised cost £000	Total £000
Trade receivables and other debtors	-	9,011	9,011
Cash and cash equivalents	3,294	-	3,294
Derivative financial assets	291	-	291
Total	**3,585**	**9,011**	**12,596**

2020 Financial assets	Assets at fair value through profit and loss £000	Financial assets at amortised cost £000	Total £000
Trade receivables and other debtors	-	9,430	9,430
Cash and cash equivalents	1,466	-	1,466
Total	**1,466**	**9,430**	**10,896**

2021 Financial assets	Liabilities at fair value through profit and loss £000	Financial liabilities held at amortised cost £000	Total £000
Trade payables	-	3,464	3,464
Loans and borrowings	-	3,223	3,223
Other payables	-	4,266	4,266
Lease liabilities	-	948	948
Derivative financial liabilities	-	-	-
Total	**-**	**11,901**	**11,901**

2020 Financial assets	Liabilities at fair value through profit and loss £000	Financial liabilities held at amortised cost £000	Total £000
Trade payables	-	7,032	7,032
Loans and borrowings	-	5,162	5,162
Other payables	-	3,654	3,654
Lease liabilities	-	1,381	1,381
Derivative financial liabilities	693	-	693
Total	**693**	**17,229**	**17,922**

At 31 December 2021 the Company held financial assets held at amortised cost in the form of intercompany balances to the value of £35.0 million (2020: £29.9 million). At the same date the Company had a financial liability held at amortised cost in the form of borrowings to the value of £nil (2020: £nil).

16. Financial instruments

Continued

Credit risk management

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

	2021	2020
	£000	£000
Trade and other receivables	9,011	9,430
Total	9,011	9,430

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

As at 31 December 2021 a credit loss provision of £56,000 (2020: £66,000) was held against the exposure of potential bad debts.

17. Goodwill

	£000
Cost and carrying value	
Cost and carrying value of goodwill at 31 December 2021 and 2020	169

The goodwill above relates solely to Pace Sensors.

Group impairment test

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

The carrying amount of the cash-generating unit assets and liabilities at 31 December 2021 amounted to £20.1 million. The recoverable amount of the cash-generating unit is determined based on a value-in-use calculation which uses cash flow projections based on financial budgets and business plans approved by the Directors covering a four-year period. Cash flows beyond that period have been extrapolated using a steady 2.0% per annum growth rate, which the Directors consider to be specific to the business and does not exceed the UK long-term average growth rate.

The key inputs to the cash flow forecasts are:

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

The key assumptions used in the cash flow projections are a terminal value applied after five years assuming a 7.5 times multiple and pre-tax weighted average cost of capital of 12% cross-referenced to comparable companies operating within the sector. The other key assumptions have been assigned values by the Directors using estimates based on past experience and expectations of future performance.

Based on these assumptions, the value-in-use calculation amounted to £105.6 million compared with the carrying amount of £20.1 million. The Directors believe that, based on the sensitivity analysis performed and described below, any reasonably possible change in the key assumptions on which the recoverable amounts are based would not cause the Group's net asset value to exceed the recoverable amount. As a result, there is no impairment in the period (2020: no impairment).

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

- a restriction in the gross margin in 2023 and thereafter to that expected to be achieved in 2022;
- an increase in overheads in 2023 and in each year thereafter;
- an increase in capital expenditure in 2023 and in each year thereafter; and
- an increase in working capital required as a percentage of revenue in 2022 and maintained thereafter.

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

18. Other intangible assets

	Product development costs £000	Purchased software costs £000	Computer software costs £000	Total £000
Cost				
At 1 January 2020	18,848	2,899	430	22,177
Additions	2,519	-	35	2,554
Disposals	(1,597)	-	(141)	(1,738)
At 31 December 2020	19,770	2,899	324	22,993
Additions	1,465	-	64	1,529
At 31 December 2021	**21,235**	**2,899**	**388**	**24,522**
Amortisation				
At 1 January 2020	6,344	407	374	7,125
Amortisation for the year	1,925	433	35	2,393
Impairment for the year	1,416	-	-	1,416
Disposals	(1,597)	-	(141)	(1,738)
At 31 December 2020	8,088	840	268	9,196
Amortisation for the year	1,328	434	28	1,790
Impairment for the year	86	-	-	86
At 31 December 2021	**9,502**	**1,274**	**296**	**11,072**
Carrying amount				
At 31 December 2020	**11,682**	**2,059**	**56**	**13,797**
At 31 December 2021	**11,733**	**1,625**	**92**	**13,450**

The amortisation charge of £1,790,000 (2020: £2,393,000) and impairment charge of £86,000 (2020: £1,416,000) have been recognised within operating expenses. There were no disposal during the year.

A summary of intangible costs as at 31 December 2021 is given in the table which follows.

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

Impairment review

During 2021, the Group recorded an impairment charge of £0.1 million (2020: £1.4 million) against projects which were no longer considered to be commercially viable after a thorough review of product lines.

As part of the impairment review, the Group compared the net book value of each intangible asset with the discounted cash flows which are expected to be derived from the sale of products over the next one to five years that use the relevant intangible asset. The review was based on a discounted cash flow model using a pre-tax discount rate of 12% and included associated overhead costs. Sensitiviy analysis has been performed on pre-tax discount rates which shows that pre-tax discount rates would need to exceed 22% to cause an impairment of more than 1% of the current net book value of intangible assets. Similarly further sensitivity analysis was performed on sales revenue which showed no material impairment at 80% of the forecast sales revenues.

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

Assessing the potential sales of products such as the Group's connected homes technology is inherently more difficult than products where the run rate of sales is already well known and the pattern of sales is established. The Board expects that the take up of connected homes technology products will increase over time as the technology becomes mainstream.

18. Other intangible assets

	Projects being amortised								Projects not currently being amortised			
	Connected homes	Wi-safe 2	Nano	Mains-powered	Smoke- sensing products	Manufacturing setup costs	Other	Total	Future projects	Connected homes	Total	Grand Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost												
At 1 January 2021	6,447	1,923	1,599	1,280	1,976	2,410	1,240	16,875	4,267	1,527	5,794	22,669
Projects amortised in 2021	-	-	-	-	-	-	44	44	(44)	-	(44)	-
Technical costs capitalised	-	-	-	-	-	-	-	-	208	207	415	415
Employment costs capitalised	-	-	-	-	-	-	-	-	602	448	1,050	1,050
Total additions	-	-	-	-	-	-	-	-	810	655	1,465	1,465
At 31 December 2021	**6,447**	**1,923**	**1,599**	**1,280**	**1,976**	**2,410**	**1,284**	**16,919**	**5,033**	**2,182**	**7,215**	**24,134**
Amortisation												
At 1 January 2021	1,947	1,528	453	461	1,805	1,622	1,069	8,885	43	-	43	8,928
Charge	974	126	153	134	45	287	43	1,762	-	-	-	1,762
Impairment	79	7	-	-	-	-	-	86	-	-	-	86
At 31 December 2021	**3,000**	**1,661**	**606**	**595**	**1,850**	**1,909**	**1,112**	**10,733**	**43**	**-**	**43**	**10,776**
Carrying amount												
At 1 January 2021	4,500	395	1,146	819	171	788	171	7,990	*4,224	1,527	5,751	13,741
At 31 December 21	**3,447**	**262**	**993**	**685**	**126**	**501**	**172**	**6,186**	**4,990**	**2,182**	**7,172**	**13,358**

*Analysed in more detail on the following pages.

Projects being amortised

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

Connected homes technology

This technology connects FireAngel's alarms to the cloud via its interface gateway technologies. Access to the cloud removes the need for social landlords to access properties for maintenance as well as providing risk analysis on a property by property basis via the Group's intuitive dashboards. During 2021 the Group has continued to develop its B2B offering and successfully completed a number of trials with social housing bodies around the UK. This technology is key to the Group's growth in sales in the year, particularly in UK Trade and UK Retail, and is the cornerstone of the ongoing trials with a number of UK Housing Associations. During 2021 development of a 2nd Generation gateway was undertaken, this incorporates cellular technology to connect to FireAngel's cloud services and is particularly tailored to the social landlord market. This product and the associated software offerings are due to launched in 2022. This includes £2.1 million of purchased core software modules from Intamac.

Wi-safe 2

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

Nano

Developed in house by FireAngel's wholly-owned subsidiary in Canada, Pace Sensors, the Nano went into production into finished CO detectors in November 2016. This new generation of sensor is incorporated within the Group's new Gen5 CO detectors range which are due to be released in the second quarter of 2022.

Mains-powered products

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

Smoke-sensing products

This consists of FireAngel's own-brand heat and optical product ranges.

Manufacturing setup costs

These are the costs incurred by the Group's Technical and Project Management teams in preparing its Polish manufacturing partner to produce FireAngel products and in preparing the Group's Far East based supplier to produce replacements to the BRK range. Such costs have been included within intangible assets and are being amortised over five years.

Other projects

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

Projects not currently being amortised

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

Future projects

Gen 5 and Gen 6 are the next generation of the Group's smoke, heat, CO and combined alarms. These new technologies will be a common platform across all product types and will allow the Group to develop new products using 'bookshelf' technologies developed as part of this project. As well as standalone smoke, heat and CO alarms, combination alarms utilise all three of these sensing methods in a single product that can use CO and heat to augment smoke measurements to improve the rapid detection of fires, while further reducing the incidence of false alarms. They also provides enhanced data logging of events and the ability for wireless diagnostic downloads to a smartphone, enabling service technicians to easily access diagnostic data on the alarm without the need to remove it from the base. Gen 5 CO alarms are expected to be released in the second quarter of 2022.

Connected homes technology

The Group continues to invest in its FireAngel Connected B2B and B2C offerings which include new gateway products, end mobile user apps and web interfaces.

19. Property, plant and equipment

	Tooling	Office equipment	Motor vehicles	Fixtures & fittings	Right-of-use assets	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 January 2020	4,379	1,497	7	408	1,790	8,081
Additions	155	117	-	5	283	560
Disposals	(283)	(235)	-	(66)	(19)	(603)
At 31 December 2020	4,251	1,379	7	347	2,054	8,038
Additions	296	138	-	-	7	441
Disposals	(77)	(19)	-	-	(7)	(103)
At 31 December 2021	**4,470**	**1,498**	**7**	**347**	**2,054**	**8,376**
Accumulated depreciation						
At 1 January 2020	945	1,239	6	261	307	2,758
Depreciation charge for the year	874	124	1	34	396	1,429
Impairment	188	-	-	-	-	188
Disposals	(283)	(235)	-	(66)	(19)	(603)
Reclassification	-	31	-	(31)	-	-
Effect of exchange rates	-	4	-	-	(1)	3
At 31 December 2020	1,724	1,163	7	198	683	3,775
Depreciation charge for the year	846	97	-	32	445	1,420
Impairment	44	-	-	-	-	44
Disposals	(77)	(19)	-	-	(7)	(103)
Effect of exchange rates	-	(2)	-	-	-	(2)
At 31 December 2021	**2,537**	**1,239**	**7**	**230**	**1,121**	**5,134**
Net book value						
At 31 December 2020	2,527	216	-	149	1,371	4,263
At 31 December 2021	**1,933**	**259**	**-**	**117**	**933**	**3,242**

The total depreciation expense of £1,420,000 (2020: £1,429,000) has been charged to operating expenses.

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

19. Property, plant and equipment

Continued

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

	2021 £000	2020 £000
Carrying amount of right-of-use assets by category:		
Land and buildings	881	1,304
Plant and machinery	30	39
Vehicles	22	28
Total carrying amount presented within property, plant and equipment	**933**	**1,371**

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

	2021 £000	2020 £000
Depreciation charge for the year included in operating expenses		
Land and buildings	422	375
Plant and machinery	9	6
Vehicles	14	15
Total depreciation charge on leased assets	**445**	**396**

	2021 £000
Interest expense for the year recognised in finance costs	
Land and buildings	38
Plant and machinery	1
Vehicles	1
Total interest expense on lease liabilities	**40**

The Group has entered in to a number of lease commitments which range in length between 1 and 6 years.

20. Shares in subsidiaries

Company	2021 £000	2020 £000
Cost		
At 31 December	**675**	392
Accumulated impairment		
At 31 December	**-**	-
Net book value	**675**	392

The share-based payments in 2021 totalling £282,648 were issued from the parent company. These related to the 2015 Long-Term Incentive Plan nominal cost options awarded on 2 August 2019 , 30 November 2020 and 8 July 2021, and option awards under the Company's share matching scheme since May 2020.

The Group has two non-trading subsidiary companies, AngelEye Corporation and AngelEye Incorporated, both registered in North America. The Company's subsidiaries as at 31 December 2021 were as follows:

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

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

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

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

Company impairment test

As part of the Group impairment test detailed in note 17, the Directors considered the need to impair the carrying value of the Company's shares in its subsidiaries. In common with the conclusion reached in the Group impairment test, no impairment was considered necessary in the period (2020: no impairment).

21. Inventories

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Raw materials	**161**	133	**-**	-
Work-in-progress	**98**	267	**-**	-
Finished goods	**4,026**	6,790	**-**	-
Total gross inventories	**4,285**	7,190	**-**	-
Inventory provisions	**(548)**	(632)	**-**	-
Total net inventories	**3,737**	6,558	**-**	-

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

Stock impairment costs of £0.1 million were provided in the year (2020: £1.7 million).

22. Financial assets

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Trade receivables and other debtors	**9,011**	9,430	**34,969**	29,857
Cash and cash equivalents	**3,294**	1,466	**2**	2
Derivative financial assets	**291**	-	**-**	-
Maximum exposure to credit risk	**12,596**	10,896	**34,971**	29,859

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

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

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

Trade and other receivables comprise:

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Trade receivables	**7,929**	9,309	**-**	-
Amounts due from fellow group companies	**-**	-	**34,969**	29,857
Other debtors	**826**	380	**-**	-
Prepayments	**675**	382	**-**	-
Trade and other receivables	**9,430**	10,071	**34,969**	29,857

The primary credit risk relates to customers which potentially may be unable to settle their debts with the Group. The average credit period taken on sale of goods is 59 days (2020: 62 days). As at 31 December 2021 a credit loss provision of £56,000 (2020: £66,000) was held against the exposure of potential bad debts.

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

Notes to the financial statements

22. Financial assets

Continued

Domestic trade debtors are pledged as security to the Group's bankers as part of the Group's banking facilities. The domestic trade debtor balance at 31 December 2021 was £4.7 million (2020: £7.3 million).

At 31 December 2021 £4.8 million (2020: £7.3 million) of trade receivables were denominated in sterling, £1.6 million (2020: £1.0 million) in US dollars and £1.5 million (2020: £1.0 million) in euros.

At 31 December 2021, cash of £1.3 million (2020 cash of nil) was denominated in sterling, cash of £1.7 million (2020: cash of £1.4 million) in US dollars, cash of £0.3 million (2020: cash of £0.1 million) in Canadian dollars and cash of £nil million (2020: overdrawn balance of £0.1 million) in euros.

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

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

In accordance with IFRS 9 'Financial Instruments', as the subsidiary undertaking cannot repay the loan at the reporting date, the Company has made an assessment of expected credit losses. Having considered multiple scenarios on the manner, timing, quantum and probability of recovery on the receivables, a lifetime expected credit loss of £7.3 million has been provided. Further details are given in note 3.

The carrying value of amounts owed by subsidiary undertakings at 31 December 2021, net of provisions, was £35.0 million (2020: £29.9 million).

23. Derivative financial instruments

	2021 £000	2020 £000
Assets		
Foreign currency forward contracts	**291**	-
Liabilities		
Foreign currency forward contracts	**-**	693

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

The notional principal amounts of the outstanding foreign currency forward contracts at 31 December 2021 were US $18.5 million (2020: US $15.5 million), sterling of £nil million (2020: £nil million) and euro of €nil million (2020: €nil million).

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

24. Loans and borrowings

	Group 2021 £000	Group 2020 £000	**Company 2021 £000**	Company 2021 £000
Bank term loan	**3,223**	2,623	**-**	-
Invoice discounting facilities	**-**	2,539	**-**	-

During the year the Group refinanced its existing Coronavirus Large Business Interruption Loan Scheme ("CLBILS") with HSBC UK. The new loan of, in aggregate, £3.7 million comprises a Coronavirus Business Interruption Loan Scheme ("CBILS") loan of £3.2 million and an additional Receivables Finance CBILS of £0.5 million which has yet to be drawn down. The CBILS loan, which will be used to pay off the balance of the CLBILS, has a term of 6 years with the first year being free of interest and capital repayments and an interest rate thereafter of 3.99 per cent. over the Bank of England's base rate. The Group maintains its existing Invoice Discounting Facility of £7.5 million, which at 31 December had not been drawn on.

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

	Within 6 months £000	6 months to 1 year £000	1 to 5 years £000	Over 5 years £000	Total at 31 December 2021 £000
Maturity analysis of lease liabilities:					
Land and buildings	217	218	468	-	903
Plant and machinery	1	8	17	-	26
Vehicles	7	5	7	-	19
Total lease liabilities	**225**	**231**	**492**	**-**	**948**

25. Changes in liabilities arising from financing activities

	Bank Loans £000	Invoice discounting facility £000	Lease liabilities £000	Total £000
Balance at 1 January 2020	**-**	**6,985**	**1,479**	**8,464**
Net cash generated/ (used in) financing activities	2,623	(4,446)	(381)	(2,204)
Acquisition of leases	-		283	283
Balance at 31 December 2020	**2,623**	**2,539**	**1,381**	**6,543**
Net cash generated/ (used in) financing activities	600	(2,539)	(441)	(2,380)
Acquisition of leases	-	-	8	8
Balance at 31 December 2021	**3,223**	**-**	**948**	**4,171**

26. Fair value disclosures

The total net gain on forward contracts recognised in the income statement for the year ended 31 December 2021 was £1.0 million (2020: loss of £0.3 million) and is included within cost of sales.

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

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

The following table presents the Group's financial assets and liabilities that are measured at fair value at the last two year ends. All assets and liabilities measured are valued at level 2.

Level 2	**2021 £000**	2020 £000
Assets		
Foreign currency forward contracts	**291**	-
Liabilities		
Foreign currency forward contracts	**-**	693

27. Provisions

	FireAngel warranty provisions £000	BRK Brands warranty provisions £000	Total £000
At 1 January 2020	3,465	28	3,493
Charge in year	1,167	-	1,167
Utilisation in year	(1,887)	(28)	(1,915)
At 1 January 2020	2,745	-	2,745
Charge in year	-	-	-
Utilisation in year	(1,192)	-	(1,192)
At 31 December 2021	**1,553**	**-**	**1,553**

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

	2021 £000	2020 £000
Current provision	**1,012**	1,491
Non-current provision	**541**	1,254
Total warranty provisions	**1,553**	2,745

Review of warranty provision

In assessing the adequacy of the warranty provision, it is necessary to form a view on matters which are inherently uncertain, such as the returns profile over time, the final return rate, whether the product return rates of each year of production will be similar, whether the return rates from different sales channels will vary and the average cost of redress.

There is a greater degree of uncertainty in assessing these factors when an issue is first identified although with the known battery warranty issue (which represents the majority of the provision) the Board has considerably more experience of the returns rates having monitored product returns by year of manufacture by market for several years. Consequently, the continued appropriateness of the underlying assumptions is reviewed on an ongoing basis against actual experience and other relevant evidence and adjustment made to the provision over time as required.

28. Trade and other payables

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2021 £000
Trade payables	**3,465**	7,033	**-**	-
Accruals and deferred income	**4,265**	3,654	**-**	-
Other tax and social security	**405**	2,147	**-**	-
	8,135	12,834	**-**	-

At 31 December 2021, £0.7 million (2020: £0.6 million) of payables were denominated in sterling, £nil million (2020: £0.2 million) in euros and £2.7million (2020: £6.2 million) in US dollars. Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases was 21 days (2020: 72 days). The reduction was due to the increased pressure to support our manufacturing partners with extended working capital exposure from longer component lead times resulting in increased credit exposure in addition to purchasing components on the open market with minimal credit terms.

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

29. Deferred tax

	2021 £000	2020 £000
Deferred tax liabilities	**(3,069)**	(2,415)
Deferred tax assets	**3,069**	2,415
Net position at 31 December	**-**	-

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

	2021 £000	2020 £000
At 1 January	**-**	-
Credit to income for the year	**-**	-
At 31 December	**-**	-

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

Deferred tax liabilities	Derivative financial instruments £000	Non-current asset timing £000	Total £000
At 1 January 2021	22	2,393	2,415
Credit/ (charge) to income for the year	(3)	657	654
At 31 December 2021	**19**	**3,050**	**3,069**

Deferred tax liabilities	Deferred tax losses £000	Derivative financial instruments £000	Share-based payments £000	Total £000
At 1 January 2021	2,371	1	43	2,415
Credit/ (charge) to income for the year	618	(1)	37	654
At 31 December 2021	**2,989**	**-**	**80**	**3,069**

As at 31 December 2021, there is an unrecognised net deferred tax asset of £1,500,811 . This has not been recognised due to uncertainty as to when the asset will be utilised by the Group. Whilst the Group expects a return to profitability in the future, the generous deduction available for research and development expenditure means that it is likely to be several years before these losses will need to be accessed.

30. Retirement benefits - defined contribution plan

The Group operates a defined contribution retirement benefit plan. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge of £0.2 million (2020: £0.2 million) represents contributions payable by the Group to the fund for the year. Contributions amounting to £44k (2020: £40k) were payable at the year end.

Notes to the financial statements

31. Called up share capital

	Company 2021 Number '000	Company 2021 Number '000
Ordinary shares in issue:		
As at 1 January	**126,558**	75,935
Issue of shares in respect of capital raise	**54,445**	50,623
Issue of shares in respect of share options exercised	**64**	-
As at 31 December	**181,067**	126,558
Issued and fully paid ordinary shares of 2p each:	**£000**	£000
As at 1 January	**2,531**	1,519
Issue of shares in respect of capital raise	**1,089**	1,012
Issue of shares in respect of share options exercised	**1**	-
As at 31 December	**3,621**	2,531

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

On 8 May 2021, the Company raised £9.8 million (gross) through the issue of 54,444,444 new ordinary shares of 2p nominal value each at an issue price of 18p per share. The premium on issue was 16p per share amounting to £8.7 million. This was credited to the share premium account. Share issue expenses amounted to £0.8 million. These were debited to the share premium account.

32. Reserves

Share premium account

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

Currency translation reserve

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

Retained earnings

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

The loss for the financial year dealt with in the Company was £3,882,562 (2020: loss of £1,591,000). As permitted under Section 408 of the Companies Act 2006, a separate profit and loss account has not been presented for the Company.

33. Share-based payments

The share-based payments charge of £282,648 (2020: £243,232), included in the consolidated income statement within operating expenses, relates to the 2015 Long-Term Incentive Plan nominal cost options awarded on 2 August 2019, 30 November 2020 and 8 July 2021, and option awards under the Company's share matching scheme since May 2020.

	2021		2020	
	Options '000	**Weighted average exercise price**	Options '000	Weighted average exercise price
Outstanding at 1 January	**9,288**	**14p**	3,968	30p
Exercised during the year	**(63)**	**2p**	-	-
Granted during the year	**7,650**	**2p**	6,190	2p
Expired or lapsed during the year	**(2,097)**	**16p**	(870)	3p
Outstanding at 31 December	**14,778**	**8p**	9,288	14p

Notes to the financial statements

33. Share-based payments

Continued

Details of the share options outstanding at the end of the year are as follows:

Grant date	Outstanding at start of the year	Exercised during the year	Lapsed/ surrendered during the year	Granted during the year	Outstanding at end of the year	Expiry date	Exercise price
Options under LTIPs							
Directors' share options							
25/04/2014	125,000	-	-	-	**125,000**	28/04/2024	200p
02/08/2019	1,500,000	-	(1,500,000)	-	**-**	02/08/2029	2p
30/11/2020	5,000,000	-	-	-	**5,000,000**	30/11/2030	2p
08/07/2021	-	-	-	3,132,588	**3,132,588**	08/07/2031	2p
Employee share options							
25/04/2014	437,112	-	(145,833)	-	**291,279**	28/04/2024	200p
02/08/2019	1,035,000	-	(450,000)	-	**585,000**	02/08/2029	2p
08/07/2021	-	-		4,338,302	**4,338,302**	08/07/2031	2p
Options under LTIPs	8,097,112	-	(2,095,833)	7,470,890	**13,472,169**		
Options under share matching scheme							
Directors' share options							
01/06/2020	281,514	-	-	-	**281,514**	01/06/2030	2p
03/07/2020	25,000	-	-	-	**25,000**	03/07/2030	2p
18/12/2020	49,660	-	-	-	**49,660**	18/12/2030	2p
Employee share options							
01/06/2020	239,838	(63,348)	-	-	**176,490**	01/06/2030	2p
19/06/2020	544,904	-	-	-	**544,904**	19/06/2030	2p
03/07/2020	49,473	-	-	-	**49,473**	03/07/2030	2p
06/01/2021	-	-	-	103,000	**103,000**	06/01/2031	2p
14/01/2021	-	-	-	76,144	**76,144**	03/07/2031	2p
Options under share matching scheme	1,190,389	(63,348)	-	179,144	**1,306,185**		
Total options	9,287,501	(63,348)	(2,095,833)	7,650,034	**14,778,354**		

As at 31 December 2021, a total of 14,778,354 options were outstanding which had an average exercise price of 8p, and a weighted average remaining contractual life of 9.0 years.

Share options totalling 63,348 shares were excised in the year at an average weighted share price of 20.36p.

2014 EMI share options award

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

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

2019 share options award

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

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

2020 share options award

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

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

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

Employee share matching scheme

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

2021 share options award

On 8 July 2021, the company granted awards of 7.5 million shares under its 2015 Long-Term Incentive Plan ('LTIP'). Under the LTIP, selected employees are entitled to exercise an option to receive a certain number of shares at any time after a three-year vesting period, at a cost to the employee of the nominal value of the shares. The number of shares awarded at the end of the three-year period is dependent on the achievement of certain performance criteria.

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

Total Shareholder Return (TSR)	% of Options that vest under the TSR performance condition (50% of total award)
Less than 100% growth	Nil
100% growth	25%
Between 100% growth and 200% growth	Between 25% and 100% on a straight-line basis
200% growth or more	100%

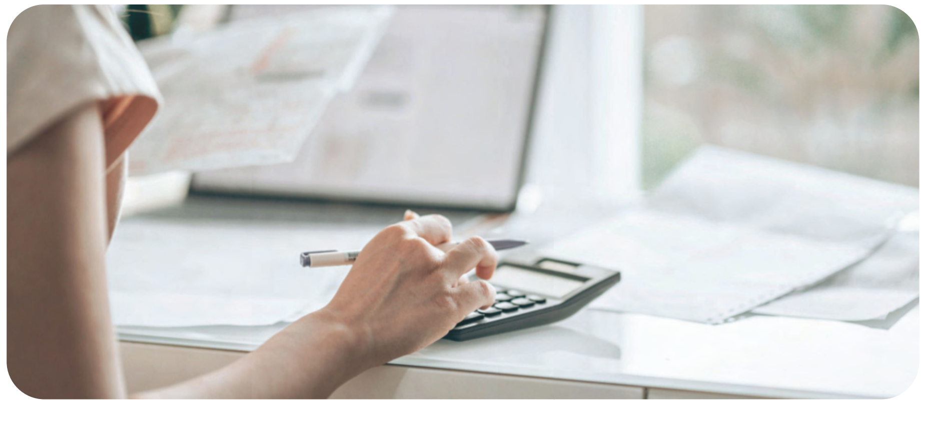
Earnings Per Share (EPS)	% of Options that vest under the EPS performance condition (50% of total award)
Less than 2.2 pence	Nil
Between 2.2 pence and 3.2 pence	Between 0% and 25% on a straight-line basis
Between 3.2 pence and 4.2 pence	Between 25% and 100% on a straight-line basis
4.2 pence or more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

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

34. Related party transactions

Balances and transactions between the Company and its subsidiaries were as follows:

	2021 £000	2020 £000
Drawdown of loans and borrowings (principal amount)	**-**	-
Repayment of loans and borrowings (principal amount)	**-**	-
Impairment of intercompany loan (IFRS 9)	**(3,883)**	(1,586)
Cash transfer	**8,995**	5,496
Total transactions between Company and subsidiaries	**5,112**	3,910



Notes to the financial statements

34. Related party transactions

Continued

Remuneration of key management personnel

The remuneration of the key management personnel of the Group, together with the Non-Executive Directors, is set out below.

Details of individual Directors' remuneration are given in the remuneration section of the Remuneration Committee report.

	2021 £000	2020 £000
Remuneration of key management personnel		
Aggregate emoluments	**927**	1,009
Company pension contributions	**54**	69
Sums paid for Non-Executive Directors' services	**313**	205
Share-based payments	**60**	157
Total remuneration	**1,354**	1,440

The remuneration in respect of the highest paid Director was:

	2021 £000	2020 £000
Emoluments	**254**	239
Defined pension contributions	**14**	14
	268	253

Share-based payments

During 2021, the Company granted awards over 3.1 million shares in total to two Executive Directors under its 2015 LTIP. These options have an exercise price of the nominal cost of the shares of 2 pence per share and have an expected life of ten years. The share options vest following a performance period of three years and are subject to the achievement of total shareholder return and earnings per share targets (note 33). The element of the share-based payment charge relating to the two Executive Directors is £22,231. For movements in directors share-based payments please refer to the directors renumeration section on page 47.

35. Post balance sheet events

As announced on 28 March 2022 the Group successfully completed the fully funded Development Phase 1 (DP1) of its partnership with Techem and has now formally concluded the agreement with Techem for Development Phase 2 (DP2), with a detailed specification. It is expected that the development period will last until the end of 2024 and the new generation smoke alarm will be available for sale in H2 2024. Techem has also selected the FireAngel CO sensor, manufactured by FireAngel's CO sensor factory in Canada, to be incorporated exclusively into the new alarm, which is expected to significantly increase the medium-term financial opportunity for the Group.

OTHER INFORMATION:

Corporate directory

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3991353

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BS1 6ER

Shareholder information

SHAREHOLDER ENQUIRIES
Any shareholder with enquiries should, in the first instance, contact the Company's registrar, Neville Registrar, using the address provided in the Corporate directory.

SHARE PRICE INFORMATION
London Stock Exchange AIM symbol: **FA.**

Information on the Company's major shareholders is available in the Share Details section of the Investors area of the FireAngel Safety Technology Group plc website at www.fireangeltech.com.

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Financial year end - 31 December 2021
Full Year Announced - 29 March 2022
Annual General meeting - 22 June 2022

Now fully recyclable

FireAngel Safety Technology Group plc
Registered in England and Wales with Registered No. 3641019.
Registered Office: Vanguard Centre, Sir William Lyons Road, Coventry, CV4 7EZ
VAT No. GB 765 3419 14