

27 September 2022

FireAngel Safety Technology Group plc
(‘FireAngel’, the ‘Group’ or the ‘Company’)

Interim results

FireAngel (AIM: FA.), one of Europe’s leading developers and suppliers of home safety products, announces its unaudited interim results for the six months ended 30 June 2022 (‘H1 2022’ or the ‘period’).

Financial highlights

- Revenue up 15% to £25.6 million (H1 2021: £22.2 million) ahead of the Board’s expectations as disclosed in the Company’s H1 trading update released on 27 July 2022. This is against a backdrop of macro supply issues which restricted a much-improved performance.
- Gross profit up 8% to £5.6 million (H1 2021: £5.2 million)
- Gross margin at 21.9% (H1 2021: 23.5%) including £1.6m of exceptionally high purchase price variance costs (“PPV”) to secure components
- Adjusted gross margin¹ before the exceptionally high PPV costs for securing components of £1.6m would have been 28.2% (H1 2021: 24.3%)
- Underlying operating loss² increased by 22% to £1.8 million (H1 2021: £1.4 million) which was particularly impacted by the additional £1.4 million PPV
- Underlying LBITDA³ of £0.1 million (H1 2021: underlying EBITDA³ £0.2 million)
- Underlying loss before tax of £1.7 million (H1 2021: loss before tax £1.5 million)
- Capitalised product development and production set up costs of £0.8 million (H1 2021: £1.3 million)
- Inventory at 30 June 2022 of £4.7 million (30 June 2021: £4.9 million)
- Net debt (before lease obligations) at 30 June 2022 materially better than expectations at £3.8 million (30 June 2021: £2.2 million net cash; 31 December 2021: £0.1 million net cash) which comprised cash of £0.7 million, debt of £3.1 million and drawings under the Company’s invoice finance facility of £1.4 million (with a further £4.1 million available to be drawn down)
- Net debt (before lease obligations) at 23 September 2022 of £3.9 million which comprises cash of £0.1million, debt of £3.0 million and drawings under the Company’s invoice finance facility of £1.8 million (with a further £3.0 million available to be drawn down on)

¹ Adjusted gross margin before the exceptionally high PPV costs for securing components of 28.2% is the gross margin before PPV of £1.6 million; prior to 2021, PPV had minimal impact on the Company (H1 2021: gross margin before the PPV costs for securing components is the gross margin before PPV of £0.2 million)

² Underlying operating loss of £1.8 million in H1 2022 is before unaudited share-based payments charge of £0.1 million (H1 2021: £1.4 million before a share-based payments charge of £0.1 million)

³ Underlying LBITDA of £0.1 million in H1 2022 stated before unaudited share-based payments charge of £0.1 million (H1 2021: underlying EBITDA of £0.2 million stated before unaudited share-based payments charge of £0.1 million)

Business and operational highlights

- Both half year revenue and underlying gross profit were the highest since H1 2017

- Adjusted EBITDA⁴ of £1.5 million (excluding the exceptionally high PPV) (H1 2021: £0.3 million) – the highest since H1 2017
- Q2 2022 sales of 1.4 million units as supply constraints eased, up 40% from 1 million units in Q1 2022, was the highest volume per quarter since Q4 2019
- International sales, up 55% to £8.4 million (H1 2021: £5.4 million), the highest for a first half year since 2017, benefitted from legislation in Benelux. In the period, Benelux achieved the highest sales in that region in its history
- Techem’s selection of FireAngel’s CO sensor, which will now be incorporated in the new generation smoke alarm, materially enhances the future value of this partnership

⁴Adjusted EBITDA of £1.5m is underlying LBITDA of £0.1 million stated before the exceptionally high PPV costs for securing components of £1.6 million; prior to 2021, PPV had minimal impact on the Company (H1 2021: adjusted EBITDA of £0.3m is underlying EBITDA of £0.1 million stated before the PPV costs for securing components of £0.2 million)

Outlook

- The Company is EBITDA positive in the year to date (with its historically strongest trading quarter to come) and expected to be cash generative in H2 2022 and expects further positive cash generation in 2023
- The Company expects to deliver its best full year performance since 2017 when the Company’s results were partially fuelled by demand driven by the impact of German legislation
- Revenue for the full year expected to be towards the top end of market expectations
- However, the impact of foreign exchange and inflation means the Company will not overcome those headwinds at the margin level, which will result in EBITDA for the full year being materially below market expectations and to be between break even and £1.5m
- H2 is traditionally the Company’s strongest half and further supports the expansion of revenue and profit (before any unusual exchange rates movements)
- The Board’s actions combined with continued market demand means FireAngel continues to expect further financial improvement in 2023, including enhanced cash generation

John Conoley, Executive Chairman of FireAngel, commented:

“I am delighted by the revenue performance and the continuing success of our margin improvement activities. Our execution so far this year has largely conformed to our plans which delivered the expected underlying margin improvement before the combined impact of adverse currency movement and inflation. While the circumstances outside our control have been particularly frustrating, the Board expects 2022 to demonstrate the first proof that we have turned the Company around with more still to come.”

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Executive Chairman's Statement

Overview

I am pleased with the resilience shown by the Company in the first half of the year. As expected, the Company's underlying financial performance in H1 2022 showed a material improvement, resulting in it being the best half year revenue performance since 2017 and ahead of Board expectations. While we expect our performance in H2 2022 should lead to revenue for the year ending 31 December 2022 ("FY2022") being at the top end of market expectations, the impact of foreign exchange and inflation on our input costs mean that we will not overcome all those headwinds at the margin level which will result in profit for FY2022 being materially below market expectations. FY2022 EBITDA is expected to be between break even and £1.5 million.

H1 2022 was another period marred by external macroeconomic factors, including the war in Ukraine, ongoing lockdowns in China, global supply chain issues, widespread cost inflation, and the availability of skilled labour, which have all been, and remain, a challenge.

Whilst the Company is not immune from the impact of these factors on its day-to-day operations, the Board's continued focus on careful and prudent improvement to our operations and supply chains has helped mitigate these challenges somewhat. This has left the Group better positioned with its supply chain as we began to see an easing in related disruption that has been a constant issue facing the Company over the last couple of years. This is demonstrated in the 1.4 million products that the Company sold in Q2 2022, being 40% more than it sold in Q1 2022. The Company executed price rises to mitigate inflation which began to ease this issue from late Q2 2022. A further round of price rises will take effect during Q4 2022 and Q1 2023 offering further mitigation against inflation and currency fluctuations.

The Company also continued to make progress with its strategically important project alongside its partner Techem GmbH ("Techem"), a leading service provider for green and smart buildings and a major supplier of technical solutions to the European rental market. As part of the agreement, FireAngel is working to develop a new generation smoke alarm primarily for the German market. Techem has also selected the FireAngel CO sensor to be incorporated exclusively into the new alarm, which is expected to significantly increase the medium-term financial opportunity for the Company.

I am proud of the Company and of its staff for their achievements so far this year. Our resilience in the face of immense external challenges provides the Board with confidence in our ability to deliver an improved second half performance, which we are on track to achieve.

Financial performance

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

	Unaudited Six months ended 30 June 2022	Unaudited Six months ended 30 June 2021	Change	
Revenue	£000	£000	£000	%
UK Trade	4,047	5,187	(1,140)	(22%)
UK Retail	7,157	8,382	(1,225)	(15%)
UK Fire & Rescue Services ("F&RS")	1,575	1,488	87	6%
UK Utilities	1,620	757	863	114%
Total sales in the UK	14,399	15,814	(1,415)	(9%)
International	8,404	5,434	2,970	55%
Techem	1,698	174	1,524	876%

Pace Sensors	1,055	799	256	32%
Total revenue	25,556	22,221	3,335	15%

From 1 January 2022, certain customers previously reported within the UK Trade business unit are now reported through UK Retail & UK Utilities. The 2021 comparatives have been adjusted accordingly.

The Company achieved revenues of £25.6m in H1 2022, up 15% on the same period last year. Gross profit increased by 8% to £5.6m. The Company continued to make progress against its strategy to improve gross margins, albeit this was held back by external factors, including adverse Purchase Price Variance ("PPV") costs and foreign exchange fluctuations. Gross margin was 21.9% (H1 2021 23.5%) and underlying gross margin (excluding the exceptionally high PPV) was 28.2% (H1 2021: 24.3%). As a result of the loss reported for the period, the Directors do not propose the payment of an interim dividend (2021: nil).

Business Unit performance has been strong across most territories with demand outweighing supply. International revenue was 55% up on the same period last year predominantly due to sales driven through the introduction of legislation in Benelux, where sales were the highest in the Company's history. Sales also grew in the online channels and retail areas of International. Both UK Trade and Retail sales were lower in H1 2022 than in the comparative period last year due to the supply constraints, particularly in relation to connected products. However, again there was demand which would have exceeded the comparative period last year if sufficient inventory had been available. Both F&RS and Utilities sales have increased compared to the same period last year and have benefitted from no longer being restricted by the property access issues we saw in early 2021 caused by COVID-19. The Company's partnership with Techem continued to progress well, and all milestone deliverables were met, further details of which are set out below. The total revenue associated with this contract amalgamates the background IP, minimum royalty amounts and the charges for the product development phases. Pace Sensors also saw an increase in revenue in the period of 32% compared to the comparable period last year, as we launched our new range of CO products.

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 partially to pay off the balance of the CLBILS, had 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 March 2021, the £0.5 million additional Receivables Finance CBILS as at the date of this announcement has not been drawn down. The Group maintains its existing Invoice Discounting Facility of £7.5 million, which is £1.8 million drawn on as at 23 September 2022. Interest and capital repayment of the CBILs commenced in May 2022.

The Group's balance sheet was further strengthened following the Company reaching an agreement for a standby letter of credit facility with its bank, HSBC UK Bank plc and UK Export Finance, up to a combined sum of £3.5m. This facility is for an initial term of 12 months. The continued support of our bank in providing this facility has provided greater certainty in our supply chain. It has offered additional reassurance for suppliers who are procuring longer-term inventory needed for the Company's growth over the next few years. The proactive actions initiated by the Board, along with the net proceeds of the fundraising undertaken in Q2 2021, have meant that the Company was much better placed to tackle external headwinds than would otherwise have been the case. Creditor days as at 30 June 2022 were 19 days (30 June 2021: 21 days).

The Company's journey towards positive cash generation has continued. Notably, cash consumed by the historic battery issues in H1 2022 more than halved to £300,000 from £700,000 in H2 2021. This is now rapidly becoming a legacy issue and is expected to be of lower materiality during 2023. The Company's net debt position at 30 June 2022 was materially better than we planned and the Company will be cash generative in H2 2022.

The Company's FY2022 budget was prepared in Q4 2021, using a forecast exchange rate of 1.36 USD to GBP. At 30 June 2022, the Board considered a number of exchange rate scenarios ranging from 1.17 to 1.26. Given the continued devaluation of GBP, the Board has now decided to gain certainty by hedging the majority of the remaining exposure for the balance of the year at blended rate of 1.15 USD to GBP, which removes a volatility,

but locks in a lower margin outturn than previously forecast for the remainder of the year. The Company is reviewing its hedging strategy for 2023 and the impact on gross margins for 2023 and 2024.

Strategic progress

The core target for the business is to continue improving gross margin year-on-year, by continuing to focus on three key strands:

- Migrating to higher value activities while cutting 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.

Moving to Higher Value Activities

The Group's project to source entry level products, which are uneconomic to design and produce in Europe, from an existing Chinese partner, was delivered at the end of Q1 2022. The project has added 3% to the Company's gross margin, as planned, with over 500k units shipped to customers to date since the launch, replacing previous models sold by the Company.

The Company has also made significant further progress with its project to develop a new generation smoke alarm alongside its partner, Techem. Two development milestones were achieved in Q2 2022, and the development phase of the project is now 32% complete. A further financial milestone was achieved in June 2022 when a contracted payment of £279k was made by Techem to the Company for use of its pre-existing IP within the project. The Company continues to work closely with Techem to select a manufacturing partner, details of which will be announced in due course. Techem also selected the FireAngel CO sensor, which will be manufactured at the Company's own factory in Mississauga, Canada, to be incorporated exclusively into the alarm. This is expected to significantly increase the medium-term financial opportunity for the Company.

The Techem partnership remains a transformational opportunity for the Company and one from which the Board expects that the Company and its shareholders will derive significant value. We will continue to update investors on further progress as we cross key milestones.

The world of Internet of Things (IoT) is expected to offer more opportunities for different types and scales of partnership, and the Company expects to explore such opportunities to maximise the impact of its significant understanding and investment in the connected and IoT worlds.

Commercialising connected technology

Basic supply of product has of course been the Company's primary focus due to the many constraints, and it has not advanced on all of the fronts it had hoped to at the more strategic application level. However, the Company is about to launch a key new technology, SYNC-IT™, that will enable customers who operate social or private rental properties to check environmental data at the time of annual checks or any event driven intervention in social or rented properties. This will operate through a new mobile phone App, seamlessly extracting data from non-connected Carbon Monoxide alarms, and automatically synchronizing to the Company's cloud server, providing further support for environmental data in H2 2023. This is expected to present a material demonstration of the potential of connectivity and data in the safety and care environments and will be a companion app to the Company's Predict™ product.

Supply of connected products was particularly challenging and has been restricted by component supply constraints which began in Q3 2021 and continued throughout H1 2022. Even so, 290,000 connected products were shipped in H1 2022 and in H2 2022 the Company expects to ship around 500,000. Our new generation cellular gateway product will now see initial production beginning early in the new year which was previously anticipated in Q3 2022 and moving into volume production during Q3 2023. This product will widen the scope of the Company's IoT opportunity in H2 2023.

Value Chain Improvements

The key focus in 2022 has been around improving both the predictability and visibility in the Company's supply chain. This has meant establishing longer term supply agreements with partners than has historically been the case, the Company now provides forecasts and commitments up to the end of 2023 and beyond for specific components. At the start of the year, the Company booked nearly all shipping slots from Asia for the whole year

to take one variable away from its list of challenges, rather than waiting to potentially obtain the best price. Sales forecasts and customer plans are already under consideration by the Company out to the end of 2023.

The previously announced move to cardboard packaging for all of the Company's products, not only removed 10 tons of plastics waste from the supply chain in 2021 but has also added about 1% to the Company's gross margin since 2021. Additionally, a large project to further improve efficiencies in packaging through 2023 is now underway. This is also in line with the Company's ESG strategy.

The Company will continue working with its suppliers to find efficiencies and support improvements across 2023 and beyond that should help mitigate currency and inflationary impacts on performance.

Environmental, Social & Governance ("ESG")

An ESG Committee was established in early 2022 and is chaired by me. Its initial focus has been on measurement, education and planning. However, a solid commitment has been made to implement the environmental standard ISO 140001, which specifies the requirements for an environmental management system that can be used by the Company to enhance environmental performance, and the Company will be ready for certification in 2023. Other recent data points to help us plan have included carbon measurement, and results from an employee survey for ESG attitudes, and customer and supplier surveys. The previously mentioned packaging initiative will be a direct result of ESG discussions.

As part of its efforts to be a responsible employer, the Company was also pleased to provide staff an interim cost of living pay rise in July 2022, given that nobody is immune to the unprecedented cost of living crisis we are currently experiencing. The Company aims to be sensitive to the wider societal factors in being a responsible and attractive employer.

Finally, the Company has appointed consultants to help it conduct a review and implementation plan for the Group's ESG strategy currently under development. We will continue to update on progress in this area as part of future results announcements.

Outlook

The Board believes a significantly improved financial performance remains achievable, following the resilience and agility displayed by the Company in the year to date in meeting so many stated challenges. Revenue for FY2022 is expected to be towards the top end of market expectations, yet the impact of currency and inflation has reduced the outlook for profitability such that the Board expects EBITDA to be between break even to £1.5 million, being materially below market expectations.

The underlying improvements made by the Board have protected FireAngel's position to a significant extent, which, in particular, has enabled the Company to be cash generative in H2 2022.

The Company has for some time been noting the energy and cost of living situation as it pertains to society. This winter across Europe is the type of crisis point which may accelerate a whole range of societal and legislative change. The Company's strategy and its current and planned products mean that it can help society's response in a broader way than just fire safety, yet broadly within the Company's existing plans and investments. The ability to access and act on environmental data from the Company's devices in the home is expected to offer much wider opportunities for the Company. Caring for people's welfare in their own homes will be a major issue over the next few winters, and the Board believes the Company can play a major role and be part of the solution.

Whilst the Board does not underestimate the current challenges and uncertainties facing the Company, it believes that the Company's business model, the strong demand for our products, our ability to adapt to changing circumstances and the increasing regulation around safety standards, leave the Company in a good position to continue to grow and prosper.

Underpinning the Company's excellent progress is its proposition to protect and save lives with innovative, cutting-edge home safety technology. The Board is excited about the potential in the business pipeline and believes that the Company is well placed to deliver attractive growth and shareholder returns in the long term.

Delivering our plan means the full year revenue is expected to be the Company's best performance since 2017 and our further mitigating actions will not only positively impact Q4 2022 but also FY 2023. While the macro headwinds have been and continue to be particularly frustrating, we look forward to Q4 2022 and FY 2023 with justified optimism.

John Conoley
Executive Chairman
27 September 2022

Consolidated income statement
For the six months ended 30 June 2022

	Note	(Unaudited) Six months ended 30 June 2022			(Unaudited) Six months ended 30 June 2021			(Audited) Year ended 31 December 2021		
		Before non- underlying items	Non- underlying items (note 5)	Total	Before non- underlying items	Non- underlying items (note 5)	Total	Before non- underlying items	Non- underlying items (note 5)	Total
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Revenue	3	25,556	-	25,556	22,221	-	22,221	43,472	-	43,472
Cost of sales		(19,952)	-	(19,952)	(17,009)	-	(17,009)	(33,393)	22	(33,371)
Gross profit		5,604	-	5,604	5,212	-	5,212	10,079	22	10,101
Operating expenses		(7,359)	(76)	(7,435)	(6,778)	(112)	(6,890)	(13,580)	(280)	(13,860)
Other operating income	6	-	-	-	122	-	122	82	-	82
Loss from operations		(1,755)	(76)	(1,831)	(1,444)	(112)	(1,556)	(3,419)	(258)	(3,677)
Finance costs		(44)	-	(44)	(104)	-	(104)	(124)	-	(124)
Finance income		148	-	148	-	-	-	91	-	91
Loss before tax		(1,651)	(76)	(1,727)	(1,548)	(112)	(1,660)	(3,452)	(258)	(3,710)
Income tax credit	7	194	-	194	282	-	282	430	-	430
Loss attributable to equity owners of the Parent		(1,457)	(76)	(1,533)	(1,266)	(112)	(1,378)	(3,022)	(258)	(3,280)
Basic earnings per share	9			(0.8)			(1.0)			(2.0)
Diluted earnings per share	9			(0.8)			(1.0)			(2.0)

All amounts stated relate to continuing activities.

Consolidated statement of comprehensive income
For the six months ended 30 June 2022

	(Unaudited) Six months ended 30 June 2022	(Unaudited) Six months ended 30 June 2021	(Audited) Year ended 31 December 2021
	£000	£000	£000
Loss for the period	(1,533)	(1,378)	(3,280)
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translation of foreign operations (net of tax)	196	38	32
Total comprehensive loss for the period	(1,337)	(1,340)	(3,248)

Consolidated statement of financial position
As at 30 June 2022

		(Unaudited) 30 June 2022	(Unaudited) 30 June 2021	(Audited) 31 Dec 2021
	Note	£000	£000	£000
Non-current assets				
Goodwill		169	169	169
Other intangible assets		11,702	12,045	11,825
Purchased software costs		1,409	1,842	1,625
Property, plant and equipment		2,684	3,860	3,242
		15,964	17,916	16,861
Current assets				
Inventories		4,706	4,894	3,737
Trade and other receivables		13,599	9,442	9,430
Current tax asset		621	1,012	464
Derivative financial assets		971	-	291
Cash and cash equivalents	11	656	5,839	3,294
		20,553	21,187	17,216
Total assets		36,517	39,103	34,077
Current liabilities				
Trade and other payables		(11,128)	(10,060)	(8,135)
Lease liabilities		(463)	(444)	(456)
Provisions	12	(658)	(1,304)	(1,012)
Invoice discounting facilities	10	(1,361)	(409)	-
Loans and borrowings	10	(693)	(160)	(480)
Derivative financial liabilities		-	(117)	-
		(14,303)	(12,494)	(10,083)
Net current assets		6,250	8,693	7,133
Non-current liabilities				
Loans and borrowings	10	(2,426)	(3,063)	(2,743)
Lease liabilities		(263)	(722)	(492)
Provisions	12	(568)	(870)	(541)
		(3,257)	(4,655)	(3,776)
Total liabilities		(17,560)	(17,149)	(13,859)
Net assets		18,957	21,954	20,218
Equity				
Called up share capital		3,621	3,621	3,621
Share premium account		30,009	30,008	30,009
Currency translation reserve		349	159	153
Retained earnings		(15,022)	(11,834)	(13,565)
Total equity attributable to equity holders of the Parent Company		18,957	21,954	20,218

Consolidated statement of changes in equity
For the six months ended 30 June 2022

	Called up share capital £000	Share premium account £000	Currency translation reserve £000	Retained earnings £000	Total £000
Balance at 1 January 2021	2,531	22,104	121	(10,568)	14,188
Loss for the six months	-	-	-	(1,378)	(1,378)
Foreign exchange gains from overseas subsidiaries	-	-	38	-	38
Total comprehensive income/(loss) for the six months	-	-	38	(1,378)	(1,340)
Transactions with owners in their capacity as owners:					
Issue of equity shares	1,090	-	-	-	1,090
Premium arising on issue of shares	-	8,711	-	-	8,711
Share issue expenses	-	(807)	-	-	(807)
Total transactions with owners in their capacity as owners	1,090	7,904	-	-	8,994
Credit in relation to share-based payments	-	-	-	112	112
Balance at 30 June 2021	3,621	30,008	159	(11,834)	21,954
Balance at 1 January 2022	3,621	30,009	153	(13,565)	20,218
Loss for the six months	-	-	-	(1,533)	(1,533)
Foreign exchange gains from overseas subsidiaries	-	-	196	-	196
Total comprehensive income/(loss) for the six months	-	-	196	(1,533)	(1,337)
Transactions with owners in their capacity as owners:					
Issue of equity shares	-	-	-	-	-
Premium arising on issue of shares	-	-	-	-	-
Share issue expenses	-	-	-	-	-
Total transactions with owners in their capacity as owners	-	-	-	-	-
Credit in relation to share-based payments	-	-	-	76	76
Balance at 30 June 2022	3,621	30,009	349	(15,022)	18,957

Consolidated cash flow statement
For the six months ended 30 June 2022

	(Unaudited) Six months ended 30 June 2022 £000	(Unaudited) Six months ended 30 June 2021 £000	(Audited) Year ended 31 Dec 2021 £000
Loss before tax	(1,727)	(1,660)	(3,710)
Finance expense	(104)	104	33
Operating loss for the period	(1,831)	(1,556)	(3,677)
Adjustments for:			
Depreciation of property, plant and equipment, and right-of-use assets	720	697	1,420
Amortisation of intangible assets	963	909	1,876
Loss on disposal of non-current assets	9	23	47
Non-underlying items	76	112	258
Cash flow relating to non-underlying items	(330)	(610)	(1,242)
Increase in fair value of derivatives	(680)	(576)	(984)
Operating cash flow before movements in working capital	(1,073)	(1,001)	(2,302)
Movement in inventories	(968)	1,664	2,909
Movement in receivables	(4,021)	629	732
Movement in provisions	-	-	-
Movement in payables	2,995	(2,734)	(4,714)
Cash used by operations	(3,067)	(1,442)	(3,375)
Income taxes received /(paid)	38	(50)	645
Net cash used by operating activities	(3,029)	(1,492)	(2,730)
Investing activities			
Capitalised development costs	(623)	(998)	(1,529)
Purchase of property, plant and equipment	(154)	(315)	(434)
Net cash used in investing activities	(777)	(1,313)	(1,963)
Financing activities			
Proceeds from issue of ordinary shares (net of expenses)	-	8,993	8,995
Drawdown/(Repayment) of invoice finance	1,361	(2,131)	(2,539)
Drawdown of loan	-	3,200	3,200
Repayment of loan	(104)	(2,600)	(2,600)
Repayment of lease obligations	(222)	(215)	(441)
Interest paid	(44)	(104)	(124)
Net cash generated by financing activities	991	7,143	6,491
Net (decrease)/ increase in cash and cash equivalents	(2,815)	4,338	1,798
Cash and cash equivalents at beginning of period	3,294	1,466	1,466
Non-cash movements	177	35	30
Cash and cash equivalents at end of period	656	5,839	3,294

Notes to the financial information

1. General information

These unaudited consolidated interim financial statements were approved by the Board of Directors on 26 September 2022.

2. Basis of preparation

These unaudited consolidated interim financial statements of the Group are for the six months ended 30 June 2022.

The condensed consolidated interim financial statements for the six months to 30 June 2022 do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2021 which are available at www.fireangeltech.com/investors.

The condensed consolidated interim financial statements for the six months to 30 June 2022 have not been audited or reviewed by an auditor pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information.

The condensed consolidated interim financial statements for the six months to 30 June 2022 have been prepared on the basis of the accounting policies expected to be adopted for the year ending 31 December 2022. These are anticipated to be consistent with those set out in the Group's latest annual financial statements for the year ended 31 December 2021. These consolidated financial statements are prepared in accordance with UK-adopted international accounting standards in conformity with the Companies Act 2006 ('IFRS'). The financial statements are presented in thousands (£'000) unless otherwise indicated.

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 2023 which considered the financial position of the Group, its cash flows, borrowing facilities and financial covenants thereon.

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 on global supply chains. The Group has navigated these well, but shortage of inventory and components has prevented the growth originally planned. The Group saw demand for their products outweighing the supply in H1 2022 due to global supply chain constraints, with this easing towards the end of H1 2022 and the supply of products improving. In 2021, 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 as we moved into 2022 and help mitigate the additional inflationary costs the Group has seen in H1 2022.

The Group has absorbed cash in H1 2022 but below budgeted rates through inventory and cost controls and the Group will start to generate cash from H2 2022 and continue in the year ending 31 December 2023. The Group's forecasts show that it has sufficient cash to deliver the strategy and return to profitability and cash generative activity levels.

The Directors have reviewed the Group's forecasts, including the sales growth, budgets and cash projections for the period to 31 December 2023 and including sensitivity analysis on the key assumptions such as the potential impact of reduced sales and weakening British Pound for the next twelve months and beyond. The forecasts showed sufficient cash headroom throughout the outlook period. The base case

was also reverse stress tested and the level of deterioration required for the Group to exceed the banking headroom was deemed to be unlikely.

The Directors have assessed both the discretionary and the non-discretionary cash requirements of the Group during this period. In determining whether the Group's Interim 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, HSBC, and reviewed its financial position, 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 a weakening British pound against the US Dollar;
- the impact of the competitive environment within which the Group operates;
- the impact of COVID-19 and related global supply chain issues; and
- 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 has adequate resources to continue operations for the period of at least one year from the date of approval of these Interim results. The Directors have not identified any material uncertainties that may cast doubt over the ability of the Group to continue as a going concern and the Directors continue to adopt the going concern basis in preparing these financial statements.

AIM-quoted companies are not required to comply with IAS 34 Interim Financial Reporting and accordingly the Company has taken advantage of this exemption.

3. Operating segments

An analysis of the Group's revenue by business unit is as follows:

	(Unaudited) Six months ended 30 June 2022 £000	(Unaudited) Six months ended 30 June 2021 £000	(Audited) Year ended 31 Dec 2021 £000
<i>Revenue from continuing operations:</i>			
UK Trade	4,047	5,187	9,822
UK Retail	7,157	8,382	15,842
UK Fire & Rescue Services	1,575	1,488	2,367
UK Utilities	1,620	757	1,830
Total sales in the UK	14,399	15,814	29,861
International	8,404	5,434	10,891
Techem	1,698	174	1,043
Pace Sensors	1,055	799	1,677
Total revenue	25,556	22,221	43,472

From 1 January 2022, certain customers previously reported within the UK Trade business unit are now reported through UK Retail & UK Utilities. The 2021 comparatives have been adjusted accordingly.

4. Revenue recognition – European Partner

In April 2021 the Group signed a long-term partnership agreement with Techem to provide a research and development programme for a new generation smoke alarm. The Group has looked at the individual elements 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.

Full details of the revenue recognition methodology and assumptions surrounding this can be found in the Group's annual financial statements for the year ended 31 December 2021 which are available at www.fireangeltech.com/investors.

	(Unaudited) Six months ended 30 June 2022 £000
Revenue recognised in period	1,698
Costs recognised	(785)
Gross profit attributable to contract	913
Total contact revenue recognised	2,741
Interest income recognised	239
Total consideration	2,980
Billing to date	(2,075)
Accrued income	905

5. Non-underlying items

	(Unaudited) Six months ended 30 June 2022 £000	(Unaudited) Six months ended 30 June 2021 £000	(Audited) Year ended 31 Dec 2021 £000
<i>Within cost of sales</i>			
Commercial distributor settlements (a)	-	-	66
Provision against stock and disposal costs (b)	-	-	(88)
	-	-	(22)
<i>Within operating expenses</i>			
Impairment of tangible assets	-	-	(3)
Share-based payments charge	76	112	283
	76	112	280
Total non-underlying items	76	112	258

- a. Customer settlements relating to the battery impedance totalled nil in the period (H1 2021: £0.1 million). There was no cash impact in H1 2022 relating to these settlements.
- b. 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. No such sales have been registered in H1 2022 with nil cash impact in the period.

No change to the value of the warranty provision has been made since 2020. The balance continues to

unwind and during H1 2022 the cash outflow was £0.3m.

6. Other Operating Income

Furlough payments of £nil were received under the Canadian Emergency Wage Subsidy during the period (2021: £0.1 million). 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.

An error has been identified in the presentation of the Group's accounts ended 31 December 2021 whereby furlough income of £83,000 was not adjusted out of operating expenses and cost of sales and reclassified into other operating income. There is no impact to profit. Due to the size and nature of this misstatement, it has been deemed non-material and as such has not been adjusted.

7. Income tax

The income tax credit for the period is based on the estimated rate of corporation tax that is likely to be effective for the year to 31 December 2022.

8. Dividends

As a result of the loss reported for the period, the Directors do not propose the payment of an interim dividend (2021: nil).

9. Earnings per share

Earnings per share are as follows:

	(Unaudited) Six months ended 30 June 2022	(Unaudited) Six months ended 30 June 2021	(Audited) Year ended 31 Dec 2021
	£000	£000	£000
Earnings from continuing operations			
Earnings for the purposes of basic and diluted earnings per share (loss for the period attributable to owners of the parent)	(1,533)	(1,378)	(3,280)
Number of shares	'000	'000	'000
Weighted average number of ordinary shares - basic earnings calculation	181,067	139,204	160,308
Dilutive potential ordinary shares from share options	-	-	-
Weighted average number of ordinary shares - diluted calculation	181,067	139,204	160,308
	2022	2021	2020

	pence	pence	pence
Basic earnings per share	(0.8)	(1.0)	(2.0)
Diluted earnings per share	(0.8)	(1.0)	(2.0)

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

Diluted EPS is calculated on the same basis as basic EPS but with a further adjustment to the number of weighted average shares in issue to reflect the effect of all potentially dilutive share options. The number of potentially dilutive share options is derived from the number of share options and awards granted to employees and Directors where the exercise price is less than the average market price of the Company's ordinary shares during the period. Under IFRS, no allowance is made for the dilutive impact of share options which reduce a loss per share. The basic and diluted EPS measures are therefore the same for the period ended 30 June 2022.

10. Loans and borrowings

	(Unaudited) 30 June 2022	(Unaudited) 30 June 2021	(Audited) 31 Dec 2021
	£000	£000	£000
Canadian government COVID-19 loan	23	23	23
Bank Term Loan	3,096	3,200	3,200
Invoice discounting facilities	1,361	409	-
	4,480	3,632	3,223

11. Cash and cash equivalents

	(Unaudited) 30 June 2022	(Unaudited) 30 June 2021	(Audited) 31 Dec 2021
	£000	£000	£000
Cash at bank and in hand	656	5,839	3,294

12. Provisions

	(Unaudited) 30 June 2022
	£000
At 1 January 2021	
Charge in period	2,745
Utilisation	(571)
At 30 June 2021	2,174
At 1 January 2022	1,553
Utilisation	(327)

At 30 June 2022

1,226

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

	(Unaudited) 30 June 2022 £000	(Unaudited) 30 June 2021 £000	(Audited) 31 Dec 2021 £000
Current provision	658	1,304	1,012
Non-current provision	568	870	541
Total warranty provision	1,226	2,174	1,553

13. Changes in liabilities arising from financing activities

	Bank Loans £000	Invoice discounting facility £000	Lease liabilities £000	Total £000
Balance at 1 January 2021	2,623	2,539	1,381	6,543
Net cash generated/ (used in) financing activities	600	(2,130)	(215)	(1,745)
Acquisition of leases				
Balance at 30 June 2021	3,223	409	1,166	4,798
Balance at 1 January 2022	3,223	-	948	4,171
Net cash generated/ (used in) financing activities	(104)	1,361	(222)	1,035
Balance at 30 June 2022	3,119	1,361	726	5,206

14. Availability

Further copies of this interim announcement are available on the FireAngel Safety Technology Group plc investor relations website, www.fireangeltech.com.