30 April 2021

FireAngel Safety Technology Group plc

('FireAngel', the 'Group' or the 'Company')

Final Results

FireAngel (AIM: FA.), a leading developer and supplier of home safety products, announces its audited final results for the year ended 31 December 2020.

Financial headlines

- Revenue £39.9 million (2019: £45.5 million)
- Underlying LBITDA[1] £1.2 million (2019: EBITDA £0.2 million)
- Underlying operating loss[2] £5.4 million (2019: underlying operating loss[2] £3.8 million)
- Operating loss £9.0 million (2019: operating loss £10.7 million)
- Adjusted gross profit[3] £7.9 million (2019: £8.7 million)
- Adjusted gross margin[3] 19.8% (2019: 19.0%)
- Gross margin 15.9% (2019: 9.6%)
- Non-underlying items totalling £3.6 million before tax (2019: £6.9 million)
- Underlying loss before tax[4] £5.7 million (2019: underlying loss before tax[4] £4.1 million)
- Loss before tax £9.3 million (2019: loss before tax £11.0 million)
- Basic and diluted EPS (7.7p) (2019: (14.0p))
- Capitalised product development spend of £2.5 million (2019: £2.9 million)
- Fundraising of £6.1 million (gross) in April 2020 and secured a £3.2 million loan under the Coronavirus Large Business Interruption Loan Scheme in June 2020
- Net debt (before lease obligations) at 31 December 2020 £3.7 million (cash £1.5 million, invoice discounting drawdowns £2.5million, CLBILS loan £2.6 million) (2019: net debt (before lease obligations) £4.9 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).

Operational headlines

- Encouraging start to the year, before the full impact of COVID-19 measures took effect, with revenue and gross profit in the first quarter of 2020 slightly below budget and gross margin ahead of Q1 2019 and in line with budget
- Material initial purchase order in excess of £1.0 million received for the Group's first large-scale connected homes technology rollout with first installations in the year, representing an important endorsement of our strategy
- While trials and existing commercial discussions around connected homes were impacted by COVID-19, new opportunities and enquiries about trials have since gained momentum
- Lockdown period facilitated an increased focus on operational improvements and longer-term planning to refine the Group's future business model
- Significant reshaping of the FireAngel Board over the last two years has aligned its skills to future challenges and opportunities
- Group is now an independent, technology-led business and has begun monetising its investment made in connected technology

Outlook and post-balance events

- A good start to 2021 and while some uncertainty remains as the COVID-19 related restrictions lift, the Board is targeting improved performance and sales growth in 2021 versus 2020
- FireAngel's compelling proposition to protect and save lives with innovative, cutting-edge home safety technology remains and the Group is well positioned for future growth
- Refinanced Coronavirus Large Business Interruption Loan Scheme (CLBILS) with a new £3.2 million Coronavirus Business Interruption Loan Scheme (CBILS) and a new £0.5 million Receivables Finance CBILS in March this year

- Long term partnership agreement with a German energy and efficiency service provider for the real estate sector to provide a fully funded research and development programme for a new generation smoke alarm
- Separately announced today, the Company raised £9.0 million (net of costs) by way of an equity fund raising to provide the necessary funds to deliver strategic goals and provide the foundation for a return to profitability and cash generation

John Conoley, Executive Chairman of FireAngel, commented:
"We entered 2020 with positive momentum against our strategic priorities, including strong growth, an increasing higher-value pipeline and initial progression on gross margin performance. While the onset of the COVID-19 pandemic and resultant government restrictions significantly disrupted this journey, it was encouraging to see a recovery in performance in the second half of the year. The operational progress we made is providing a strong platform for further improvement in the new financial year and we have made a good start to 2021, with the UK Government's roadmap out of lockdown giving us clarity and confidence in our plans for the year ahead. Our overriding priority now is to return to profitability and become cash generative, which we intend to achieve with our gross margin improvement plan and the rollout of our connected homes technology, while maintaining our leading position in our retail markets and growing our UK and Europe trade business."

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Notes to Editors
About FireAngel Safety Technology Group plc
FireAngel's mission is to protect and save lives by making innovative, leading-edge home safety products which are simple and accessible. FireAngel is one of the market leaders in the European home safety products market.

FireAngel's principal products are connected smoke alarms, CO alarms, heat alarms and accessories. The Company has an extensive portfolio of patented intellectual property in Europe, the US and other selected territories. Products are sold under FireAngel's leading brands of FireAngel, FireAngel Pro, FireAngel Specification and AngelEye.

For further product information, please visit: www.fireangeltech.com

A copy of these results will be available on the Company's website at www.fireangeltech.com and at the Company's registered office: FireAngel Safety Technology Group plc, Vanguard Centre, Sir William Lyons Road, Coventry, CV4 7EZ.

Strategic review
Executive Chairman's statement

"The impact of COVID-19 held the Company back from achieving what would almost certainly have been a significantly improved performance in 2020. However, our compelling proposition through our unique technology remains intact and our strategic ambition remains unaltered, and we have entered 2021 even more strongly than we ended 2020."

John Conoley
Executive Chairman

Overview
The Group entered 2020 with positive momentum against its strategic priorities, including strong growth, an increasing higher-value pipeline and initial progression on gross margin performance.

Undoubtedly, the onset of the Covid-19 pandemic and resultant government restrictions have significantly disrupted this journey, as it has for so many companies and of course for so many individuals. Nevertheless, it was encouraging to see a recovery in performance in the second half of the financial year, with the operational progress made providing a strong platform for further improvement in this financial year. Sales in the second half of 2020 were £23.4 million (59%) compared to first half sales of £16.5 million (41%). The Group has made a good start to 2021 and the UK Government's roadmap out of lockdown gives us clarity and confidence in our plans for the year ahead and beyond.

The overriding priority of the Group is to return to profitability and to become cash generative. This can be achieved through a combination of enacting a gross margin improvement plan, delivering our next generation of CO alarms together with the roll out of our connected homes technology, whilst maintaining our leading position in the retail markets we serve and in our increasing Trade business in the UK and Europe.

Financial performance
The global Covid-19 pandemic has been a worrying time for all our staff and their families, as it has for everybody, and yet it is pleasing that the Group adjusted quickly in terms of its working practices and its finances. It benefitted from strong support from its bank, and from a resultant CLBILS loan to support the business through the first lockdown. Following the year end, in March 2021 we secured further funding from our bank with the Coronavirus Large Business Interruption Loan Scheme (CLBILS) loan refinanced and increased through a Coronavirus Business Interruption Loan Scheme (CBILS) loan as the impact of the pandemic had been to reduce our annual revenue below the £45 million threshold used in the large company scheme.

The revenue outturn for 2020 was £39.9 million reduced from £45.5 million in the prior year. Whilst the Board was satisfied with the revenue performance given the challenging market backdrop, our plans to improve margin during 2020 were undermined. The benefits from a range of planned internal improvements came through much more slowly than anticipated, with less impact than planned and this was further compounded by reduced sales volumes. Many of the newer or growing revenue streams from Trade and social housing that the Group aimed to pursue became temporarily unfeasible during lockdown as a result of the impact of restrictions, with customers and business partners focussed on their own important priorities due to Covid-19.

However, the improvements we have made are not lost, and the market opportunity, in particular, in Connected Homes technology is undiminished and indeed strengthened by the growing regulatory tailwinds. Our task now, is to regain momentum and deliver our Connected Homes strategy, targeting new types of business while continuing to improve margins.

Margin improvement
The overriding planned output of our activity in 2021, 2022 and 2023 is to improve our gross margin significantly year-on-year. We will do this by leveraging our differentiation, which includes our pioneering Connected Homes technology and our data opportunity, further details of which are set out below. The three key strands to achieve this are:

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

There remains significant opportunity in all three of these areas, and we spent a lot of otherwise lost time in lockdown refining our plans as to how we will deliver against this priority.

Commercialising Connected Homes technology
Commercialising our significant investment made in Connected Homes technology means selling more connected alarms, while learning what part data generation could play in adding a new and exciting layer to our future activities and revenue. We saw an increase in our online sales over the course of 2020, a shift that we expect to be permanent, as buying habits continue to evolve.

Commercialising also means re-establishing the momentum we had achieved in the form of trials and potential sales of large opportunities, particularly in social housing which was unavoidably lost during the pandemic. In the early months of 2021, we are already gaining traction and have seen results again with our Connected Homes proposition. This technology will make many people and properties safer.

Moreover, there is an extra level to our Predict™ product, which enables the gathering of data from those alarms and the ability to manage fire risks through a dashboard. A highlight in our performance in 2020 was the receipt of a purchase order on behalf of Ealing Council, the first phase of which is valued at approximately £1.0 million of revenue. Whilst the rollout was inevitably delayed significantly due to the winter lockdown, however it has now begun.

Higher value activities
Migrating to higher value activities is closely allied with the value chain, details of which are set out below. As part of this focus, we have reviewed the economic potential of our SKUs. Some of our lower value alarms are uneconomic and pull development, maintenance and people costs into an area where we cannot command sufficient gross margin. This has led us to reduce our SKUs to, what will at the end of 2021, be a reduction of a third. Most of that reduction is in SKUs with little sales volume, but high complexity to the business and supply chain. Several of the SKUs can be made economic by partnering with an existing

high-quality technology partner with relevant technology and adding our brand and external design. This will drive much better margin on a subset of our product range and maintain range coverage, without the continual overhead of designing from scratch and maintaining.

Looking further out, our design philosophy has changed. A redesign of our higher value product lines will enable the use of automation in the factory. This in turn will improve yields and quality, and allow the refresh of components. Given the past investment in research, this is much more of a design exercise and opens the door to flexibility in the factory environment and crucially a significant opportunity in margin improvement in 2023 onwards.

We can then focus our direct costs on our differentiated and connected technology, which is higher value, has higher margin potential and crucially is fundamental to our longer term Connected Homes strategy, opening the door to technology and commercial partnerships.

In April 2021, an example of our emphasis on higher value activities was the signing of a long term partnership agreement with a German energy and efficiency service provider (the "Partner") to provide a fully funded research and development programme for a new generation smoke alarm. Pursuant to the terms of the agreement, the Partner will fund the development phase of the next generation smoke alarm. In addition, FireAngel will receive a fee of £1.4 million for use of its background IP during the development phase. Thereafter, once production of the next generation smoke alarm has commenced, a royalty fee per product will be payable to FireAngel with a multi-million volume fee agreed for the initial 30 months. Manufacturing of the next generation smoke alarm is expected to commence in early 2024. It is forecast that 7 million new devices will be produced with a minimum of 3.5 million expected to be produced in the first 2.5 years and that during the life of the partnership, the Company should earn up to €21 million in royalty, management and support fees.

Value chain
The planned value chain improvements are primarily small-scale, but numerous initiatives are underway, intended to make the business more efficient, as previously communicated in part through the Gross Margin Improvement programme.

Together these many small projects will enable a smoother, more joined-up, end-to-end, process, from conception to production to service.

For the slightly longer term, we are redesigning and repackaging our mainstream ranges to enable a longer component lifecycle and by designing for automated manufacture. The expected upside from this refresh will potentially be in the range of £2-£4 million per year from part-way through 2023. This project will focus on development and modernisation, building on existing IP and research, yet taking opportunities to add new components or functionality as required. Implementation of modern Product Lifecycle management techniques will enable us to control this process far more effectively than it has done historically.

Management team
The Group continued to evolve its Board and management structure including making key senior appointments in the business. Mike Stilwell, our Group Financial Director, left the business at the start of 2021, and we were delighted to welcome Jon Kempster who joined the Board as Interim Chief Finance Officer in December 2020. Jon brings a wealth of valuable expertise to the Group, working alongside Zoe Fox, our experienced Finance Director. John Shepherd and Ashley Silverton stepped down as Non-Executive Directors after long service, while Glenn Collinson joined as a Non-Executive Director in summer 2020, bringing his significant technology and growth experience to the Board. I thank Mike, John and Ashley for their time and effort with FireAngel. I am pleased to announce that with effect from 30 April 2021, Jon has agreed to become a Non-Executive Director of the Company and that Zoe will be appointed as Chief Financial Officer with effect from the same date.

Outlook
As outlined above, the start to 2021 has been encouraging. The Group has returned to growth and although obvious uncertainties have still tempered the overall performance, sales in the first quarter were ahead of the same period in 2020. We were pleased to secure additional new funds from our bank under the Government backed loan schemes. In addition, we have today announced an equity fund raising to raise £9.0 million (net of costs) and provide the necessary funds to deliver the strategic goals we have set out. Together these will secure the future of the Group and provide the foundation for a return to profitability and cash generation.

We are delighted to have begun the rollout of our Connected Homes alarms with Ealing Council. The contract includes generating safety data from alarms installed in properties to allow analysis and risk management for the first time, demonstrating the benefits and potential of FireAngel Predict™.

As set out above, earlier this month, we announced a partnership with a German energy and efficiency service provider, which is further vindication of the hard work of the past year and more. As well as being a fantastic and transformational opportunity for the Group it is early testament of our progress towards higher value activities.

There is now a clearer path out of the Covid-19 related restrictions, and while some uncertainty remains, the Board is targeting improved performance and sales growth in 2021 versus 2020. Our compelling proposition to protect and save lives with innovative, cutting-edge home safety technology remains intact. Our strategic ambition to achieve this through margin improvement and a focus on investing in Connected Homes technology remains unaltered, supported further by legislative direction in our favour.

I thank all our shareholders for their support, and all our colleagues here at FireAngel for toughing their way through 2020. We are looking forward to growing the business in 2021 and beyond.

John Conoley
Executive Chairman
30 April 2021

Performance review

Group financial results

"Despite a strong start to the year, lockdown restrictions to control the spread of COVID-19 have directly and materially impacted revenue and progress towards profit recovery."

Jon Kempster
Interim Chief Financial Officer

Overview

2020 was dominated by the impact of COVID-19 lockdown restrictions. Despite a strong start to the year, which augured well for full year performance, revenue and the Group's profit recovery programme were materially and directly impacted by UK and international measures to control the spread of COVID-19.

Underlying Group performance

	2020			2019		
	Before non-underlying items	**Non-underlying items**	**Total**	Before non-underlying items	Non-underlying items	Total
	£m	**£m**	**£m**	£m	£m	£m
Revenue	**39.9**	**-**	**39.9**	45.5	-	45.5
Cost of sales	**(32.0)**	**(1.7)**	**(33.7)**	(36.8)	(4.3)	(41.1)
Gross profit	**7.9**	**(1.7)**	**6.2**	8.7	(4.3)	4.4
Operating expenses	**(13.6)**	**(1.9)**	**(15.5)**	(12.5)	(2.6)	(15.1)
Other operating income	**0.3**	**-**	**0.3**	-	-	-
Loss from operations	**(5.4)**	**(3.6)**	**(9.0)**	(3.8)	(6.9)	(10.7)
Add back:						
Mark-to-market losses	**0.3**			0.6		
Depreciation and amortisation	**3.9**			3.4		
Underlying (LBITDA)/EBITDA	**(1.2)**			0.2		

Total revenue for the year decreased by 12% from £45.5 million to £39.9 million resulting in an underlying LBITDA[1] of £1.2 million compared with underlying EBITDA of £0.2 million in 2019. The adjusted gross profit[2] was £7.9 million (2019: £8.7 million), which represented an adjusted gross margin[2] of 19.8% (2019: 19.0%). The underlying operating loss[3] was £5.4 million compared to a loss of £3.8 million in 2019. The underlying loss before tax[4] was £5.7 million (2019: underlying loss before tax £4.1 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] 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 in 2020 of £5.4 million is before non-underlying items (2019: underlying operating loss of £3.8 million before non-underlying items)

[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).

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

Overall cash outflow in the year was £0.6 million (2019: inflow of £0.8 million) and net debt (before lease obligations) at 31 December 2020 was £3.7 million. This compared with net debt (before lease obligations) of £4.9 million at 31 December 2019. The net movement of £1.2 million comprised a decrease in cash and cash equivalents of £0.6 million, which included the net proceeds received from the equity fund raise of £5.5m in the year. There was a net decrease in bank debt of £1.8 million through repayment of £4.4 million under the invoice discounting facility and net drawdown of £2.6 million of loans under the Coronavirus Large Business Interruption Loan Scheme ('CLBILS').

Income statement

Revenue by business unit

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

	2020	**2019**	**Inc/(dec)**	**Inc/(dec)**	**2020 Proportion**	**2019 proportion**
	£m	**£m**	**£m**	**%**	**%**	**%**
UK Trade	**7.5**	7.5	**-**	**-**	**19%**	17%
UK Retail	**16.6**	18.3	**(1.7)**	**(9%)**	**42%**	40%
UK F&RS	**2.9**	4.7	**(1.8)**	**(38%)**	**7%**	10%
UK Utilities & Leisure	**1.4**	2.2	**(0.8)**	**(36%)**	**3%**	5%
Total sales in the UK	**28.4**	32.7	**(4.3)**	**(13%)**	**71%**	72%
International	**9.2**	11.1	**(1.9)**	**(17%)**	**23%**	24%
Pace Sensors	**2.3**	1.7	**0.6**	**35%**	**6%**	4%
Total revenue	**39.9**	45.5	**(5.6)**	**(12%)**	**100%**	100%

From 1 January 2020, certain customers previously reported within the UK Trade business unit are now reported through the UK Retail and UK Utilities business units. The 2019 comparatives have been adjusted accordingly, further details of which can be found in note 2 to the financial statements.

Overall, the Group's revenue fell by 12% to £39.9 million. The £5.6 million reduction in sales was largely due to the impact of COVID-19 lockdown restrictions on customer demand despite an encouraging start to the year before restrictions applied. These reductions were seen across all of the Group's business units with the exception of UK Trade and Pace Sensors. Significant improvements in demand in UK Retail and, in particular, UK Trade were seen in the second half of the year as initial lockdown restrictions were lifted and it was pleasing to see the UK Trade and Pace Sensors business units actually improving sales performance compared with 2019.

Revenue at Pace Sensors, the Group's manufacturer of CO sensors, increased to £2.3 million as demand grew for its CO sensor technology.

Gross profit and gross margin
Adjusted gross profit[2] decreased to £7.9 million and represented an improved adjusted gross margin[2] of 19.8% (2019: 19.0%).

During the year, overall gross profit was impacted by a number of non-underlying items charged to cost of sales. Firstly, the legacy FireAngel battery warranty provision was increased by £1.2 million reflecting an increase in the terminal volume of units expected to be impacted. In addition, £0.3 million was expensed in relation to the settlement of warranty issues with certain distributors. Secondly, a net provision of £0.2 million was made against certain lines of stock and associated disposal costs as a result of a thorough review of product lines and future development plans. Non-underlying items impacting gross profit in the prior year amounted to £4.3 million. Further details are given below.

The overall gross profit increased from £4.4 million to £6.2 million, largely due to the reduction in non-underlying items to £1.7 million (2019: £4.3 million) described above, and represented a gross margin of 15.5% (2019: 9.6%).

Exchange rates
Although on average over the course of the year the value of sterling against the US dollar and euro remained largely the same as the average for 2019, there was significant variation throughout the course of 2020 due largely to COVID-19 and Brexit-related uncertainty. 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 strengthening of sterling against the US dollar towards the end of 2020 increased the committed sterling cost of forward contracts entered into in accordance with the Group's policy to hedge future US dollar purchase requirements. This mark-to-market 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 denominated monetary items, had a £0.3 million detrimental impact on the gross margin for the year, although not as significant as the £0.6 million impact in the prior year.

Overheads
The Group's overhead costs comprise the distribution and administrative costs of running the business. Excluding non-underlying items totalling £1.9 million (2019: £2.6 million), further details of which are given below, and depreciation and amortisation of £3.9 million (2019: £3.4 million), overheads of £9.7 million were 6.5% higher than the prior year's £9.1 million, due largely to the full impact of the investment in people to improve processes across the organisation.

Total overhead costs amounted to £15.5 million (2019: £15.1 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.

Non-underlying items in 2019
Non-underlying costs totalling £6.9 million were incurred in the prior year as follows:

Within cost of sales:

- Provision for warranty costs: during the year, the FireAngel battery warranty provision was increased by £1.4 million as lower rework yields and higher product costs compared to those originally anticipated when the provision was estimated three years ago, were leading to increased costs of supplying replacement products. In addition, a charge of £1.2 million was made largely 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.

- Stock impairment and disposal costs: £1.7 million was provided in the year as a result of a thorough review of product lines and future development plans in line with the Group's evolved strategy to become a more technology-led connected home solutions provider.

Within operating expenses:
- Restructuring and certain fundraising costs of £0.7 million were incurred in the year.
- Intangible capitalised development assets of £1.8 million were impaired during the year as a result of a thorough review of product lines and future development costs.
- Share-based payment charges of £37,000 were incurred during the year.

Result for the year
During 2019, the Board concluded that the 'straight line' method of amortisation for the Group's connected homes capitalised development costs was more appropriate than the 'units of production' method given the difficulty in accurately predicting the timing of the take up of its connected homes technology. However, as a result of the temporary loss of momentum in demand for the Group's connected homes technology due to COVID-19, this has resulted in a mismatch of income from connected technology with the amortisation of costs associated with its development. A more representative measure of the Group's underlying performance is therefore its earnings before the impact of depreciation and amortisation. The Group's underlying LBITDA[1] for the year amounted to £1.2 million compared with underlying EBITDA of £0.2 million in 2019.

The underlying operating loss[3] for the year amounted to £5.4 million compared to an underlying operating loss[3] of £3.8 million in 2019. After taking account of non-underlying items of £3.6 million and finance charges of £0.3 million as a result of interest on borrowings in the year, the Group reported a loss before tax of £9.3 million (2019: loss before tax £11.0 million).

The Group booked a tax credit of £0.6 million (2019: tax credit of £1.6 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 7.7 pence per share (2019: loss of 14.0 pence per share).

Statement of financial position

The net assets of the Group amounted to £14.2 million at 31 December 2020 (2019: £17.2 million) and can be summarised as follows:

	2020	2019
	£m	£m
Goodwill	0.2	0.2
Plant and equipment	4.3	5.3
Capitalised development costs	11.7	12.6
Purchased software costs	2.0	2.5
Non-current assets	18.2	20.6
Net cash balances	1.5	2.1
Loans and borrowings	(5.2)	(7.0)
Net debt	(3.7)	(4.9)
Lease liabilities	(1.4)	(1.5)
Net working capital	3.8	6.2
Net tax asset (including deferred tax)	0.7	0.7
Net derivative financial liabilities	(0.7)	(0.4)
Warranty provision	(2.7)	(3.5)
Net assets	14.2	17.2

Non-current assets at 31 December 2020 amounted to £18.2 million compared with £20.6 million at 31 December 2019. The most significant components of this were capitalised development costs, with a net book value of £11.7 million, plant and equipment (£4.3 million) and purchased software costs (£2.0 million). 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. Plant and equipment assets of £0.2 million were impaired as a result of a thorough review of tooling required for ongoing product lines.

Total capital expenditure (excluding right of use assets) decreased to £2.8 million compared to £3.7 million in 2019. Of this total, £2.6 million represented capitalised development expenditure to further enhance the Group's connected homes and wider technology portfolio.

Total capital expenditure of £3.1 million (2019: £4.7 million) compares with depreciation, amortisation and impairment charges totalling £5.4 million in the year (2019: £5.2 million).

Working capital reduced significantly by £2.4 million to £3.8 million at 31 December 2020. Stock increased by £0.3 million to £6.6 million (2019: £6.3 million) as much of the excess stock from procurement commitments made at the beginning of 2020 was sold through in the second half of the year. A non-underlying charge of £0.2 million was made to provide for the cost of older stock and its disposal as a result of a further review of product lines.

Trade and other receivables decreased by £2.0 million to £10.1 million (2019: £12.1 million) as a result of reduced revenue in the year with average debtor days increasing from 59 to 62 due to a higher proportion of sale going through our Retail business unit.

Trade and other payables increased by £0.6 million to £12.8 million (2019: £12.2 million). Average creditor days reduced to 72 days (2019: 76 days).

Net tax assets at 31 December 2020 amounted to £0.7 million (2019: £0.7 million) and comprised a current tax asset of £0.7 million (2019: £0.7 million), deferred tax assets of £2.4 million (2019: £2.4 million) and deferred tax liabilities of £2.4 million (2019: £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 2020 amounted to £2.7 million (2019: £3.5 million) of which £1.5 million is expected to be utilised within twelve months of the balance sheet date. This provision predominantly covers the expected costs of replacing smoke alarm products over the next three to four 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. The provision has been revised and increased this year and in prior years as experience has helped refine estimates and assumptions used and as such the amounts provided are the best estimate of the ongoing liability

Cash

The Group ended the year with net debt (before lease obligations) of £3.7 million at 31 December 2020 (2019: net debt (before lease obligations) £4.9 million). The movement in net debt (before lease obligations) during the year is reflected in the statement of financial position as follows:

	£m
Decrease in cash balances and net cash outflow	0.6
Reduction of invoice discounting drawdown	(4.4)
Drawdown of CLBILS loan	2.6
Reduction in net debt (before lease obligations)	(1.2)

The net cash outflow of £0.6 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 £2.3 million, capital expenditure of £2.8 million as described above, and the cash flows in relation to the fundraising described below.

On 8 April 2020, the Group raised £6.1 million (gross) through the issue of 50,623,480 new ordinary shares of 2p nominal value at an issue price of 12p per share. Share issue expenses amounted to £0.6 million. In June 2020, the Group secured funding of £3.2 million through the CLBILS, which was drawn down in August 2020. Funding through the invoice discounting facility reduced by £4.4 million in the year due both to the alternative funding secured through the CLBILS and reduced debtor levels as a result of COVID-19 impacted sales.

Following the year end, the Company's existing CLBILS loan which at the end of March 2021 had reduced to £2.0m was refinanced by a new Coronavirus Business Interruption Loan Scheme (CBILS) loan of £3.2 million, together with a Receivables Finance CBILS of £0.5m. In addition, the Group maintained the existing Invoice Discounting Facility of £7.5 million. In addition, the Company has today announced an equity fund raising to raise £9.0 million (net of costs) and provide the necessary funds to deliver the strategic goals we have set out elsewhere in this report.

	2020	2019
	£m	£m
Underlying operating loss[1]	**(5.4)**	(3.8)
Depreciation and amortisation charges	**3.9**	3.4
Decrease/(increase) in working capital	**2.1**	(0.4)
Decrease in fair value of derivatives	**0.3**	0.6
Cash from/(used by) operations before non-underlying payments	**0.9**	(0.2)
Cash cost of warranty provision and other non-underlying items	**(2.3)**	(2.4)
Cash used by operations	**(1.4)**	(2.6)
Interest paid (net)	**(0.3)**	(0.4)
Taxation received	**0.7**	1.2
Capital expenditure	**(2.8)**	(3.7)
Proceeds from share issue (net)	**5.5**	5.5
(Repayment)/drawdown of invoice finance	**(4.4)**	7.0
Drawdown of loan	**3.2**	1.3
Repayment of loan	**(0.6)**	(7.0)
Loan restructuring costs	-	(0.2)
Lease payments	**(0.5)**	(0.3)
Net cash flow	**(0.6)**	0.8

[1] 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).

Use of non-GAAP financial performance measures

Certain disclosures and analyses set out in this Annual Report and Accounts 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 the Performance Review to relevant GAAP measures:

Underlying profit measures

	2020	2019
	£m	£m
Adjusted gross profit		
Reported gross profit	**6.2**	4.4
Non-underlying items:		
- Provision for warranty costs	**1.5**	2.6
- Provision against stock and disposal costs (net)	**0.2**	1.7
Adjusted gross profit	**7.9**	8.7

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

	2020	2019
	£m	£m
Underlying operating loss		
Reported operating loss	**(9.0)**	(10.7)
Non-underlying items:		
- Provision for warranty costs	**1.5**	2.6
- Provision against stock and disposal costs (net)	**0.2**	1.7
- Restructuring costs	**0.1**	0.7
- Impairment of intangible assets	**1.4**	1.8
- Impairment of tangible assets	**0.2**	-
- Share-based payments charge	**0.2**	0.1
Underlying operating loss	**(5.4)**	(3.8)

	2020	2019
	£m	£m
Underlying loss before tax		
Reported loss before tax	**(9.3)**	(11.0)
Non-underlying items:		
- Provision for warranty costs	**1.5**	2.6
- Provision against stock and disposal costs (net)	**0.2**	1.7
- Restructuring costs	**0.1**	0.7
- Impairment of intangible assets	**1.4**	1.8
- Impairment of tangible assets	**0.2**	-
- Share-based payments charge	**0.2**	0.1
Underlying loss before tax	**(5.7)**	(4.1)

	2020	2019
	£m	£m
Underlying (LBITDA)/EBITDA		
Reported loss before tax	**(9.3)**	(11.0)
Finance costs	**0.3**	0.3
Depreciation and amortisation	**3.9**	3.4
Decrease in fair value of derivatives	**0.3**	0.6
Non-underlying items:		
- Provision for warranty costs	**1.5**	2.6
- Provision against stock and disposal costs (net)	**0.2**	1.7
- Restructuring costs	**0.1**	0.7
- Impairment of intangible assets	**1.4**	1.8
- Impairment of tangible assets	**0.2**	-
- Share-based payments charge	**0.2**	0.1
Underlying (LBITDA)/EBITDA	**(1.2)**	0.2

Net cash

Net cash 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.

Dividends

As a result of the loss reported for the year, and consistent with the decision not to pay an interim dividend (2019: nil pence per share), the Directors do not recommend payment of a final dividend for the year (2019: nil pence per share). The total dividend payable for 2020 is therefore nil pence per share (2019: nil pence per share).

Post balance sheet events

The gradual relaxation of the lockdown in the UK is welcomed and we are hopeful that normal trading patterns will emerge. We are especially keen to see continued traction in our connected homes opportunities. The ongoing impact of COVID-19 is described in detail in the Executive Chairman’s statement and within the Going Concern accounting policy.

We have refinanced our existing Coronavirus loans with our bank as the impact of Coronavirus and the lockdowns continued beyond that envisaged originally. We have also announced a long term partnership agreement with a German energy efficiency service provider to provide a fully funded research and development programme for a new generation smoke alarm which will lead in to a manufacturing and supply relationship in due course.

Today the Company announced an equity fundraising to raise £9.0 million (net of costs) in order to support the growth and strategic ambition of the Group.

Jon Kempster
Interim Chief Financial Officer
30 April 2021

Consolidated income statement
For the year ended 31 December 2020

	Note	2020 Before non-underlying items £000	2020 Non-underlying items (note 3) £000	2020 Total £000	2019 Before non-underlying items £000	2019 Non-underlying items (note 3) £000	2019 Total £000
Revenue	2	**39,928**	**-**	**39,928**	45,486	-	45,486
Cost of sales		**(32,032)**	**(1,717)**	**(33,749)**	(36,821)	(4,308)	(41,129)
Gross profit		**7,896**	**(1,717)**	**6,179**	8,665	(4,308)	4,357
Operating expenses		**(13,606)**	**(1,924)**	**(15,530)**	(12,461)	(2,608)	(15,069)
Other operating income	4	**291**	**-**	**291**	-	-	-
Loss from operations		**(5,419)**	**(3,641)**	**(9,060)**	(3,796)	(6,916)	(10,712)
Finance costs	5	**(278)**	-	**(278)**	(312)	-	(312)
Loss before tax		**(5,697)**	**(3,641)**	**(9,338)**	(4,108)	(6,916)	(11,024)
Income tax credit	6	**630**	-	**630**	548	1,056	1,604
Loss attributable to equity owners of the Parent		**(5,067)**	**(3,641)**	**(8,708)**	(3,560)	(5,860)	(9,420)
Basic earnings per share	8			**(7.7)**			(14.0)
Diluted earnings per share	8			**(7.7)**			(14.0)

All amounts stated relate to continuing activities.

Consolidated statement of comprehensive income
For the year ended 31 December 2020

	2020 **£000**	2019 £000
Loss for the year	**(8,708)**	(9,420)
Items that may be reclassified subsequently to profit and loss:		
Exchange differences on translation of foreign operations (net of tax)	**(22)**	31
Total comprehensive loss for the year	**(8,730)**	(9,389)

Consolidated statement of financial position

As at 31 December 2020

	Note	Consolidated	
		2020	2019
		£000	£000
Non-current assets			
Goodwill		**169**	169
Other intangible assets		**11,738**	12,560
Purchased software costs		**2,059**	2,492
Property, plant and equipment		**4,263**	5,323
Shares in subsidiaries		**-**	-
Deferred tax assets		**-**	-
		18,229	20,544
Current assets			
Inventories	9	**6,558**	6,304
Trade and other receivables		**10,071**	12,073
Current tax asset		**711**	729
Cash and cash equivalents		**1,466**	2,062
		18,806	21,168
Total assets		**37,035**	41,712
Current liabilities			
Trade and other payables		**(12,834)**	(12,150)
Lease liabilities		**(440)**	(348)
Current tax liabilities		**(32)**	-
Provisions	11	**(1,491)**	(1,496)
Invoice discounting facilities	10	**(2,539)**	(6,985)
Loans and borrowings	10	**(2,600)**	-
Derivative financial liabilities		**(693)**	(429)
		(20,629)	(21,408)
Net current (liabilities)/assets		**(1,823)**	(240)
Non-current liabilities			
Loans and borrowings	10	**(23)**	-
Lease liabilities		**(941)**	(1,131)
Provisions	11	**(1,254)**	(1,997)
Deferred tax liabilities		**-**	-
		(2,218)	(3,128)
Total liabilities		**(22,847)**	(24,536)
Net assets		**14,188**	17,176
Equity			
Called up share capital	12	**2,531**	1,519
Share premium account	12	**22,104**	17,617
Currency translation reserve		**121**	143
Retained earnings		**(10,568)**	(2,103)
Total equity attributable to equity holders of the Parent Company		**14,188**	17,176

Consolidated cash flow statement

For the year ended 31 December 2020

	Note	Consolidated 2020 £000	2019 £000
Loss before tax		**(9,338)**	(11,024)
Finance expense		**278**	312
Operating loss for the year		**(9,060)**	(10,712)
Adjustments for:			
Depreciation of property, plant and equipment, and right-of-use assets		**1,429**	1,267
Amortisation of intangible assets		**2,482**	2,105
Loss on disposal of non-current assets		**-**	16
Non-underlying items	3	**3,641**	6,916
Cash flow relating to non-underlying items	3	**(2,287)**	(2,346)
Decrease in fair value of derivatives		**264**	643
Provision against intercompany receivables		**-**	-
Operating cash flow before movements in working capital		**(3,531)**	(2,111)
Movement in inventories		**(479)**	418
Movement in receivables		**1,911**	(1,281)
Movement in provisions		**(28)**	(106)
Movement in payables		**683**	520
Cash (used in)/generated by operations		**(1,444)**	(2,560)
Income taxes received		**680**	1,191
Net cash (used in)/generated by operating activities		**(764)**	(1,369)
Investing activities			
Capitalised development costs		**(2,554)**	(2,882)
Purchase of property, plant and equipment		**(277)**	(841)
Interest received		**-**	1
Net cash used in investing activities		**(2,831)**	(3,722)
Financing activities			
Repayment of loan		**(600)**	(7,000)
Drawdown of loan		**3,223**	1,300
(Repayment) / Drawdown of invoice finance		**(4,445)**	6,985
Loan restructuring costs		**-**	(209)
Proceeds from issue of ordinary shares (net of expenses)		**5,499**	5,488
Repayment of lease obligations		**(381)**	(307)
Interest paid		**(278)**	(382)
Net cash generated by/(used in) financing activities		**3,018**	5,875
Net (decrease)/ increase in cash and cash equivalents		**(577)**	784
Cash and cash equivalents at beginning of year		**2,062**	1,251
Non-cash movements – foreign exchange		**(19)**	27
Cash and cash equivalents at end of year		**1,466**	2,062

Consolidated statement of changes in equity

For the year ended 31 December 2020

	Share capital £000	Share premium account £000	Currency translation reserve £000	Retained earnings £000	Total £000
Balance at 1 January 2019	**918**	**12,729**	**112**	**7,280**	**21,039**
Loss for the year	-	-	-	(9,420)	(9,420)
Net foreign exchange gains from overseas subsidiaries	-	-	31	-	31
Total comprehensive loss for the year	**-**	**-**	**31**	**(9,420)**	**(9,389)**
Transactions with owners in their capacity as owners:					
Issue of equity shares	601	-	-	-	601
Premium arising on issue of equity shares	-	5,400	-	-	5,400
Share issue expenses	-	(512)	-	-	(512)
Total transactions with owners in their capacity as owners	**601**	**4,888**	**-**	**-**	**5,489**
Credit in relation to share-based payments	-	-	-	37	37
Balance at 31 December 2019	**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**

Notes to the financial information

For the year ended 31 December 2020

1. 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

The preliminary financial information does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 for the financial year ended 31 December 2020 but has been extracted from those accounts. The annual accounts for the year ended 31 December 2020 have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. They have been prepared using the historical cost convention except where the measurement of balances at fair value is required. The financial information included in this preliminary announcement does not include all the disclosures required in accounts prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and accordingly it does not itself comply with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The accounting policies used in the preparation of this preliminary announcement have remained unchanged from those set out in the statutory accounts for the year ended 31 December 2019. They are also consistent with those in the full accounts for the year ended 31 December 2020 which have yet to be published.

The auditors have reported on the accounts for the year ended 31 December 2020 and their opinion was unqualified, did not include any matters to which the auditor drew attention by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The auditors have also reported on the accounts for the year ended 31 December 2019 and their opinion was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006. The auditor drew attention by way of emphasis to a material uncertainty related to going concern.

Statutory accounts for 2019 have been delivered to the Registrar of Companies and those for the financial year ended 31 December 2020 will be delivered following the Company's annual general meeting.

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.

Going concern

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 Directors prepared cash flow forecasts for the period ending 31 December 2022 which considered the financial position of the Group, its cash flows, borrowing facilities and financial covenants thereon.

The Board regularly reviews revenue, profitability and cash flow forecasts across the short, medium and longer term. A number of downside sensitised scenarios are modelled and considered to create a wide range of possible outcomes, the assumptions behind which are robustly challenged. The Board compares actual performance against budgets and forecasts and reviews variances to continually refine and improve forecasting ability from which to make effective decisions.

The Group has been loss making in recent years and absorbed cash. The Group raised equity funding in 2020 and secured support from its bank through the government backed loan schemes. The impact of COVID-19 has been material as the Group was starting to see improvements in its underlying trading activity levels in early 2020 and especially important was the traction it was receiving from social housing Groups on the deployment of its connected homes alarms strategy which the group had invested in. The pandemic brought about a reduction in sales of core product through the traditional retail and trade channels and at the same time saw the deferral of any connected homes roll out as other priorities took precedent. The Group has used the lockdown periods to shape the business for the delivery of Gross margin improvement alongside capitalising on the resurfaced interest in our connected homes technology. The Group is very focused on this path and a major thrust will be the design and production of new products that lend themselves to more automated production and easy update and refresh cycles.

Based on the cash flow forecasts, the Group is anticipated to absorb cash in 2021 and to be close to cash neutral in 2022 and as such has successfully achieved increased committed loans through the government backed COVID loan schemes. These facilities by themselves do not however provide the group with the necessary cash to deliver the strategy and return the group to profitability and cash generative activity levels. On 30 April 2021 the Directors have announced an equity raise of £9.0m (net of expenses) in order to provide the group with the resources to meet its liabilities as they fall due over the period of the cash flow forecast. Accordingly, the full year accounts for 2020 have been prepared on the going concern basis.

2. 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	**2020 £000**	2019 Restated £000
Business Units:		
UK Trade	**7,560**	7,452
UK Retail	**16,603**	18,317
UK Fire & Rescue Services	**2,875**	4,718
UK Utilities	**1,363**	2,173
International	**9,198**	11,140
Pace Sensors	**2,329**	1,686
Total revenue from external customers	**39,928**	45,486

All business units 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.

As of 1 January 2020, the business has reassigned a number of customers to different business units. Two large customers with a combined revenue of £7.1m in 2019 which were previously reported within the Trade business unit are now reporting through the Retail business unit. The Utilities business unit gained two customers with a combined revenue of £0.7m in 2019 which were previously reported within the Trade business unit. The 2019 sales comparatives have been adjusted accordingly.

For 2020, revenues of approximately £9.4 million were derived from two external customers (2019: £5.5 million from one external customer), which individually contributed over 10% of total revenue of the Group. These revenues are attributable to the UK Retail business unit. An analysis of the Group's revenue is as follows:

	2020 £000	2019 £000
Continuing operations:		
UK	**28,400**	32,660
Continental Europe	**8,961**	10,677
Rest of World	**2,567**	2,149
	39,928	45,486

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

	2020	2019
	£000	£000
Continuing operations:		
UK	**18,050**	20,362
Canada	**179**	182
Non-current assets	**18,229**	20,544

3. Non-underlying items

	2020	2019
	£000	£000
Within cost of sales		
Provision for warranty costs (note a)	**1,168**	2,605
Commercial distributer settlements (note b)	**324**	-
Provision against stock and disposal costs (note c)	**225**	1,703
	1,717	4,308
Within operating expenses		
Restructuring and fundraising costs (note d)	**77**	746
Impairment of intangible assets (note e)	**1,416**	1,825
Impairment of tangible assets (note f)	**188**	-
Share-based payment charges	**243**	37
	1,924	2,608
Total non-underlying items	**3,641**	6,916

a. During the year, 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 total cash impact of the warranty provision in 2020 was £1.9 million.

b. Customer settlements relating to the battery impedance totalled £0.3m for the year. As at31 December 2020 the Group had paid £0.2 million of these settlements.

c. Stock impairment and disposal costs of £0.2 million were provided in the year as a result of a thorough review of product lines and future development plans in line with the Group's evolved strategy to become a more technology-led connected home solutions provider. In the prior year, £1.7 million was provided. The cash impact in 2020 relating to stock disposal costs equated to £0.1 million.

d. Restructuring and certain fundraising costs of £0.1 million were incurred and paid in the year. In the prior year, £0.7 million was provided.

e. 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. In the prior year, £1.8 million was provided.

f. 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. In the prior year nil was provided.

4. Other operating income

Furlough payments of £0.1m were received under the UK Government's Coronavirus Job Retention Scheme and £0.2 million 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.

5. Finance costs

	2020	2019
	£000	£000
Interest expense on bank balance	**(227)**	(265)
Lease liability interest expense	**(51)**	(47)
Total finance costs	**(278)**	(312)

6. Income tax

	2020 £000	2019 £000
Current tax		
UK corporation tax credit	**(711)**	(707)
UK – adjustments in respect of prior periods (credit)/charge	**(49)**	(47)
Foreign tax charge	**130**	46
	(630)	(708)
Deferred tax		
Origination and reversal of temporary differences	**-**	(1,024)
Adjustments in respect of prior periods	**-**	128
Income tax credit	**(630)**	(1,604)

Domestic income tax is calculated at 19.00% (2019: 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:

	2020 £000	%	2019 £000	%
Loss before tax	**(9,338)**		(11,024)	
Tax at the domestic income tax rate of 19.00% (2019: 19.00%)	**(1,774)**		(2,095)	
Tax effect of expenses that are not deductible in determining taxable profit	**52**		60	
Effect of allowance for capitalised development expenditure	**(306)**		(305)	
Adjustments in respect of prior periods	**(49)**		81	
Deferred tax not recognised	**1,428**		437	
Impact of foreign tax rates	**59**		23	
Difference in current and deferred tax rates	**-**		168	
Other adjustments	**(40)**		27	
Tax credit and effective tax rate for the year	**(630)**	**7%**	(1,604)	15%

The weighted average applicable tax rate was 7% (2019: 15%). The tax credit for 2020 is largely due to enhanced research and development tax relief at a rate of 230% and operating losses in the year of £9.3 million.

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

At 31 December 2020 there is a deferred tax asset of £1,869,602 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:

	2020 £000	2019 £000
Deferred tax		
Share-based payments	**-**	-
Income tax charge	**-**	-

7. Dividends

As a result of the loss reported for the year, and consistent with the decision not to pay an interim dividend (2019: nil pence per share), the Directors do not recommend payment of a final dividend for the year (2019: nil pence per share). The total dividend payable for 2020 is therefore nil pence per share (2019: nil pence per share).

8. Earnings per share

Earnings from continuing operations	2020 £000	2019 £000
Earnings for the purposes of basic and diluted earnings per share (loss for the year attributable to owners of the Parent)	**(8,708)**	(9,420)

Number of shares	**‘000**	‘000
Weighted average number of ordinary shares – basic calculation	**112,865**	67,219
Dilutive potential ordinary shares from share options	**-**	-
Weighted average number of ordinary shares – diluted calculation	**112,865**	67,219

	2020 Pence	2019 pence
Basic earnings per share	**(7.7)**	(14.0)
Diluted earnings per share	**(7.7)**	(14.0)

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

Diluted EPS is calculated on the same basis as basic EPS but with a further adjustment to the number of weighted average shares in issue to reflect the effect of all potentially dilutive share options. The number of potentially dilutive share options is derived from the number of share options and awards granted to employees and Directors where the exercise price is less than the average market price of the Company’s ordinary shares during the period. Under IFRS no allowance is made for the dilutive impact of share options which reduce a loss per share. The basic and diluted EPS measures are therefore the same for the year ended 31 December 2020.

9. Inventories

	Group 2020 £000	Group 2019 £000	**Company 2020 £000**	Company 2019 £000
Raw materials	**133**	126	**-**	-
Work-in-progress	**267**	265	**-**	-
Finished goods	**6,790**	8,310	**-**	-
Total gross inventories	**7,190**	8,701	**-**	-
Inventory provisions	**(632)**	(2,397)	**-**	-
Total net inventories	**6,558**	6,304	**-**	-

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 and disposal costs of £0.2 million were provided in the year as a result of a thorough review of product lines and future development plans in line with the Group’s evolved strategy to become a more technology-led connected home solutions provider (2019: £1.7 million).

The inventory provision has decreased by £1.8m due to writing off £2.0m of stock that was provided for in previous periods coupled with the 2020 charge of £0.2m detailed in note 3.

10. Loans and borrowings

	Group 2020 £000	Group 2019 £000	**Company 2020 £000**	Company 2019 £000
Bank term loan	**2,623**	-	**-**	-
Invoice discounting facilities	**2,539**	6,985	**-**	-

During the year, to fund the temporary increase in working capital due to COVID-19 the Company secured a £3.2 million loan under the Coronavirus Large Business Interruption Loan Scheme, £0.9 million was repayable in instalments throughout 2020 and the balance of £2.3 million was repayable in instalments in 2021. In December 2020, the Group agreed with the lender to amend the repayments so that £0.6 million was repaid in 2020 and £2.6 million was repayable in instalments in 2021. On 26 March 2021 the Group announced the refinancing of this loan, further details can be found in note 13.

At 31 December 2020, the Group had the following lease liabilities totalling £1.4 million:

	Within 6 months £000	**6 months to 1 year £000**	**1 to 5 years £000**	**Over 5 years £000**	**Total at 31 December 2020 £000**
Maturity analysis of lease liabilities:					
Land and buildings	207	211	899	-	1,317
Plant and machinery	1	8	26	-	35
Vehicles	7	6	16	-	29
Total lease liabilities	215	225	941	-	**1,381**

11. Provisions

	FireAngel warranty provisions £000	**BRK Brands warranty provisions £000**	**Total £000**
At 1 January 2019	2,932	134	3,066
Charge in year	2,605	-	2,605
Utilisation in year	(2,072)	(106)	(2,178)
At 31 December 2019	3,465	28	3,493
Charge in year	1,167	-	1,167
Utilisation in year	(1,887)	(28)	(1,915)
At 31 December 2020	2,745	**-**	2,745

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

	2020 £000	2019 £000
Current provision	**1,491**	1,496
Non-current provision	**1,254**	1,997
Total warranty provisions	**2,745**	3,493

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.

During the year, the FireAngel battery warranty provision 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.

12. Share capital and reserves

On 8 April 2020, the Company raised £6.1 million (gross) through the issue of 50,623,480 new ordinary shares of 2p nominal value each at an issue price of 12p per share. The premium on issue was 10p per share amounting to £5.1 million. This was credited to the share premium account. Share issue expenses amounted to £0.6 million. These were debited to the share premium account.

13. Post balance sheet events

On 26 March 2021 the Group announced it had refinanced its existing Coronavirus Large Business Interruption Loan Scheme ('CLBILS'). As the Group's revenue dropped below £45.0 million, the CLBILS (which reduced to £2.0 million at the end of March 2021) have been refinanced under the Coronavirus Business Interruption Loan Scheme ("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 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.

On 7 April 2021 the Group announced it had signed a long term strategic partnership agreement with a German energy efficiency service provider (the "Partner") to provide a fully funded research and development programme for a new generation smoke alarm. This next generation alarm will offer additional, innovative safety and environmental features to meet the increased demands of landlords as well as tenants. Both parties will have the right to use any foreground IP resulting from development of the new smoke alarm. Pursuant to the terms of the agreement, the Partner will fund the development phase of the next generation smoke alarm. In addition, FireAngel will receive a fee of £1.4 million for use of its background IP during the development phase. Thereafter, once production of the next generation smoke alarm has commenced, a royalty fee per product will be payable to FireAngel with a multi-million volume fee agreed for the initial 30 months. Manufacturing of the next generation smoke alarm is expected to commence in early 2024. It is forecast that 7 million new devices will be produced with a minimum of 3.5 million expected to be produced in the first 2.5 years and that during the life of the partnership, the Company should earn up to €21 million in royalty, management and support fees.

On 30 April 2021 the Company announced an equity fundraising of £9.0 million (net of expenses) in order to provide the Group with the resources to deliver strategic goals and provide the foundation for a return to profitability and cash generation.