6 June 2023

FireAngel Safety Technology Group plc

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

Final Audited Results

FireAngel (AIM: FA.), a leading developer and supplier of home safety products, announces its audited final results for the year ended 31 December 2022.

Business highlights

- Strong revenue growth of 32%, despite being constrained by supply chain issues and macro-economic challenges
- The delivery of management's improvement plans led to the Group's highest revenue and adjusted gross profit performance since 2017
- Reported numbers adversely impacted by purchase price variance ("PPV"), unprecedented currency swings, inflation, and supply constraints on especially higher margin connected products
- Significant progress was made on the Group's project with Techem Energy Services GmbH ("Techem") to develop a new generation smoke alarm primarily for the German market:
    - Further milestones achieved on time
    - Development now more than 45 per cent. complete on a planned man days basis
    - In addition, the electronics development of the agreement is more than 91 per cent. complete and on schedule to be delivered by 8 September 2023

Financial headlines

- Revenue growth of 32% to £57.5 million (2021: £43.5 million)
- Gross profit £10.1 million (2021: £10.1 million)
- Adjusted gross profit[1] £13.5 million (2021: £10.5 million)
- Gross margin 17.6% (2021: 23.2%)
- Adjusted gross margin[2] 23.5% (2021: 24.2%)
- LBITDA £2.4 million (2021: £0.1 million)
- Adjusted EBITDA[3] £1.7 million (2021: £0.3 million)
- Non-underlying items of £1.1 million before tax (2021: £0.3 million)
- Underlying loss before tax[4] £5.0 million (2021: £3.4 million)
- Loss before tax £6.1 million (2021: £3.7 million)
- Net debt[5] (before lease obligations) at 31 December 2022 £4.8 million (2021: net cash before lease obligations £0.1 million)

[1]Adjusted gross profit is stated before non-underlying items, PPV and Mark to Market ("MTM") profit or loss on forward contracts expected to mature after the balance sheet date

[2]Adjusted gross margin is adjusted gross profit as a percentage of revenue

[3]Adjusted EBITDA is loss before tax, depreciation and amortisation, finance costs, non-underlying items, PPV, other operating incomes and expenses and MTM loss on forward contracts

[4]Underlying loss before tax is before non-underlying items

[5]Net debt is calculated as the net value of cash and cash equivalents, invoice discounting facilities and loans and borrowing.

Outlook and Post-balance sheet events

- Trading in the year to date is in line with the Board's revised expectations, with two particular exceptions which will not be recovered this year, as referred to in the Group's most recent trading update on 25 April 2023, with a weaker start to the year than anticipated being partly mitigated by lower than expected costs.
- As announced on 18 April 2023, Production and Delivery contracts have been signed with Techem, significantly advancing the progress of this transformational partnership:
    - The total income opportunity for FireAngel has grown significantly to an aggregate of up to c.$7.50 per alarm since the original Development Agreement was signed in 2021. This is based on the same previously announced number of units planned for production and reflects inflation, the changing bill of materials and the changed scope as the project has matured to this crucial point of engaging a manufacturing partner
    - Shipments of the new alarm expected to start in 2024 with production volume building in 2025
- New contract wins announced on 31 March 2023 with British Gas Services Limited and on 12 May 2023 with a government agency in the Middle East, signify further progress against our strategy to migrate to higher value activities and commercialise our investment in connected technology
- Range of further self-help measures underway and expected to materially boost the Group's financial performance in 2023 and beyond
- Supply chain disruption, including component shortages, now starting to stabilise, providing an improved environment for production
- An extensive review of the Group's operations and cost base took place in Q2 2023 to help ensure that the Group is best positioned to return to profitable growth as soon as possible, with an estimated saving of approximately £1.5 million on overheads, including approximately £1.0 million in headcount savings, and administration costs and an additional £1.0 million in reduced capital expenditure, expected in 2023
- The Company has approved on 5 June 2023 the details of a placing, subscription and open offer to raise £6.1 million (gross), £5.4 million net, in order to reduce its net debt (excluding lease liabilities) and support the increased working capital and investment requirements for its growth and strategic ambitions. There are contractual commitments from certain existing shareholders, new investors and the subscriber by means of a placing and subscription of up to 120,711,091 new ordinary shares.
- The subscriber, Ningbo Siterwell Electronic Import & Export Co. Ltd ("Siterwell"), a long-term manufacturing partner, has agreed to subscribe for 55,322,431 ordinary shares of 2 pence each for the total consideration of £2.8 million subject to clawback by qualifying shareholders under the open offer.
- In addition, certain Board changes have been agreed, with Andrew Blazye (ex-Chair of Universe plc) to be appointed as Non-Executive Chairman and Neil Radley (ex-CEO of Universe plc) to be appointed as CEO both with effect from 7 June 2023, and John Conoley stepping down as Executive Chairman with effect from 5 June 2023.
- Following completion of the fundraising, the Board has committed to undertake a strategic review to explore options to realise value for all shareholders as soon as reasonably practicable which may or may not involve a sale of the Company.

Zoe Fox, Chief Finance Officer of FireAngel, commented:
"Despite unprecedented macro circumstances, FireAngel has delivered its strongest revenue and adjusted gross profit result since 2017, with the progress made by the Group in the last two years underpinning this performance. Whilst the reported result announced today was not what we set out to achieve, the self-help measures implemented over the course of the year have supported an underlying performance that better represents the strong progress made in 2022.

"We continue to see growing demand for our safety products, driven by societal and regulatory changes. Although trading in 2023 remains challenging, particularly in the UK Trade market, the Board is confident that FireAngel is continuing to deliver significant self-help measures, which are expected to underpin a further improved performance in 2023 and beyond."

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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 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

Strategic review
The Board of Directors' Statement

Despite the unprecedented macroeconomic and geopolitical conditions, FireAngel delivered its strongest revenue and adjusted gross profit result since 2017. The progress made by the Group in the last two years has helped it endure the significant macroeconomic challenges and, as a result, our adjusted gross margin progress remains robust. There is a growing demand for our safety products, driven by societal and regulatory changes and to capitalise on this demand, FireAngel is continuing to deliver significant self-help measures, which are expected to underpin a further improved performance in 2023 and beyond.

Over the course of FY22, further regulatory changes were introduced across several of the markets which the Group operates in. Fire and Carbon Monoxide alarm legislation, along with wider social housing reform and environmental legislation across the UK and Benelux, continued to underpin demand for the Group's products. The impact of regulation developments in the German market and the 10-year replacement cycle from the 2014/2015 French legislation is expected to support further growth in 2024 and beyond.

Whilst these market tailwinds helped to drive strong revenue growth in FY22, the Group's ability to meet demand was significantly constrained by the widely reported supply chain challenges and component shortages. When combined with the impact of significant currency fluctuation, inflation and PPV, the Group had to maintain an intense operational focus to manage the impact of these dynamics. Therefore, whilst the reported results for FY22 inevitably reflect these challenges, the Group implemented steps to drive improvements and manage the impact of price rises, improve value engineering to reduce costs on selected products, introduce additional entry level products and renegotiate terms on certain contracts, which have all been critical in helping to deliver revenue and adjusted margin growth. This delivered an underlying performance that better demonstrates the strong progress made in the year.

Further headway has also been made against key strategic initiatives. A significant highlight includes the progress made with the Group's long-term partnership with Techem, the German energy efficiency service provider, to develop a new generation smoke alarm. This partnership presents a transformational opportunity for FireAngel with significant earnings potential. In addition, on 18 April 2023, the Group was pleased to announce the signing of production and delivery contracts with Techem and its long-term manufacturing partner, marking yet another important milestone.

Financial performance
In FY22, the Group delivered impressive revenue growth, of 32% to £57.5 million (2021: £43.5 million). The adjusted gross profit[1] was £13.5 million (2021: £10.5 million), which represented an adjusted gross margin[2] of 23.5% (2021: 24.2%).

As previously outlined, the Group's ability to meet demand was significantly constrained by the widely reported supply chain challenges and component shortages faced and the reported results for FY22 inevitably reflect these difficulties. Despite the significant increase in revenue, the gross profit was only in line with 2021 predominantly due to a combination of inflation, high PPV on components due to global shortages and unfavourable currency movements between the USD and GBP.

The Group had net debt (before lease obligations) of £4.8 million at 31 December 2022 (2021: net cash (before lease obligations) £0.1 million). On 20 June 2022, the Group announced that it had signed an agreement with its bank, HSBC UK Bank plc, for a standby letter of credit facility which is supported by UK Export Finance, up to a combined sum of £3.5 million, for an initial term of 12 months (the "Facility"). The Facility supports the variability of working capital arrangements with certain Group suppliers, which are driven by longer lead times on components and the Group's expected growth. The Board believes that the Facility is a prudent measure which will help offset the unpredictability in the Group's supply chain and input prices. Further details of the Facility are set out in the Performance review below.

During 2022, the Group met all banking covenants which relate to the CBILs loan, excluding Q4 2022 which was waived by the bank. There has been a further waiver in Q1 2023 of banking covenants agreed and reset from June 2023 to align with revised forecasts and provide additional headroom from those previously agreed.

Strategy
The Group continued to deliver against its strategic objectives and, as previously communicated, its primary target is to continue to enhance gross margin year-on-year by focusing on three key objectives:

- migrating to higher value activities whilst eliminating lower value and lower impact activities;
- commercialising our investment in connected technology; and
- implement other gross margin improvements across the value chain.

Strategic progress
Despite the many macroeconomic and geopolitical challenges experienced in FY22, further progress has been made against these objectives.

Moving to higher value activities
FY22 saw the Group progress its exclusive long-term partnership with Techem to develop a new generation smoke alarm. Product development activities progressed in line with the planned milestones and the development phase of the project is now, as announced on 20 March 2023, pleasingly over 40% complete on a planned man-days basis. In addition, the electronics development of the agreement is over 90% complete and on schedule, with the focus now turning to manufacturing related developments in partnership with the Group's long term manufacturing partner.

As previously highlighted, on 18 April 2023, the Group announced that it had signed production and delivery contracts for manufacturing the new alarm. Techem has also selected FireAngel's CO sensor, which will be manufactured at the Group's Pace Sensors factory in Mississauga, Canada, and will be incorporated exclusively into the new alarm. We will invest in improving capacity and efficiency in this facility in 2023 and 2024. Initial shipments of the new alarm under these recently signed contracts are expected to commence in 2024 and to be significantly cash generative for the Group thereafter. The Techem partnership remains an opportunity from which the Board expects that the Group, and its shareholders, will derive significant long-term value.

In terms of other progress made the Group continued to progress its long term partnership with Siterwell to source new cost-effective entry and mid-level products. The project concluded in Q1 2022 and to date has generated over 1 million units and £6.7 million of sales with the production of margin enhancing products for the Group as planned. A further range of entry level products is now expected to be launched in Q4 2023 and is expected to generate £2 million of revenue for the Group annually.

Commercialising connected technology
As evolving policy and legislation become more defined, FireAngel's connected technology is increasingly well positioned to meet the growing demand for fire safety technology across its markets. However, due to component sourcing challenges throughout much of FY22, the supply of products has been a major constraint on the growth of the Group's connected proposition.

These issues were particularly evident in UK Trade where the Group experienced a loss of momentum in the sales of its connected products due to low and intermittent supply. Despite this, 700,000 connected products were shipped over the course of the year and the Board expects both supply and sales to recover in 2023.

As visibility of component supply improves and production returns to normal levels, the Group plans to re-energise its strategic connected vision during 2023 with a key spearhead in its Internet of Things ("IoT") offering being the launch of the Home Environment Gateway expected in Q4 2023, which enables temperature and humidity monitoring. The Board believes continued market and societal development supports the success of this initiative.

Implement other gross margin improvements across the value chain
The Group continued to make wider operational improvements over the course of the year alongside the introduction of new, low to mid-level products with its partner, Siterwell, cost take down engineering, continued investment in efficiency in improved IT systems and automation across UK and Canada, packaging changes, selling price rises and renegotiated shipping fees. The majority of these measures have either been completed or are already significantly advanced.

These initiatives executed during 2021 and 2022 generated approximately £6 million of margin improvement by the end of FY22, which somewhat mitigated the unexpected macroeconomic events of 2022. The Group also began work in mid-FY22 on further measures, many of which are already significantly advanced, or complete, and which are expected to deliver an estimated additional £4 million of margin improvement during FY23, before any impact of inflation or exceptional currency movements, on an annualised basis thereafter. These include further market price adjustment, cost engineering of selected products and packaging.

Environmental, Social & Governance ("ESG")
In order to place a more deliberate focus on the Group 's ESG activities, in 2022, the Group established an ESG Committee to provide oversight and measurement of its ESG related activities and business.

The Committee's immediate priorities were to implement Environmental Standard ISP 140001, with completion expected in 2023. A major initiative to review the Group's packaging is also underway. The Group had already made the decision to phase out PET packaging and this latest review will focus on CO_2 emissions and waste with the aim of CO_2 emissions by 32 tonnes a year.

As a fire safety focused technology company, the Group also recognises the role that it can play in driving awareness of fire and CO_2 risk amongst trade audiences and the general public. In order to drive better understanding, some years ago, the Group launched an annual awareness campaign, Project SHOUT CO. In 2022, the campaign reached over 9 million people and included outreach programmes across the UK and EU to build a better understanding with the aim of reducing fire risk and unsafe heating practices and raise awareness of support with fuel, poverty and damp and mould.

Current trading and outlook

Trading in the year to date is in line with the Board's revised expectations, with two particular exceptions which will not be recovered this year, as referred to in the Group's most recent trading update on 25 April 2023, with a weaker start to the year than anticipated being partly mitigated by lower than expected costs. Supply chain disruption, including component shortages, is however now starting to ease, providing an improved environment for production and supply to end customers.

Society and the regulatory environment continue to evolve and to generate a positive momentum to demand, underpinning the long-term growth prospects for the Group, with recent new contract wins with British Gas and a government agency in the Middle East being further testament to this progress.

The Group has approved on 5 June 2023 the details of a placing, subscription and open offer to raise £6.1 million (gross), £5.4 million net, in order to reduce net debt (excluding lease liabilities) and support the increased working capital and investment requirements for its growth and strategic ambitions. There are contractual commitments from certain existing shareholders, new investors and the subscriber by means of a placing and subscription of up to 120,711,091 new ordinary shares. Siterwell, a long term manufacturing partner, has agreed to subscribe for 55,322,431 ordinary shares of 2 pence each for the total consideration of £2.8 million subject to clawback by qualifying shareholders under the open offer. In addition, certain Board changes have been agreed, with Andrew Blazye (ex-Chair of Universe plc) to be appointed as Non-Executive Chairman and Neil Radley (ex-CEO of Universe plc) to be appointed as CEO with effect from 7 June 2023 and John Conoley stepping down as Executive Chairman with effect from 5 June 2023.

In addition, following completion of the fundraising the Board has committed to undertake a strategic review of the business to explore options to realise value for all shareholders, including the possible sale of the Company. An extensive review of the Group's operations and cost base has already taken place in Q2 2023 to help ensure that the Group is best positioned to return to profitable growth as soon as possible.

The Board of Directors
5 June 2023

Performance review

Group financial results

Overview

The Group's financial results for 2022 are its strongest since 2017 with significant increases in revenue (2022: £57.5 million; 2021: £43.5 million) and adjusted gross profit (2022: £13.5 million; 2021: £10.5 million) from management's delivery of self-help improvement plans. Reported gross margin was severely impacted adversely by PPV of £1.9 million, weakening of the GBP against the USD (MTM loss on contracts due to mature post balance sheet date of £1.6 million), inflation and supply constraints especially on higher margin products.

Underlying Group performance

	2022			2021		
	Before non-underlying items	Non-underlying items	Reported	Before non-underlying items	Non-underlying items	Reported
	£m	£m	£m	£m	£m	£m
Revenue	57.5	-	57.5	43.5	-	43.5
Cost of sales	(47.5)	0.1	(47.4)	(33.4)	-	(33.4)
Gross profit	10.0	0.1	10.1	10.1	-	10.1
Operating expenses	(15.3)	(1.2)	(16.5)	(13.6)	(0.3)	(13.9)
Net other operating income/ expenses	0.5	-	0.5	0.1	-	0.1
Operating loss	(4.8)	(1.1)	(5.9)	(3.4)	(0.3)	(3.7)
Deduct:						
Net other operating income/expenses relating to PPV	0.5			-		
Add back:						
Mark to Market on forward contracts	1.6			(0.3)		
Purchase price variance	1.9			0.8		
Adjusted EBITDA	1.7			0.3		

Total revenue increased by 32% to £57.5million (2021: £43.5 million) resulting in an adjusted EBITDA[1] of £1.7 million (2021: £0.3 million).

The gross profit was £10.1 million (2021: £10.1 million), which represented a gross margin of 17.5% (2021: 23.2%). The operating loss was £5.9 million (2021: £3.7 million). The loss before tax was £6.1 million (2021: £3.7 million).

The adjusted gross profit[2] was £13.5 million (2021: £10.5 million), which represented an adjusted gross margin[3] of 23.5% (2021: 24.2%).
Adjusted gross profit is before PPV of £1.9m which is seen as unusually high and is not expected to be material going forward and MTM of £1.6 million which relates to forward contracts expected to mature after the balance sheet date.

The key growth in revenue was generated from growing demand for safety products, strong growth within online retailers, reduced impact of COVID-19 resulting in greater access to properties and legislation drivers within certain territories. The adjusted gross margin continued to benefit from the progress made on the self-help measures put in place over the last two years, which enabled the Group to endure the significant macroeconomic challenges seen during 2022.

Overall cash outflow in the year was £1.9 million (2021: inflow of £1.8 million) and net debt[4] (before lease obligations) at 31 December 2022 was £4.8 million (2021: net cash (before lease obligations) of £0.1 million). The net movement of £4.9 million comprised a decrease in cash and cash equivalents of £1.9 million. There was a net increase in bank debt of £3.0 million through the drawdown of £3.4 million under the Group's invoice discounting facility and a repayment of £0.4 million of loans under the Coronavirus Business Interruption Loan Scheme ('CBILS').

[1]Adjusted EBITDA is loss before tax, depreciation and amortisation, finance costs, non-underlying items, PPV, other operating incomes and expenses and MTM loss on forward contracts
[2]Adjusted gross profit is stated before non-underlying items, PPV and MTM losses on forward contracts
[3]Adjusted gross margin is adjusted gross profit as a percentage of revenue
[4]Net debt/cash is calculated as the net value of cash and cash equivalents, invoice discounting facilities and loans and borrowing.

Income statement

Revenue by business unit

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

	2022	2021 Restated	Inc/(dec)	Inc/(dec)	2022 Proportion	2021 Proportion
	£m	£m	£m	%	%	%
UK Trade	**9.7**	9.8	**(0.1)**	-1%	17%	23%
UK Retail	**19.8**	15.9	**3.9**	25%	34%	37%
UK F&RS	**3.3**	2.4	**0.9**	38%	6%	6%
UK Utilities & Leisure	**3.5**	1.8	**1.7**	94%	6%	4%
Total sales in the UK	**36.3**	29.9	**6.4**	21%	63%	69%
International	**16.3**	10.9	**5.4**	50%	28%	25%
Techem	**2.5**	1.0	**1.5**	150%	4%	2%
Pace Sensors	**2.4**	1.7	**0.7**	41%	4%	4%
Total revenue	**57.5**	43.5	**14.0**	32%	100%	100%

As of 1 January 2022, the business reassigned a number of customers to different business units. Four customers with a combined revenue of £1 million in 2021 which were previously reported within the UK Trade business unit are now reporting through the Utilities & Leisure business unit. Similarly, two customers with a combined revenue of £0.2 million in 2021 which were previously reported within the UK Trade business unit are now reporting through the UK Retail business unit. The 2021 sales comparatives have been adjusted accordingly for comparability.

Overall, the Group's revenue increased by 32% to £57.5 million (2021: £43.5 million). With exception of UK Trade, all business units' revenue grew significantly.

Despite good new business momentum, underpinned by the tail end of legislation in Scotland and the UK CO legislation, UK Trade sales, saw a 1% decrease in revenue on prior year. This was primarily a result of the supply chain constraints in H1 2022 which meant that the sales demand could not be completely fulfilled.

UK Retail had a strong start to the year and significant growth of 25% on prior year, with increased sales across most of the Group's main customers such as Screwfix, Amazon and B&Q, with good take up of new entry and mid-point ranges improving margins as detailed in the Strategic Review set out above. UK Retail continued to experience good demand through the year which, as with UK Trade above, could not be fully fulfilled.

International sales were up 50% over the prior year. Benefiting, in particular, from legislation in the Netherlands, whilst supply was difficult in H1 and demand out-stripped supply, there was still a large increase in sales despite the unfortunate missed opportunities due to stock supply restrictions. Germany, Hungary and Singapore also saw high sales growth in the year.

The UK Fire and Rescue Services and UK Utilities and Leisure business units both saw the markets opening back up benefiting from no further COVID-19 related access restrictions. However, as with the other business units, there was more demand than the Group was able to meet from the available supply, leading to customers buying from competitors to meet demand.

The £2.5 million of revenue from Techem, our European partner, is recognised under IFRS15 accounting standards, adopting the input methodology approach to phase revenue recognition as this is based upon direct efforts to satisfy the dominant component of the performance obligation which is the product design. The total revenue associated with this contract amalgamates the background IP, minimum royalty amounts and the charges for the product development phases. To determine the correct accounting treatment, the Group has looked at the individual elements of the contract and concluded that there is one central non-distinct performance obligation. See note 7 for further details.

Revenue at Pace Sensors, the Group's Canadian manufacturer of CO sensors, increased during the year benefiting from increased CO sales in the UK following the enactment of legislation.

Gross profit and gross margin

Adjusted gross profit increased to £13.5 million (2021: £10.5 million) and represented a small decrease in adjusted gross margin of 23.5% (2021: 24.2%). During 2022, there was a significant adverse movement on the GBP value against the USD which resulted in a 5% reduction in the GM% year on year. However, the Group made good progress on gross margin improvements and self-help measures.

During the year, overall gross profit was impacted by additional PPV net costs of £1.4 million (2021: £0.7 million), caused by the global supply chain challenges, predominantly increasing costs due to securing components on the open market.

	2022 £m
PPV costs included within cost of sales	1.9
PPV costs included within other operating expenses	0.3
PPV income included within other operating income	(0.8)
Total Net PPV costs	**1.4**

While the total cost of these components in 2022 was £2.2 million, the Group was successful in reselling some of these components for £0.8 million and, therefore the net cost to the business was an additional £1.4 million. Going forward, PPV costs are not expected to be material.

The non-underlying costs for the year within gross margin was a small net credit of £54,000. Non-underlying items impacting gross profit in the prior year amounted to a small net credit of £22,000.

In FY22, the overall gross profit was unchanged at £10.1 million, representing a gross margin of 17.5% (2021: 23.2%). Despite a significant increase in revenue by 32%, the gross profit was impacted by a combination of inflation, high PPV on components due to global shortages and unfavourable currency movements between the USD and GBP. The underlying gross profit of £10.1 million was after £1.9 million of PPV costs and a £1.9 million loss on MTM on forward contracts in the year.

Exchange rates

The Group has exposure to US Dollars, Euros and Canadian Dollars with 97% of purchases being made in US Dollars and 28% of its revenue being in Euros. The weakening of GBP against the US Dollar significantly impacted the overall profitability in the year. The Group hedges to smooth the impact of currency fluctuations and benefitted from £1.7 million of gains on forward contracts maturing with in the year (2021: £0.6 million loss). After deducting a £1.6 million loss in respect of the Mark to Market of forward contracts that mature beyond the balance sheet date, the net impact of exchange rates on operating profit in the year compared to 2021's exchange rates is estimated as a net unfavourable debit of approximately £2.7 million, representing approximately 5% of gross margin.

During September 2022, the US Dollar fell to a record low against GBP, given the continued devaluation of the GBP. At the time, the Group took measures to protect itself from further possible exchange rate deterioration and gain some certainty on the currency impacts for the remainder of 2022 and part of 2023. It entered into a mixture of forward contracts and boosted forward contracts providing a blended rate of 1.15 as at 31 December 2022 (further details can be found in note 2). Following the rate rebound in the fourth quarter, these forward contracts make up the majority of the £1.6m loss carried forward as detailed above.

The average exchange rates against GBP are summarised below:

	Budget rate	Average for year		Average for H1		Average for H2	
	2022	**2022**	2021	**2022**	2021	**2022**	2021
Euro	1.17	**1.18**	1.16	**1.19**	1.15	**1.16**	1.17
US Dollar	1.36	**1.24**	1.38	**1.31**	1.39	**1.18**	1.37
Canadian $	1.65	**1.61**	1.73	**1.66**	1.74	**1.56**	1.71

This table shows that on average in 2022, GBP strengthened against the Euro by 2%, thereby reducing FireAngel's revenue and profit on its Euro denominated income. Over the same period, GBP weakened against the USD by approximately 10% which increased the GBP value of USD denominated purchases.

Where possible, FireAngel has sought to increase 2022 and 2023 selling prices to offset the product cost inflation as a result of GBP's weakness against the USD. If GBP strengthens against the USD, FireAngel will see the benefit in reduced GBP product costs and vice versa.

Overheads

The Group's overhead costs comprise the distribution and administrative costs of running the business. Excluding non-underlying items totalling £1.1 million (2021: £0.3 million), further details of which are given below, and depreciation and amortisation of £3.5 million (2021: £3.3 million), overheads of £11.8 million were 15.1% higher than the prior year's £10.3 million. This was largely due to the increase in volume of revenue, high inflation across the cost base of the Group particularly experienced in the distribution costs impacted by global supply chain challenges and the macro-economic issues.

Total overhead costs amounted to £16.5 million (2021: £13.9 million).

Non-underlying items in 2022
Non-underlying costs totalling £1.1 million were incurred in the year as follows:
Within cost of sales:

Included a credit of £54,000 which included as follows:
- The Group was able to sell stock lines that had previously been impaired which resulted in a non-underlying credit of £54,000

Within operating expenses:

- Non-cash impairment of intangible assets of £0.9 million relating to historical product development which the Board has resolved will not proceed

- Share-based payment charges of £0.2 million were incurred during the year (2021: £0.3 million)

Non-underlying items in 2021
Non-underlying costs totalling £0.3 million were incurred in the prior year as follows:

Within cost of sales:

Included a credit of £22,000 which included as follows:
- An amount of £66,000 was expensed in relation to the settlement of warranty issues with certain distributors
- The Group was able to sell stock lines that had previously been impaired which resulted in a non-underlying credit of £88,000

Within operating expenses:

- Share-based payment charges of £0.3 million were incurred during the year

Result for the year
The Group's adjusted EBITDA for the year amounted to £1.7 million (2021: £0.3 million).

The underlying operating loss for the year amounted to £4.8 million (2021: £3.4 million). After taking account of non-underlying items of £1.1 million (2021: £0.3 million) and finance charges of £0.2 million (2021: £nil), as a result of interest on borrowings in the year, the Group reported a loss before tax of £6.1 million (2021: loss before tax £3.7 million).

The Group booked a tax credit of £0.3 million (2021: tax credit of £0.4 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 3.2 pence per share (2021: loss of 2.0 pence per share).

Statement of financial position

The net assets of the Group amounted to £14.6 million at 31 December 2022 (2021: £20.2 million) and can be summarised as follows:

	2022	**2021**
	£m	**£m**
Goodwill	**0.2**	0.2
Plant and equipment	**2.2**	3.3
Capitalised development costs	**10.2**	11.8
Purchased software costs	**1.2**	1.6
Non-current assets	**13.8**	16.9
Net cash balances	**1.4**	3.3
Loans and borrowings	**(6.2)**	(3.2)
Net(debt)/ cash	**(4.8)**	0.1
Lease liabilities	**(0.5)**	(1.0)
Net working capital	**8.0**	5.0
Net tax asset (including deferred tax)	**0.7**	0.5
Net derivative financial (liabilities)/ assets	**(1.6)**	0.3
Warranty provision	**(1.0)**	(1.6)
Net assets	**14.6**	20.2

Non-current assets at 31 December 2022 amounted to £13.8 million (2021: £16.9 million). The most significant components of this were capitalised development costs, with a net book value of £10.2 million, plant and equipment of £2.2 million and purchased software costs of £1.2 million. Capitalised development assets of £0.9 million were impaired during the year as a result of a thorough review of product lines and future development costs.

Total capital expenditure (excluding right of use assets) decreased to £1.4 million (2021: £2.0 million). Of this total, £0.9 million represented capitalised development expenditure to further enhance the Group's connected homes and wider technology portfolio as described in note 18 to the financial statements (2021: £1.5 million). All research and development costs associated with the development of the new generation smoke alarm for Techem was charged to the customer.

Total capital expenditure of £1.4 million (2021: £2.0 million) compares with depreciation, amortisation and impairment charges totalling £4.5 million (2021: £3.3 million).

Working capital increased by £3.0 million to £8.0 million at 31 December 2022. Stock increased by £4.4 million to £8.1 million (2021: £3.7 million) at 31 December 2022. The build-up of stock followed a severe stock shortage earlier in the year from global component shortages which led to increased lead times and transit time for our goods.

Trade and other receivables increased by £4.4 million to £13.8 million (2021: £9.4 million) as a result of the increased revenue and the change in customer mix in the last quarter towards higher retail sales, which have longer payment terms. In the year, average debtor days decreased from 53 to 49 due to the higher proportion of International sales over the course of the year.

Trade and other payables increased by £5.7 million to £13.8 million (2021: £8.1 million), a result of increased stock purchases made during the year and average creditor days remained similar to 2021 at 24 days (2021: 21 days). This was due to the increased pressure to support our manufacturing partners with extended working capital exposure from longer component lead times resulting in increased credit exposure in addition to purchasing components on the open market with minimal credit terms.

At 31 December 2022, current tax assets amounted to £0.7 million (2021: £0.5 million) and comprised a current tax asset of £0.7 million (2021: £0.4 million), deferred tax assets were £2.4 million (2021: £3.1 million) and deferred tax liabilities were £2.4 million (2021: £3.1 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 2022 amounted to £1.0 million (2021: £1.6 million) of which £0.5 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 two to three years where, as announced in April 2016, an issue in certain batteries provided by a third-party supplier, may cause a premature low battery warning chirp. While the utilisation of the provision has broadly tracked to the revised 31 December 2020 estimates, the amounts provided are the Board's best estimate of the ongoing liability.

Cash

The Group had net debt (before lease obligations) of £4.8 million at 31 December 2022 (2021: net cash (before lease obligations) £0.1 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	1.9
Increase of invoice discounting drawdown	3.4
Repayment of CBILS	(0.4)
Increase in net debt (before lease obligations)	4.9

The net cash outflow of £1.9 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 (referred to above) and other non-underlying items totalling £0.6 million, capital expenditure of £1.4 million (as described above), the draw down on the Group's invoice financing discounting facility of £3.4 million and the repayment of the annual capital element of the CBILS loan of £0.4 million.

On 20 June 2022, the Group announced that it had signed an agreement with its bank, HSBC UK Bank plc, for a standby letter of credit facility which is supported by UK Export Finance, up to a combined sum of £3.5 million, for an initial term of 12 months (the "Facility"). The Facility will attract a quarterly charge of 0.55% on the total amount available under the Facility. The drawings on the Facility do not add to the Group's net debt position, and, as expected, improve the Group's creditor days and creditor relations. The Facility supports the variability of working capital arrangements with certain suppliers, which is driven by longer lead times on components and the expected growth of the Group.

	2022	2021
	£m	£m
Underlying operating loss[1]	**(4.8)**	(3.4)
Depreciation and amortisation charges	**3.5**	3.3
Increase in working capital	**(2.8)**	(1.0)
Decrease/ (Increase) in fair value of derivatives	**1.9**	(1.0)
Cash used by operations before non-underlying payments	**(2.2)**	(2.1)
Cash cost of warranty provision and other non-underlying items	**(0.6)**	(1.3)
Cash used by operations	**(2.8)**	(3.4)
Interest paid (net)	**(0.4)**	(0.1)
Taxation received	-	0.6
Capital expenditure	**(1.3)**	(2.0)
Proceeds from share issue (net)	-	9.0
Drawdown/(Repayment) of invoice finance	**3.5**	(2.5)
Drawdown of loan	-	3.2
Repayment of loan	**(0.4)**	(2.6)
Lease payments	**(0.5)**	(0.4)
Net cash flow	**(1.9)**	1.8

[1] Underlying operating loss in 2022 of £4.8 million is before non-underlying items (2021: £3.4 million).

Use of non-GAAP financial performance measures

Certain disclosures and analyses set out in this annual report include measures, which are not defined by generally accepted accounting principles ('GAAP') under UK-adopted International Accounting Standards. 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 the Group's operating performance. Non-GAAP measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with GAAP.

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

Underlying profit measures

	2022	2021
	£m	£m
Adjusted gross profit		
Reported gross profit	**10.1**	10.1
Non-underlying items:		
- Provision for warranty costs	-	0.1
- Provision against stock and disposal costs (net)	**(0.1)**	(0.1)
Adjusted items:		
-MTM	**1.6**	(0.3)
-PPV	**1.9**	0.7
Adjusted gross profit	**13.5**	10.5

Adjusted gross margin percentage

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

	2022	2021
	£m	£m
Underlying operating loss		
Reported operating loss	**(5.9)**	(3.7)
Non-underlying items:		
- Provision for warranty costs	**-**	0.1
- Provision against stock and disposal costs (net)	**(0.1)**	(0.1)
- Impairment of intangible/ tangible assets[1]	**1.0**	-
- Share-based payments charge	**0.2**	0.3
Underlying operating loss	**(4.8)**	(3.4)

	2022	2021
	£m	£m
Underlying loss before tax		
Reported loss before tax	**(6.1)**	(3.7)
Non-underlying items:		
- Provision for warranty costs	**-**	0.1
- Provision against stock and disposal costs (net)	**(0.1)**	(0.1)
- Impairment of intangible/ tangible assets[1]	**1.0**	-
- Share-based payments charge	**0.2**	0.3
Underlying loss before tax	**(5.0)**	(3.4)

	2022	2021
	£m	£m
Adjusted LBITDA		
Reported loss before tax	**(6.1)**	(3.7)
Finance costs	**0.2**	-
Depreciation and amortisation	**3.5**	3.3
Non-underlying items:		
- Provision for warranty costs	**-**	0.1
- Provision against stock and disposal costs (net)	**(0.1)**	(0.1)
- Restructuring costs	**-**	-
- Impairment of intangible/ tangible assets[1]	**1.0**	-
- Share-based payments charge	**0.2**	0.3
- MTM	**1.6**	(0.3)
- PPV (net)	**1.4**	0.7
Adjusted EBITDA	**1.7**	0.3

	2022	2021
	£m	£m
Net Debt		
Cash and cash equivalent	**1.4**	3.3
Loans and borrowings	**(2.8)**	(3.2)
Invoice discount facility	**(3.4)**	-
Net (debt)/ cash	**(4.8)**	0.1

[1]Impairment of intangible and tangible assets in the year amounted to £946,000 and have been rounded to £1.0m in the non-GAPP measures above.

Net cash before lease obligations

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

Dividend

As a result of the loss reported for the year, and consistent with the decision not to declare an interim dividend (2021: nil pence per share), the Directors do not recommend the payment of a final dividend (2021: nil pence per share). The total dividend payable for 2022 is therefore nil pence per share (2021: nil pence per share).

Post balance sheet events

As announced on 18 April 2023, the Group has entered into two complementary agreements that enable the delivery in market of the New Generation Smoke Alarm ("NGSA") which it has been developing with its partner, Techem. These are supplementary to the original development agreement which was signed in 2021. These new agreements are the Delivery Contract for manufacturing the NGSA and the Production Framework and Supply Agreement, which together comprise a very significant milestone for the Company as it continues to progress its transformational partnership with Techem. This initiative is expected in due course to be highly cash generative for the Group and to generate significant long-term strategic value for its shareholders. The total income opportunity for FireAngel has grown significantly to an aggregate of up to c.$7.50 per alarm since the original Development Agreement was signed in 2021. Pursuant to the terms of the delivery contract, initial shipments of the NGSA are expected to commence in 2024. Volumes are expected to build up further during the first half of 2025.

The Group was also pleased to announce new contract wins on 31 March 2023 with British Gas Services Limited and on 12 May 2023 with a government agency in the Middle East. Both contracts signify further progress against our strategy to migrate to higher value activities and commercialise our investment in connected technology.

The Company has approved on 5 June 2023 the details of a placing, subscription and open offer to raise £6.1 million (gross), £5.4 million net, in order to reduce net debt (excluding lease liabilities) and support the increased working capital and investment requirements for its strategic ambitions. There are contractual commitments from certain existing shareholders, new investors and the subscriber by means of a placing and subscription of up to 120,711,091 new ordinary shares. Siterwell, a long term manufacturing partner, has agreed to subscribe for 55,322,431 ordinary shares of 2 pence each for the total consideration of £2.8 million subject to clawback by qualifying shareholders under the open offer. In addition, certain Board changes have been agreed, with Andrew Blazye (ex-Chair of Universe plc) to be appointed as Non-Executive Chairman and Neil Radley (ex-CEO of Universe plc) to be appointed as CEO with effect from 7 June 2023, and John Conoley stepping down as Executive Chairman with effect from 5 June 2023.

An extensive review of the Group's operations and cost base has already taken place in Q2 2023 to help ensure that the Group is best positioned to return to profitable growth as soon as possible. In addition, following completion of the fundraising, the Board has committed to undertake a strategic review to explore options to realise value for all shareholders, including the possible sale of the Company.

Zoe Fox
Chief Finance Officer
5 June 2023

Consolidated income statement
For the year ended 31 December 2022

		2022			2021		
	Note	**Before non-underlying items**	**Non-underlying items (note 6)**	**Reported**	Before non-underlying items Restated	Non-underlying items (note 6)	Reported Restated
		£000	**£000**	**£000**	£000	£000	£000
Revenue	4	**57,461**	**-**	**57,461**	43,472	-	43,472
Cost of sales		**(47,414)**	**54**	**(47,360)**	(33,393)	22	(33,371)
Gross profit		**10,047**	**54**	**10,101**	10,079	22	10,101
Operating expenses		**(15,362)**	**(1,127)**	**(16,489)**	(13,580)	(280)	(13,860)
Other operating income	7	**834**	**-**	**834**	82	-	82
Other operating expenses	7	**(358)**	**-**	**(358)**	-	-	-
Loss from operations		**(4,839)**	**(1,073)**	**(5,912)**	(3,419)	(258)	(3,677)
Interest received on discounted cash flows	8	**227**	**-**	**227**	91	-	91
Finance costs	8	**(422)**	**-**	**(422)**	(124)	-	(124)
Loss before tax		**(5,034)**	**(1,073)**	**(6,107)**	(3,452)	(258)	(3,710)
Income tax credit	9	**262**	**-**	**262**	430	-	430
Loss attributable to equity owners of the Parent		**(4,772)**	**(1,073)**	**(5,845)**	(3,022)	(258)	(3,280)
Basic earnings per share	11			**(3.2)**			(2.0)
Diluted earnings per share	11			**(3.2)**			(2.0)

All amounts stated relate to continuing activities.

2021 finance costs have been restated to split out the interest received on discounted cash flows element.

Consolidated statement of comprehensive income
For the year ended 31 December 2022

	2022	2021
	£000	£000
Loss for the year	**(5,845)**	(3,280)
Items that may be reclassified subsequently to profit and loss:		
Exchange differences on translation of foreign operations (net of tax)	**85**	32
Total comprehensive loss for the year	**(5,760)**	(3,248)

Consolidated statement of financial position

As at 31 December 2022

	Note	Consolidated 2022 £000	2021 £000
Non-current assets			
Goodwill		**169**	169
Other intangible assets		**10,197**	11,825
Purchased software costs		**1,192**	1,625
Property, plant and equipment		**2,175**	3,242
Trade and other receivables		**-**	-
Shares in subsidiaries		**-**	-
		13,733	16,861
Current assets			
Inventories	12	**8,061**	3,737
Trade and other receivables		**13,804**	9,430
Current tax asset		**690**	464
Derivative financial assets		**-**	291
Cash and cash equivalents		**1,431**	3,294
		23,986	17,216
Total assets		**37,719**	34,077
Current liabilities			
Trade and other payables		**(13,805)**	(8,135)
Lease liabilities	13	**(397)**	(456)
Provisions	15	**(502)**	(1,012)
Invoice discounting facilities		**(3,451)**	-
Loans and borrowings	13	**(664)**	(480)
Derivative financial liabilities		**(1,563)**	-
		(20,382)	(10,083)
Net current assets		**3,604**	7,133
Non-current liabilities			
Loans and borrowings	13	**(2,133)**	(2,743)
Lease liabilities	13	**(94)**	(492)
Provisions	15	**(471)**	(541)
		(2,698)	(3,776)
Total liabilities		**(23,080)**	(13,859)
Net assets		**14,639**	20,218
Equity			
Called up share capital		**3,621**	**3,621**
Share premium account		**30,009**	**30,009**
Currency translation reserve		**238**	**153**
Retained earnings		**(19,229)**	**(13,565)**
Total equity attributable to equity holders of the Parent Company		**14,639**	**20,218**

Consolidated cash flow statement

For the year ended 31 December 2022

	Note	Consolidated 2022 £000	2021 £000
Loss before tax		**(6,107)**	(3,710)
Finance expense		**195**	33
Operating loss for the year		**(5,912)**	(3,677)
Adjustments for:			
Depreciation of property, plant and equipment, and right-of-use assets		**1,465**	1,420
Amortisation of intangible assets		**2,069**	1,876
Loss on disposal of non-current assets		**19**	47
Non-underlying items	6	**1,073**	258
Cash flow relating to non-underlying items		**(582)**	(1,242)
Decrease/ (Increase) in fair value of derivatives		**1,854**	(984)
Provision against intercompany receivables		**-**	-
Operating cash flow before movements in working capital		**(14)**	(2,302)
Movement in inventories		**(4,270)**	2,909
Movement in receivables		**(4,147)**	732
Movement in payables		**5,673**	(4,714)
Cash (used in)/ generated by operations		**(2,758)**	(3,375)
Income taxes received		**39**	645
Net cash (used in)/ generated by operating activities		**(2,719)**	(2,730)
Investing activities			
Capitalised development costs		**(928)**	(1,529)
Purchase of property, plant and equipment		**(436)**	(434)
Net cash used in investing activities		**(1,364)**	(1,963)
Financing activities			
Repayment of loan		**(426)**	(2,600)
Drawdown of loan		**-**	3,200
Repayment of invoice finance		**55,854**	42,989
Drawdown of invoice finance		**(52,403)**	(45,528)
Proceeds from issue of ordinary shares (net of expenses)		**-**	8,995
Repayment of lease obligations		**(457)**	(441)
Interest paid		**(422)**	(124)
Net cash generated by/(used in) financing activities		**2,146**	6,491
Net (decrease)/ increase in cash and cash equivalents		**(1,937)**	1,798
Cash and cash equivalents at beginning of year		**3,294**	1,466
Non-cash movements – foreign exchange		**74**	30
Cash and cash equivalents at end of year		**1,431**	3,294

Consolidated statement of changes in equity
For the year ended 31 December 2022

	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 year	-	-	-	(3,280)	(3,280)
Net foreign exchange gains from overseas subsidiaries	-	-	32	-	32
Total comprehensive loss for the year	**-**	**-**	32	**(3,280)**	**(3,248)**
Transactions with owners in their capacity as owners:					
Issue of equity shares	1,090	-	-	-	1,090
Premium arising on issue of equity shares	-	8,711	-	-	8,711
Share issue expenses	-	(806)	-	-	(806)
Credit in relation to share-based payments	-	-	-	283	283
Total transactions with owners in their capacity as owners	**1,090**	**7,905**	**-**	**283**	**9,278**
Balance at 31 December 2021	**3,621**	**30,009**	**153**	**(13,565)**	**20,218**
Loss for the year	-	-	-	(5,845)	(5,845)
Net foreign exchange gains from overseas subsidiaries	-	-	85	-	85
Total comprehensive loss for the year	**-**	**-**	**85**	**(5,845)**	**(5,760)**
Transactions with owners in their capacity as owners:					
Credit in relation to share-based payments	-	-	-	181	181
Total transactions with owners in their capacity as owners	**-**	**-**	**-**	**181**	**181**
Balance at 31 December 2022	**3,621**	**30,009**	**238**	**(19,229)**	**14,639**

Notes to the financial information
For the year ended 31 December 2022

1. General information

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

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

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 2022 but has been extracted from those accounts. The annual accounts for the year ended 31 December 2022 have been prepared in accordance with UK adopted International Accounting Standards. 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 UK adopted International Accounting Standards and accordingly it does not itself comply with UK adopted International Accounting Standards.

The financial information for the period ended 31 December 2021 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The statutory accounts for the year ended 31 December 2022 will be delivered to the Registrar of Companies following the Company's annual general meeting. The auditors have reported on the accounts for the years ended 31 December 2021 and 2022; their reports were unqualified, did not include any matters to which the auditor drew attention by way of emphasis and did not contain a statement under s498(2) or s498(3) of the Companies Act 2006.

2. Summary of significant accounting policies

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

Going concern
The Group has seen an increase in revenue of 32% on the prior year and is delivering on its gross margin improvement plan which has layered in an additional £6 million of profit from self-help measures over 2021 and 2022 of which it is estimated approximately £3.4 million is within 2022, such as customer price increases and moving to higher value activities as detailed in the Board of Directors' statement. However, this has not been sufficient to turn the Group back into profit in 2023 because of the impact of disrupted supply chain, high inflation and volatile currency movements during the year. The weakened GBP against the USD, the PPV incurred to source scarce components and high inflation costs have offset much of the additional profit generated from increased revenue and gross margin improvement plans. The Group is continuing to deliver the gross margin improvement plan, improving margins through 2023 to 2024 and the continued growth in the business underpinned by recent announcements of the British Gas 3-year contract, government agency contract in the Middle East and the signing of the production and delivery contracts for the Techem project. A further cost savings and restructuring of the business has been undertaken in Q2 2023 with an estimated saving of approximately £1.5 million on overheads and administration costs, including approximately £1.0 million in headcount savings, and an additional £1.0 million in reduced capital expenditure, expected in 2023. The forecasts have been prepared taking this into consideration and management's extensive industry knowledge, allied to the possibility of uncertainty in today's markets.

The Directors have reviewed the forecast sales growth, budgets and cash projections for the period to June 2024 including sensitivity analysis on the key assumptions such as the potential impact of reduced sales and margins for the next twelve months and beyond. The base case scenario reflects the remaining uncertainty regarding supply chain and inflation. Various plausible but severe downside scenarios were then applied to the base case linked to the trading conditions seen in the 2022 financial year, assuming revenues would not see the expected growth, that margins may deteriorate, and GBP may weaken compared to USD. The results of the cash forecasts showed sufficient cash headroom throughout the outlook period. The base case was then reverse stress tested and the level of deterioration required for the Group to exceed the banking headroom was deemed to be unlikely.

The Directors have assessed both the discretionary and the non-discretionary cash requirements of the Group during this period. In determining whether the Group and Parent Company's financial statements can be prepared on a going concern basis, the Directors considered the Group's business activities, together with the factors likely to affect its future development, performance and position. During 2022, the Group met all banking covenants which relate to the CBILs loan, excluding Q4 2022 which was waived by the bank. There has been a further waiver in Q1 2023 of banking covenants agreed and reset from June 2023 to align with revised forecasts and provide additional headroom from those previously agreed. The Group has continued to benefit from a supportive relationship with its bank and the Directors reviewed the financial position of the Group, its cash flows, borrowing facilities and banking covenants. The key factors considered by the Directors were the:

- implications of the current economic environment and future uncertainties around the Group's revenues and profits by undertaking forecasts and projections on a regular basis;
- impact of global component shortages impacting the supply of products and costs
- impact of the competitive environment within which the Group operates;
- impact of any further COVID-19 and related global supply chain issues; and
- 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 ability to raise additional funds through an issue of shares including the willingness of certain investors to underwrite a substantial element of a proposed fundraising

Based on the cash flow forecasts, the Group is anticipated to absorb cash in H1 2023 starting to generate cash from H2 2023 through 2024 and beyond and has been successful therefore in the waived bank covenants for Q1 2023 and resetting the banking covenants from June 2023 for the CBILs loan to accommodate the change in the business' working capital profile and current currency rates. The Group will continue to use an invoice discount facility provided by the bank and the facility is expected to renew as usual in 2023. These facilities by themselves do not, however, provide the Group with the necessary headroom to deliver the strategy and higher growth for the business. The Company has approved on 5 June 2023 the details of a placing, subscription and open offer to raise £6.1 million (gross), £5.4 million net, in order to reduce net debt (excluding lease liabilities), support the increased working capital and investment requirements for its strategic ambitions. There are contractual commitments from certain existing shareholders, new investors and the subscriber by means of a placing and subscription of up to 120,711,091 new ordinary shares. Siterwell, a long term manufacturing partner, has agreed to subscribe for 55,322,431 ordinary shares of 2 pence each for the total consideration of £2.8 million subject to clawback by qualifying shareholders under the open offer. Following completion of the fundraising, the Board has committed to undertake a strategic review to explore options to realise value for all shareholders, including the possible sale of the Company.

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

Accordingly, the full year accounts for 2022 have been prepared on the going concern basis.

Changes in accounting policies and disclosures
New standards, amendments and interpretations adopted by the Group

The following new standards and amended standards, none of which have had a material impact on these financial statements, are mandatory and relevant to the Group for the first time for the financial period commencing 1 January 2022:

- Amendments to IFRS 3 – Reference to Conceptual Framework
- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to IFRS 2018-2020

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

- Amendments to IAS 12 – Deferred tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 8 – Definition of Accounting Estimates
- Amendments to IAS 1 – Disclosure of Accounting Policies

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

Revenue recognition

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

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

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

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

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

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

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

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

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

Inventories

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

Forward currency derivatives

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

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

The Group has also entered in to boosted forward contracts in 2022 which gives the group the right but not the obligation to buy currency at a more beneficial forward rate provided the contract trades within the contracts pre-defined range. If the contract matures outside of this pre-defined range then the right to buy at the boosted rate is cancelled and replaced by an obligation to buy currency at the strike rate.

3. Critical accounting estimates and areas of judgement

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

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

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

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

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

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

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

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

The Group has now recognised £3.6 million (56%) of the total consideration of the contract and expects to recognise the remaining £2.7 million over the next three years.

Impairment of non-financial assets
At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets (including goodwill) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable

amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

During 2022, the Group recognised an impairment charge of £0.9 million against its capitalised intangible product development costs after a thorough review of product lines and future development costs.

The Board notes that the Group has a significant value of intangible assets on the balance sheet at the year end. Connected homes intangible assets with a net book value of £2.5 million are not yet being amortised as they are currently being developed for sale. Connected home intangible assets with a net book value of £2.6 million are being amortised. The Board expects that in future, the vast majority of products sold will in some way be connected (through Wi-safe 2, Z-wave or Zigbee technology) and given that the Group already has a connected homes technology product offering which is working, the Board believes that the carrying value of connected homes technology intangibles is not impaired. In reaching this conclusion, the Board also acknowledges the losses incurred by the Group over the past three years and the heightened risk of impairment that this leads to.

Deferred tax recognition
At 31 December 2022 there is a deferred tax asset of £2.8 million (2021: £1.5 million) 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.

4. 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 the presentation of segmental information in relation to the Group in the Annual Report on the same basis as information reported to the Board. The Chief Operating Decision Maker ('CODM') has been determined to be the Board which delegates day-to-day responsibility for managing the Group to the Executive Management Team ('EMT') led by the Executive Chairman.

Based on the information on which strategic and operating decisions are made, the CODM considers that there is one identifiable operating segment as there are no separately identifiable business segments that are engaged in providing individual products or services, or a group of related products and services, that are subject to risks and returns that are different to the core business 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	2022 £000	2021 Restated £000
Business Units:		
UK Trade	**9,655**	9,820
UK Retail	**19,776**	15,835
UK Fire & Rescue Services	**3,266**	2,377
UK Utilities	**3,487**	1,829
International	**16,349**	10,891
Techem	**2,517**	1,043
Pace Sensors	**2,411**	1,677
Total revenue from external customers	**57,461**	43,472

All business units, excluding Pace Sensors and our European Partner, earn revenue from the sale of smoke, heat and CO alarms and accessories to end customers. Pace Sensors earns revenue from the manufacture and sale of CO sensors to a third-party CO detector assembler based in China. Revenue from our European Partner is derived from a research and development programme for a new generation smoke alarm, for further details see note 5.

As of 1 January 2022, the business has reassigned a number of customers to different business units. Four customers with a combined revenue of £1 million in 2021 which were previously reported within the UK Trade business unit are now reporting through the Utilities business unit. Similarly two customers with a combined revenue of £0.2 million in 2021 which were previously reported within the UK Trade business unit are now reporting through the UK retail business unit. The 2021 sales comparatives have been adjusted accordingly.

For 2022, revenues of approximately £6.6 million were derived from one external customer (2021: £4.7 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:

	2022	2021
	£000	£000
Continuing operations:		
UK	**36,184**	29,861
Continental Europe	**18,542**	11,839
Rest of World	**2,735**	1,772
	57,461	43,472

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

	2022	2021
	£000	£000
Continuing operations:		
UK	**13,491**	16,671
Canada	**242**	190
Non-current assets	**13,733**	16,861

5. Revenue recognition – Techem

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 element of the contract and has concluded that there are no separate performance obligations and as such the contract forms one central non-distinct performance obligation.

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

To determine the phasing of the revenue recognition the Group has chosen to adopt the input methodology approach as this is based upon direct efforts to satisfy the dominant component of the performance obligation which is the product design element. This methodology dictates that progress be measured by viewing current spend against total projected development spend. At the end of 2022 the Group has calculated it is 56% (2021: 17%) of the way through its development process based on this methodology.

The contract between the two parties guarantees a minimum royalty fee of €3 million. The minimum royalty fee of €3 million has been included in the initial contract consideration which is being recognised as described above. This amount will be payable as products are sold and therefore the contract includes a significant financing element. The Group currently values the consideration of the design and development phase of the contract at £6.9 million (£6.3 million in revenue and £0.6 million as interest receivable). The Group has recorded a net contract asset of £1.3 million (2021: £0.1 million) as the contract billing arrangements at specific milestones does not mirror the accounting treatment of performance obligation satisfaction.

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

	2022	2021
	£000	£000
Revenue Recognised	**2,517**	1,043
Costs Recognised	**(1,299)**	(437)

Gross profit Attributable to contract	**1,218**	606

Revenue Recognised - cumulative	**3,560**	1,043
Interest income recognised - cumulative	**318**	91
Total Consideration	**3,878**	1,134
Billing to date	**(2,546)**	(1,060)
Accrued income	**1,332**	74

6. Non-underlying items

	2022 **£000**	2021 £000
Within cost of sales		
Commercial distributer settlements (note a)	**-**	**66**
Provision against stock and disposal costs (note b)	**(54)**	**(88)**
	(54)	**(22)**
Within operating expenses		
Impairment of intangible assets (note c)	**916**	**-**
Impairment of tangible assets	**30**	**(3)**
Share-based payment charges	**181**	**283**
	1,127	**280**
Total non-underlying items	**1,073**	**258**

a. Customer settlements relating to the battery impedance totalled £nil for the year (2021: £0.1 million). There was no cash impact in 2022 relating to these settlements.

b. During 2022 the Group was able to sell stock lines that had previously been impaired which resulted in a non-underlying credit of £0.1 million (2021: £0.1 million credit). The cash impact in 2022 for disposing of stock previously provided for was nil.

c. Intangible capitalised development assets of £0.9 million were impaired during the year as a result of a thorough review of products line an future development costs. There was no cash impact in 2022. The prior year charge was £nil.

7. Other operating income and expenses

Due to the global supply chain shortages faced in 2022 the Group incurred additional costs to maintain a supply of critical components. During the second half of the year the Group was able to sell a surplus of some of these components for £0.8 million to a third party recognising £0.5 million profit on these transactions. The Group has not recognised these sales as revenue as it does not view these as part of the business' ordinary activities (either past, current or future planned)

Furlough payments of £nil (2021: £0.1million) were received 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.

8. Finance costs

	2022 **£000**	2021 £000
Interest expense on bank borrowings	**(398)**	(84)
Lease liability interest expense	**(24)**	(40)
Interest received on discounted cash flows	**227**	91
Total finance costs	**(195)**	(33)

9. Income tax

	2022 £000	2021 £000
Current tax		
UK corporation tax credit	**(307)**	(434)
UK – adjustments in respect of prior periods (credit)/charge	**51**	16
Foreign tax charge	**(6)**	(12)
	(262)	(430)
Deferred tax		
Origination and reversal of temporary differences	**-**	-
Adjustments in respect of prior periods	**-**	-
Income tax credit	**(262)**	(430)

Domestic income tax is calculated at 19% (2021: 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:

	2022 £000	%	2021 £000	%
Loss before tax	**(6,107)**		(3,710)	
Tax at the domestic income tax rate of 19.00% (2021: 19.00%)	**(1,158)**		(705)	
Tax effect of expenses that are not deductible in determining taxable profit	**35**		60	
Effect of allowance for capitalised development expenditure	**(169)**		(187)	
Adjustments in respect of prior periods	**51**		16	
Deferred tax not recognised	**997**		544	
Impact of foreign tax rates	**(25)**		(30)	
Difference in current and deferred tax rates	**19**		(351)	
Effect of tax rate change on opening patent box set-off	**0**		279	
Other adjustments	**(12)**		(56)	
Tax credit and effective tax rate for the year	**(262)**	**4%**	(430)	12%

The weighted average applicable tax rate was 4% (2021: 12%). The tax credit for 2022 is largely due to enhanced research and development tax relief schemes and operating losses in the year of £6.1 million.

Tax losses are, where possible, realised during the year through surrender for research and development tax credits. There are no time restrictions on the utilisation of tax losses going forward.

At 31 December 2022 there is a deferred tax asset of £2.8 million (2021: £1.5 million) which has not been recognised as the timing of utilisation is uncertain. This was calculated using a corporation tax rate of 25%. 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.

10. Dividends

As a result of the loss reported for the year, and consistent with the decision not to pay an interim dividend (2021: nil pence per share), the Directors do not recommend payment of a final dividend for the year (2021: nil pence per share). The total dividend payable for 2022 is therefore nil pence per share (2021: nil pence per share)

11. Earnings per share

Earnings from continuing operations	**2022 £000**	2021 £000
Earnings for the purposes of basic and diluted earnings per share (loss for the year attributable to owners of the Parent)	**(5,845)**	(3,280)

Number of shares	**'000**	'000
Weighted average number of ordinary shares – basic calculation	**181,067**	160,308
Dilutive potential ordinary shares from share options	**-**	-
Weighted average number of ordinary shares – diluted calculation	**181,067**	160,308

	2022 Pence	2021 Pence
Basic earnings per share	**(3.2)**	(2.0)
Diluted earnings per share	**(3.2)**	(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 year ended 31 December 2022 and 31 December 2021.

12. Inventories

	Group 2022 £000	Group 2021 £000	**Company 2022 £000**	Company 2021 £000
Raw materials	**177**	161	**-**	-
Work-in-progress	**155**	98	**-**	-
Finished goods	**8,086**	4,026	**-**	-
Total gross inventories	**8,418**	4,285	**-**	-
Inventory provisions	**(357)**	(548)	**-**	-
Total net inventories	**8,061**	3,737	**-**	-

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

Stock impairment costs of £0.1 million were provided in the year (2021: £0.1 million).

13. Loans and borrowings

	Group 2022 £000	Group 2021 £000	**Company 2022 £000**	Company 2021 £000
Bank term loan	**2,797**	3,223	**-**	-
Invoice discounting facilities	**3,451**	-	**-**	-

The Group maintained a £7.5 million invoice discounting facility, of which £3.5 million was drawn down at the year end, with HSBC UK Bank plc secured on UK and international trade debtors which can be accessed as required. This facility incurs interest charges of 3.75% above the Bank of England base rate and is repayable on demand.

The Group also has a Coronavirus Business Interruption Loan Scheme ("CBILS") which incurs interest at 3.99% above the Bank of England base rate and is repayable over the next 5 years. The loan has covenants which are attached to the Group's liquidity ratios.

All loans and borrowings have a fair value which is equal to their carrying value.

At 31 December 2022, the Group had the following lease liabilities totalling £0.5 million:

	Land and buildings £000	Plant and machinery £000	Vehicles £000	Total £000
At 1 January 2021	1,317	35	29	1,381
Additions	-	-	8	8
Accretion of interest	38	1	-	39
Payments	(453)	(10)	(17)	(480)
At 31 December 2021	902	26	20	948
Accretion of interest	24	-	-	24
Payments	(459)	(10)	(12)	(481)
At 31 December 2022	**467**	**16**	**8**	**491**

Maturity analysis of lease liabilities	Within 6 months £000	6 months to 1 year £000	1 to 5 years £000	Over 5 years £000	Total at 31 December 2022 £000
Payments					
Land and buildings	220	169	87	-	476
Plant and machinery	2	8	8	-	18
Vehicles	4	4	-	-	8
Total payments	**226**	**181**	**95**	**-**	**502**
Interest charge					
Land and buildings	(6)	(2)	(1)	-	(9)
Plant and machinery	(1)	(1)	-	-	(2)
Vehicles	-	-	-	-	-
Total interest charge	**(7)**	**(3)**	**(1)**	**-**	**(11)**
Total lease liabilities at 31 December 2022	**219**	**178**	**94**	**-**	**491**

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

Maturity analysis of lease liabilities	Within 6 months £000	6 months to 1 year £000	1 to 5 years £000	Over 5 years £000	Total at 31 December 2021 £000
Payments					
Land and buildings	230	228	476	-	934
Plant and machinery	1	8	17	-	26
Vehicles	7	5	7	-	19
Total payments	**238**	**241**	**500**	**-**	**979**
Interest charge					
Land and buildings	(13)	(10)	(8)	-	(31)
Plant and machinery	-	-	-	-	-
Vehicles	-	-	-	-	-
Total interest charge	**(13)**	**(10)**	**(8)**	**-**	**(31)**
Total lease liabilities	**225**	**231**	**492**	**-**	**948**

14. 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**
Drawdown of facility	3,200	42,989	-	46,189
Repayment of facility	(2,600)	(45,528)	-	(48,128)
Capital payments	-	-	(441)	(441)
Interest charge	-	61	40	101
Interest payments	-	(61)	(40)	(101)
Acquisition of leases	-		8	8
Balance at 31 December 2021	**3,223**	**-**	**948**	**4,171**
Drawdown of facility	-	55,854	-	55,854
Repayment of facility	(426)	(52,403)	-	(52,829)
Capital payments	-	-	(457)	(457)
Interest charge	118	155	24	297
Interest payments	(118)	(155)	(24)	(297)
Balance at 31 December 2022	**2,797**	**3,451**	**491**	**6,739**

15. Provisions

	FireAngel warranty provisions £000
At 1 January 2021	2,745
Charge in year	-
Utilisation in year	(1,192)
At 31 December 2021	1,553
Charge in year	-
Utilisation in year	(580)
At 31 December 2022	**973**

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

	2022 £000	2021 £000
Current provision	**502**	**1,012**
Non-current provision	**471**	**541**
Total warranty provisions	**973**	**1,553**

Review of warranty provision

The Group regularly reviews the return rates of affected products and recalculates the provision based on the changing USD FX rates and supplier pricing which has been particularly affected by the macro-economic factors over the last 12-18 months. The Group expects the provision to be exhausted in 2027 when the final products from 2017 production fall outside of the 10 year warranty period.

The provision was increased by £0.3 million in the year due to the effects of increased product costs and the weakening of sterling. This was offset by a £0.3 million release due to amending terminal return rates in the provision calculation to reflect return patterns seen over the last 12-18 months.

The Company has no provisions for the period ending 31 December 2022 or 31 December 2021.

16. Post balance sheet events

The Group as announced on 18 April 2023, signed Production and Delivery contracts with Techem, significantly advancing the progress of this transformational partnership:

a. The total income opportunity for FireAngel has grown significantly to an aggregate of up to c.$7.50 per alarm since the original Development Agreement was signed in 2021. This is based on the same previously announced number of units planned for production and reflects inflation, the changing bill of materials and the changed scope as the project has matured to this crucial point of engaging a manufacturing partner
b. Shipments of the new alarm expected to start in 2024 with production volume building in 2025

The Group has also achieved 2 new contract wins announced on 31 March 2023 with British Gas Services Limited and on 12 May 2023 with a government agency in the Middle East, signify further progress against our strategy to migrate to higher value activities and commercialise our investment in connected technology.

During Q2 2023 the Group has undertaken an extensive review of the its operations and cost base to help ensure that it is best positioned to return to profitable growth as soon as possible, with an estimated saving of approximately £1.5 million on overheads and administration costs, including approximately £1.0 million in headcount savings, and an additional £1.0 million in reduced capital expenditure, expected in 2023.

The Company has approved on 5 June 2023 the details of a placing, subscription and open offer to raise £6.1 million (gross), £5.4 million net, in order to reduce its net debt (excluding lease liabilities) and support the increased working capital and investment requirements for its strategic ambitions. There are contractual commitments from certain existing shareholders, new investors and the subscriber by means of a placing and subscription of up to 120,711,091 new ordinary shares. Siterwell, a long term manufacturing partner, has agreed to subscribe for 55,322,431 ordinary shares of 2 pence each for the total consideration of £2.8 million subject to clawback by qualifying shareholders under the open offer. In addition, the Board has agreed a number of changes, with Andrew Blazye (ex-Chair of Universe plc) to be appointed as Non-Executive Chairman and Neil Radley (ex-CEO of Universe plc) to be appointed as CEO with effect from 7 June 2023, and John Conoley stepping down as Executive Chairman with effect from 5 June 2023. Following completion of the fundraising, the Board has committed to undertake a strategic review to explore options to realise value for all shareholders, including the possible sale of the company.

17. Availability of announcement
A copy of this announcement is available on the Company's website at www.fireangeltech.com and at its registered office: FireAngel Safety Technology Group plc, Vanguard Centre, Sir William Lyons Road, Coventry, CV4 7EZ.