Big Technologies plc

("the Company" or "the Group")

Preliminary announcement of the Group's audited results for the year ended 31 December 2021

"Continuing to expand our global presence in the criminal justice sector"

Big Technologies plc (AIM: BIG), the leading, integrated technology platform for the remote monitoring of individuals, is pleased to announce its preliminary audited results for the year ended 31 December 2021.

	31 December 2021 £m	31 December 2020 £m
Revenue	37.6	29.6
Gross margin (%)	70.8%	67.8%
Statutory operating profit	13.8	12.7
Adjusted operating profit[1]	17.9	13.5
Adjusted EBITDA[2]	20.6	15.7
Adjusted EBITDA[2] margin (%)	54.7%	53.1%
Adjusted cash generated from operating activities[1]	18.2	16.8
Net cash	48.0	17.5
	Pence	**Pence**
Adjusted diluted earnings per share[1]	5.5p	4.3p
Adjusted basic earnings per share[1]	5.6p	4.4p
Statutory diluted earnings per share	4.4p	4.0p
Statutory basic earnings per share	4.5p	4.1p

[1]Before amortisation of acquired intangibles, IPO preparation costs, national insurance on warrant exercise and share-based payments expense
[2]Before IPO preparation costs, national insurance on warrant exercise and share-based payments expense

A reconciliation to statutory measures is presented in the notes to the preliminary results.

Financial performance

- Revenue increased by 27% in 2021 versus 2020 reflecting new contract wins and an increase in revenues earned from existing customers;
- Gross margins increased by 300bps to 70.8% in 2021 as a result of the significant revenue growth and the Group's scalable operating model which allows for increasing efficiencies;
- Adjusted EBITDA of £20.6 million in 2021 with adjusted EBITDA margins increasing to 54.7%;
- Adjusted cash generated from operating activities of £18.2 million, generated by the strong trading performance during the year. The Group has a significant net cash balance of £48.0 million as at 31 December 2021 which includes funds raised from the Group's IPO in July 2021.

Operational and strategic performance

- Continued growth in the number of electronic monitoring devices deployed across the globe, increasing the Group's international footprint;

- Minimal impact in terms of delays of products to customers as a result of supply-side challenges caused by the global pandemic. Actions to increase raw material inventory to secure supply chain for the coming year;

- Continued investment in research and development to support our product roadmap with new substance detection products planned for customer trials later in the year;

- Product launch of new wristband in the care market and 4G smart tag in the criminal justice market was well received by customers.

Current trading and outlook

- The Group has started the year trading in line with the Board's expectations and revenue generation from the new eight-year contract with the New Zealand Department of Corrections signed in November 2021 has commenced;

- Active engagement continues with a number of potential new customers representing a healthy pipeline of opportunities for the future;

- The Group does not have any exposure to customers or suppliers in either Russia or Ukraine;

- The Group is in a strong financial position and is ready to take advantage of all value-enhancing opportunities for growth that are expected to materialise in the years ahead.

Commenting on the results, Sara Murray OBE, Chief Executive Officer said:

"I am very pleased with our continued growth in revenue during the financial year, which clearly illustrates the progress we are making with our customers across the globe. We expect the growth to continue at a similar level over the next 12 months. As a result of our initial public offering in July 2021, we can now demonstrate to our customers that we have the financial resources to continue to increase our investment in our market-leading technology solutions and grow our footprint both organically and through acquisition. We remain confident about our prospects in developing our company and our innovative technologies."

For further information please contact:

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The person responsible for arranging the release of this information is Daren Morris, Chief Financial Officer and Company Secretary.

CEO’s review

Overview

The Group has delivered a strong performance in 2021 against a backdrop of continued macroeconomic challenges due to the ongoing Covid-19 global pandemic. I was particularly pleased that, despite the pandemic, we have been able to secure both new business and to develop existing business with customers during the year and have a healthy pipeline of opportunities as we look to the future.

Our stock market listing in July 2021 was oversubscribed and raised gross proceeds of £202 million, achieving a market capitalisation of £577 million. The listing was a key milestone for the Group and was welcomed by all our stakeholders. I believe that the listing adds credibility with our government customers, strengthens our brand and is positive for the business and its future.

Our new capital structure gives us the financial resources needed to grow the Group via acquisition while continuing to invest in our market-leading technology to grow the business organically. The listing was a significant undertaking. Its success was made possible by the commitment of our professional management team, who navigated the process expertly to meet our timetable whilst continuing to run the day-to-day operations.

Financial performance

The Group delivered significant double-digit revenue growth of 27% to £37.6m (2020: £29.6m), reflecting new contract wins and an increase in revenues earned from existing customers. Full year revenue growth in percentage terms is lower than the growth at the half year because comparator numbers in the second half of 2020 included the start of several new contracts and a one-off customer contract related to Covid-19 which was not repeated in 2021.

Gross margins increased by 300bps to 70.8% (2020: 67.8%) as a result of the significant revenue growth and the Group’s scalable operating model, which allows for increasing efficiencies.

Adjusted EBITDA increased by 31% to £20.6m (2020: £15.7m) with Adjusted EBITDA margin improving by 160 bps to 54.7% (2020: 53.1%).

The Group delivered strong adjusted operating cash flow of £18.2m with the net cash position at year end of £48.0m underpinning a very strong balance sheet.

The Group is in a strong financial position and ready to take advantage of all value-enhancing opportunities for growth that we expect to materialise in the years ahead.

Operations and product development

The Group continued to deliver our hardware and software solutions to customers and saw ongoing growth in the number of electronic monitoring devices deployed across the globe, increasing our international footprint. Careful long-term planning with suppliers ensured minimal impact of supply-side challenges caused by the global pandemic and shipping disruption from the Suez Canal blockage, with no delays in the delivery of products to customers.

The Group continued to invest in research and development to support our future product roadmap by expanding in-house expertise within the development team. During the year we have made our new wristband available in the care market and early indications show an increase in customer satisfaction with fewer returns. Our new 4G Smart Tag was also well received in the criminal justice market. We are committed to ensuring that our products maintain their competitive advantage in the market and we have exciting new products in development for our criminal justice customers, which we plan to be trialling with customers later this year.

Sector review

The Group has seen revenue growth in all geographic territories with the exception of Europe, with notable growth in the Asia-Pacific region, in particular Australia. The reduction in European revenue was due to a one-off customer contract related to Covid-19 in the comparator numbers for 2020 which has not repeated. Absent this one-off contract, the remainder of revenues from European customers increased. All key contracts, which were reaching their terms, have been extended.

Our strategic focus continues to be the criminal justice sector which accounts for the majority of our revenues. During the year we were awarded an eight-year contract with the New Zealand Department of Corrections which has started to generate revenues during the first half of 2022. We had previously worked with this customer on a small programme, starting back in 2012, and I am particularly pleased that they have now chosen to work with us on their nationwide electronic monitoring program.

We hope to build on the success of our location solutions by integrating other new innovative technologies into our products later in the year. A number of customers have a requirement for monitoring substances, alongside location data, and we plan to be able to start trialling solutions to address these new customer requirements in the near future.

Summary and outlook

Our market drivers for continued growth in both the criminal justice and care sectors remain strong and the Board is confident of delivering further progress and growth during 2022 and beyond. I want to thank all our employees, customers and suppliers for their continuing hard work and dedication. We look forward to the future with confidence and pride as we strive to help our customers use technologies to make our societies safer.

Financial review

Revenue

Revenue increased by 27% to £37.6m (2020: £29.6m), reflecting new contract wins and an increase in revenues earned from existing customers. The majority of revenues continue to be derived from customers in the Criminal Justice sector, which accounts for more than 98% of reported revenue (2020: 97%).

Revenue growth was driven by the Asia-Pacific and the Americas regions, which grew at 41%. Revenues in Europe declined by 23% because comparator figures included a one-off customer contract related to Covid-19, which has not repeated in 2021. Without this one-off effect, the remainder of the Group's European revenue increased by 56%.

Full year revenue growth is lower than the growth at the half year, because comparator numbers in the second half included the start of several new contracts and a one-off customer contract in Europe related to Covid-19, which was not repeated.

Monthly Recurring Revenue (MRR), which is the exit run rate of monthly recurring revenue in the last month of the reporting year, was £3.2m (2020: £2.6m), an increase of 23%. A strong MRR figure gives the Group visibility over its future revenues derived from its long-term contracts.

Group profitability

Gross margins increased by 300bps to 70.8% (2020: 67.8%) as a result of the significant revenue growth and the Group's scalable operating model which allows for the deployment of additional devices to customers with increasing efficiencies .

Adjusted operating profit of £17.9m increased 33% against 2020, with an increase in adjusted operating margins to 47.7% (2020: 45.7%). The increase in adjusted operating margin was principally driven by the Group's ability to grow revenues organically without significant increases in operating expenditure.

Adjustments before tax totalled £4.2m (2020: £0.8m) of which £0.5m related to amortisation of acquired intangible assets, £1.2m to costs in relation to the IPO, £1.1m to national insurance on exercise of a share warrant and £1.4m to share-based payments expenses.

Net finance costs were £0.0m (2020: £0.6m), the reduction reflecting a repayment of the Group's borrowings in 2020 and a saving on the associated interest costs.

As a result the Group reported adjusted profit before tax of £17.9m (2020: £13.5m).

Statutory profit before tax was £13.7m (2020: £12.7m).

Taxation

The Group's total tax charge for the year (including deferred taxes) was £0.9m (2020: £1.2m), an effective tax rate of 6.8% (2020: 9.5%). The effective tax rate is lower than the current UK corporation tax rate due to the recognition of deferred tax assets, allowances claimed for research and development and patent box and the deductibility of employee share awards, offset by overseas tax at higher rates than in the UK.

EBITDA

Statutory EBITDA increased by 7% to £16.9m (2020: £15.7m) but includes a number of one-off costs in the year that will not repeat. Adjusted EBITDA provides a clear comparison of year-on-year financial performance, and increased by 31% to £20.6m (2020: £15.7m). The drivers behind the growth in Adjusted EBITDA are covered in the commentary above.

Adjusted EBITDA margin increased by 160 bps to 54.7% (2020: 53.1%).

Earnings per share (EPS)

Adjusted basic EPS for the year, which excludes the adjusting items outlined below, is 5.6p (2020: 4.4p). Adjusted diluted EPS, which includes the dilutive impact of shares issuable in the future, is 5.5p (2020: 4.3p).

Initial public offering (IPO)

The Group's successful placing of shares in the July 2021 IPO was oversubscribed and raised gross proceeds from new shares of £16.1m. This fundraising has provided the Group with a strong balance sheet and the financial flexibility to expand operations across the globe. The IPO also achieved its other objectives of raising the public profile of the Group and providing a valuation, listing and liquidity for the Group's shares, to allow incentivisation of the wider management team and align employees' interests with those of shareholders.

Cash flow

The Group's liquidity and net cash position increased significantly to £48.0m (2020: £17.5m) at 31 December 2021. Operating activities, underpinned by the strong trading performance, generated adjusted cash inflows of £18.2m (2020: £16.8m) with cash conversion (defined as adjusted operating cash flow divided by adjusted EBITDA of 89% (2020: 107%).

The Group increased its levels of long lead-time inventory in quarter four to protect against short-term disruption caused by the Covid-19 global pandemic. Increases in the Group's trade receivables are linked to the continuing revenue growth and timing of cash collection from customers at the year end.

Net cash utilised in investing activities of £2.9m (2020: £2.6m) reflects the continued growth in the number of revenue-generating devices, which are manufactured in-house and leased to the Group's customers. The Group continues to invest in research and development activities and expects to upgrade existing products and launch new products in 2022.

Net cash generated from financing activities of £19.3m (2020: £(7.1)m) represents funds raised from the Group's IPO in July 2021 and proceeds received from the exercise of employee warrants and share options in the year.

Research and development

The Group continues to invest in research and development activities in relation to new products. Development costs of £1.0m (2020: £0.9m) have been capitalised. Other research and development costs, all of which have been expensed to the income statement as incurred, totalled £1.8m (2020: £1.3m).

Foreign currency exposure

The Group faces currency exposure on its foreign currency transactions and translation exposure in relation to its overseas subsidiaries and foreign currency sales. The Group maintains a natural hedge whenever possible to transactional exposure by matching the cash inflows and outflows in the respective currencies wherever possible. Foreign exchange translation has provided a minor headwind on revenue and profit, with the Australian dollar and Colombian peso weakening against the pound sterling.

Alternative performance measures

The Group presents some significant items separately to provide clarity on the underlying performance of the business. This includes significant one-off costs such as IPO and acquisition related costs, the non-cash amortisation of intangible assets acquired as part of business combinations and share-based payments.

The adjustments comprise:

	2021	2020
	£'000	£'000
Amortisation of acquired intangibles	468	771
IPO preparation costs	1,192	-
National insurance on warrant exercise	1,076	-
Total adjusting operating items	**2,736**	**771**
Share-based payments expense	1,423	-
Total adjusting items and share-based payments before tax	**4,159**	**771**
Tax effect of adjusting items and share-based payments	(1,050)	-
Total adjusting items and share-based payments after tax	**3,109**	**771**

Amortisation of acquired intangibles
These costs are excluded from the adjusted results of the Group since the costs are non-cash charges arising from investment activities. As such, they are not considered reflective of the core trading performance of the Group.

IPO preparation costs
Attributable costs relating to the IPO performed during the year have been recognised within the consolidated statement of comprehensive income as an exceptional cost. These costs are excluded from the adjusted results of the Group since the costs are one-off in nature and will not repeat in future years.

National insurance on warrant exercise
Warrants were exercised in respect of 5,858,500 shares by the Chief Executive Officer immediately prior to the IPO. The acquisition of shares under the warrant were deemed to be within the Employment Related Securities rules and therefore a charge has been recognised in respect of Employer's national insurance.

Share-based payments expense
These costs are excluded from the adjusted results of the Group since the costs are non-cash charges arising from recognition of the fair value of share options and other share-based incentives granted to employees of the Group. As such, they are not considered reflective of the core trading performance of the Group.

Balance sheet

The Group has continued to strengthen its balance sheet during the year. Net assets increased from £40.5m to £74.2m. Current assets increased by £33.4m to £58.0m, mainly due to a £30.3m increase in cash and cash equivalents supported by the strong underlying trading and capital raised on the IPO in July 2021. There was a £2.1m increase in trade and other receivables, which was driven by the growth in revenue across the year and a £0.8m increase in inventory as we invested in materials to support our capital expenditure requirements for next year and also held increased levels of long lead-time inventory to protect against any supply chain disruption. Current liabilities increased by £1.3m to £7.1m, mainly due to an increase in trade payables and accruals, which was partly offset by a decrease in contract liabilities. Non-current liabilities decreased by £1.1m to £1.8m with a reduction of £0.8m in contract liabilities.

Dividends

No interim or final ordinary dividends were paid in relation to the year ended 31 December 2020 and no interim ordinary dividend has been paid in relation to the year ended 31 December 2021. The

Directors are not proposing payment of a final ordinary dividend in respect of the financial year ended 31 December 2021.

Financial outlook

The Group is well positioned, with adequate financial resources in place to continue supporting our customers with more advanced technologies and solutions and to take advantage of the value-enhancing opportunities that we expect to materialise in the years ahead.

Directors' Responsibility Statement on the Annual Report and Accounts

The responsibility statement below has been prepared in connection with the Group's full annual report and accounts for the year ended 31 December 2021. Certain parts thereof are not included within this preliminary announcement.

The Directors are responsible for preparing the Strategic Report, the Directors' Report, any other surrounding information and the Group and Parent Company financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law, they have elected to prepare the Group financial statements in accordance with UK adopted International Accounting Standards and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that year. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. They are further responsible for ensuring that the Strategic Report and the Report of the Directors and other information included in the Annual Report and Accounts is prepared in accordance with applicable law in the United Kingdom. The maintenance and integrity of the Big Technologies plc website is the responsibility of the Directors; the work carried out by the auditor does not involve the consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of the accounts and the other information included in Annual Reports may differ from legislation in other jurisdictions.

This responsibility statement was approved by the Board of Directors on 23 March 2022 and is signed on its behalf by Sara Murray and Daren Morris.

Consolidated statement of comprehensive income
For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Revenue	2	37,628	29,591
Cost of sales		(10,971)	(9,536)
Gross profit		**26,657**	**20,055**
Administrative expenses		(12,884)	(7,335)
Other operating income		1	27
Operating profit		**13,774**	**12,747**
Analysed as:			
Adjusted EBITDA		20,567	15,707
Amortisation of acquired intangibles		(468)	(771)
Amortisation of development costs		(703)	(487)
Depreciation		(1,931)	(1,702)
IPO preparation costs		(1,192)	-
National insurance on warrant exercise		(1,076)	-
Share-based payments charge		(1,423)	-
Operating profit		**13,774**	**12,747**
Finance income		-	8
Finance expenses		(47)	(558)
Share of (loss)/profit of joint venture		(5)	464
Profit before taxation		**13,722**	**12,661**
Taxation	4	(934)	(1,198)
Profit for the year		**12,788**	**11,463**
Other comprehensive income:			
Exchange differences on translation of foreign operations		27	95
Total comprehensive income for the year		**12,815**	**11,558**
Profit for the year attributable to:			
Owners of the company		12,788	11,157
Non-controlling interest		-	306
		12,788	**11,463**
Total comprehensive income for the year attributable to:			
Owners of the company		12,815	11,252
Non-controlling interest		-	306
		12,815	**11,558**
Basic earnings per share (pence)	5	4.5p	4.1p
Diluted earnings per share (pence)	5	4.4p	4.0p

Consolidated statement of financial position
As at 31 December 2021

	Note	2021 £'000	2020 £'000
Assets			
Goodwill		13,359	13,359
Acquired and other intangible assets		6,142	6,344
Property, plant and equipment		2,265	2,062
Right-of-use assets		345	543
Interests in joint ventures		363	497
Deferred tax assets		1,039	-
Other receivables		1,612	1,762
Non-current assets		**25,125**	**24,567**
Inventories		3,079	2,230
Trade and other receivables		6,620	4,358
Cash and cash equivalents	6	48,317	17,999
Current assets		**58,016**	**24,587**
Total assets		**83,141**	**49,154**
Liabilities			
Lease liabilities		195	226
Trade and other payables		6,875	5,545
Current liabilities		**7,070**	**5,771**
Lease liabilities		154	312
Deferred tax liabilities		501	633
Trade and other payables		1,185	1,975
Non-current liabilities		**1,840**	**2,920**
Total liabilities		**8,910**	**8,691**
Net assets		**74,231**	**40,463**
Equity			
Share capital	7	2,885	27
Share premium	7	38,535	21,767
Other reserves		275	28
Retained earnings		32,536	18,335
Equity attributable to owners of the company		**74,231**	**40,157**
Non-controlling interest		-	306
Total equity		**74,231**	**40,463**

Consolidated statement of changes in equity
For the year ended 31 December 2021

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total owners' equity £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 January 2020	27	21,767	(67)	7,178	28,905	-	28,905
Profit for the year	-	-	-	11,157	11,157	306	11,463
Other comprehensive income for the year	-	-	95	-	95	-	95
Total comprehensive income for the year	**-**	**-**	**95**	**11,157**	**11,252**	**306**	**11,558**
Balance at 31 December 2020	**27**	**21,767**	**28**	**18,335**	**40,157**	**306**	**40,463**
Balance at 1 January 2021	27	21,767	28	18,335	40,157	306	40,463
Profit for the year	-	-	-	12,788	12,788	-	12,788
Other comprehensive income for the year	-	-	27	-	27	-	27
Total comprehensive income for the year	**-**	**-**	**27**	**12,788**	**12,815**	**-**	**12,815**
Share-based payments	-	-	-	1,413	1,413	-	1,413
Transactions with non-controlling interests	-	-	220	-	220	(306)	(86)
Issue of shares, net of share issue costs	143	19,483	-	-	19,626	-	19,626
Bonus issue of shares	2,715	(2,715)	-	-	-	-	-
Balance at 31 December 2021	**2,885**	**38,535**	**275**	**32,536**	**74,231**	**-**	**74,231**

Consolidated statement of cash flows
For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Cash flows from operating activities			
Profit before tax		**13,722**	**12,661**
Adjustments for:			
Depreciation of property, plant and equipment		1,698	1,354
Depreciation of right-of-use assets		233	348
Amortisation of intangible assets		1,171	1,258
Share of loss/(profit) of joint venture		5	(464)
Share-based payments charge		1,413	-
Finance income		-	(8)
Finance costs		15	51
Interest expense		32	527
Changes in:			
Inventories		(859)	(167)
Trade and other receivables		(2,867)	(1,998)
Trade and other payables		1,401	3,240
Cash generated from operating activities		15,964	16,802
Taxes paid		(1,926)	(676)
Net cash flows from operating activities		**14,038**	**16,126**
Cash flows from investing activities			
Purchase of property, plant and equipment		(135)	(79)
Own work capitalised		(1,833)	(2,168)
Capitalised development costs		(969)	(893)
Finance income		-	8
Dividends from joint ventures and associates		64	549
Net cash used in investing activities		**(2,873)**	**(2,583)**
Cash flows from financing activities			
Proceeds from issues of shares	7	19,626	-
Transactions with non-controlling interests		(86)	-
Repayment of loans and borrowings		-	(6,250)
Repayment of lease liabilities		(239)	(364)
Interest paid		(32)	(527)
Cash flows from financing activities		**19,269**	**(7,141)**
Net increase in cash and cash equivalents		30,434	6,402
Cash and cash equivalents at the beginning of the year		17,999	11,612
Effects of exchange rate changes on cash and cash equivalents		(116)	(15)
Cash and cash equivalents at the end of the year	6	**48,317**	**17,999**

Notes to the consolidated financial statements
For the year ended 31 December 2021

1. General information and basis of preparation

Big Technologies PLC is a public limited company incorporated in the United Kingdom, listed on the Alternative Investment Market ('AIM') of the London Stock Exchange. The Company is domiciled in the United Kingdom and its registered office is Talbot House, 17 Church Street, Rickmansworth, Hertfordshire, WD3 1DE. The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the 'Group').

The principal activity of the Group is the development and delivery of remote monitoring technologies and services to a range of domestic and international customers.

The preliminary announcement for the year ended 31 December 2021 has been prepared in accordance with the accounting policies as disclosed in the Group's annual financial statements for the year ended 31 December 2020.

Information in this preliminary announcement does not constitute statutory accounts of the Group within the meaning of section 434 of the Companies Act 2006.

The annual financial information presented in this preliminary announcement is based on, and is consistent with, that in the Group's audited financial statements for the year ended 31 December 2021, and those financial statements will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The independent auditors' report on those financial statements is unqualified and does not contain any statement under section 498 (2) or 498 (3) of the Companies Act 2006.

Going concern

The Group's financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Directors have reviewed the forecasts for the Group for the period to 31 December 2024 and have a reasonable expectation that there are no material uncertainties that cast significant doubt about the Group's ability to continue in operational existence for at least 12 months from the date of signing these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

This preliminary announcement was approved by the Board of Directors on 23 March 2022.

2. Segment reporting

The Group derives revenue from the delivery of remote monitoring technologies and services to a range of domestic and international customers. The income streams are all derived from the utilisation of these products which, in all aspects except details of revenue, are reviewed and managed together within the Group and as such are considered to be the only segment. The Group operates across three regions: Europe, Asia Pacific and The Americas, and the Board of Directors monitors revenue on this basis.

Revenue for each of the geographical areas is as follows:

	2021 **£'000**	**2020** **£'000**
Europe	4,988	6,463
Asia-Pacific	18,230	12,173
Americas	14,410	10,955
	37,628	**29,591**

Revenues in Europe declined because comparator figures included a one-off customer contract related to Covid-19 which has not repeated in 2021 and not fully covered by new business in the region.

Assets and liabilities by segment are not regularly reviewed by the Board of Directors on a monthly basis and, therefore are not used as a key decision-making tool and are not disclosed here.

Revenues are disaggregated as follows:

	2021 £'000	2020 £'000
Sales of goods	165	194
Delivery of services	37,463	29,397
	37,628	**29,591**

Information about major customers

Two (2020: three) of the Group's customers individually account for more than 10% of total Group revenue. These customers operate in the criminal justice sectors and account for 44% (2020: 55%) of total Group revenue.

3. Alternative performance measures

These items are included in normal operating costs of the business, but are significant cash and non-cash expenses that are separately disclosed because of their size, nature or incidence. It is the Group's view that excluding them from Operating Profit gives a better representation of the underlying performance of the business in the year.

	2021 £'000	2020 £'000
Amortisation of acquired intangibles	468	771
IPO preparation costs	1,192	-
National insurance on warrant exercise	1,076	-
Total adjusting operating items	**2,736**	**771**
Share-based payments expense	1,423	-
Total adjusting items and share-based payments before tax	**4,159**	**771**
Tax effect of adjusting items and share-based payments	(1,050)	-
Total adjusting items and share-based payments after tax	**3,109**	**771**

Amortisation of acquired intangibles
These costs are excluded from the adjusted results of the Group since the costs are non-cash charges arising from investment activities. As such, they are not considered reflective of the core trading performance of the Group.

IPO preparation costs
Attributable costs relating to the IPO performed during the year have been recognised within the consolidated statement of comprehensive income as an exceptional cost. These costs are excluded from the adjusted results of the Group since the costs are one-off in nature and will not repeat in future years.

National insurance on warrant exercise
Warrants were exercised in respect of 5,858,500 share by the Chief Executive Officer immediately prior to the IPO. The acquisition of shares under the warrant were deemed to be

within the Employment Related Securities rules and, therefore a charge has been recognised in respect of Employer's national insurance.

Share-based payments expense
These costs are excluded from the adjusted results of the Group since the costs are non-cash charges arising from recognition of the fair value of share options and other share-based incentives granted to employees of the Group. As such, they are not considered reflective of the core trading performance of the Group.

4. Taxation

	2021 £'000	2020 £'000
Current tax		
For the financial year	1,457	1,721
Adjustments in respect of prior years	648	(415)
	2,105	**1,306**
Deferred tax		
Origination and reversal of temporary timing differences	(127)	(147)
Adjustments in respect of prior years	(83)	39
Related to share-based payments	(961)	-
	(1,171)	**(108)**
Total taxation for the year	**934**	**1,198**

UK corporation tax is calculated at 19% (2020: 19%) of the assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

5. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	2021 £'000	2020 £'000
Profit for the purpose of basic and diluted earnings per share being net profit attributable to equity holders of the parent	12,788	11,157
Adjustments for:		
Adjusting items	2,736	771
Share-based payments expense	1,423	-
Tax effect of adjusting items and share-based payments	(1,050)	-
Adjusted earnings	**15,897**	**11,928**

	2021 No. shares	2020 No. shares
Weighted average number of Ordinary shares for the purpose of basic earnings per share	282,853,610	274,202,600
Effect of dilutive potential Ordinary shares/share options	6,373,277	2,428,362
Weighted average number of Ordinary shares for the purpose of diluted earnings per share	**289,226,887**	**276,630,962**

Basic earnings per share	**2021 Pence**	**2020 Pence**
Basic earnings per share	4.5	4.1
Adjustments for:		
Adjusting items	1.0	0.3
Share-based payments expense	0.5	-
Tax effect of adjusting items and share-based payments	(0.4)	-
Adjusted basic earnings per share	**5.6**	**4.4**

Diluted earnings per share	**2021 Pence**	**2020 Pence**
Diluted earnings per share	4.4	4.0
Adjustments for:		
Adjusting items	1.0	0.3
Share-based payments expense	0.5	-
Tax effect of adjusting items and share-based payments	(0.4)	-
Adjusted diluted earnings per share	**5.5**	**4.3**

The adjusted earnings per share has been calculated on the basis of profit before adjusting items and share-based payments, net of tax. The Directors consider that this calculation gives a better understanding of the Group's earnings per share in the current and prior year.

6. Cash and cash equivalents

The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	2021 £'000	2020 £'000
Pound sterling	30,587	10,651
US dollar	11,186	5,620
Australian dollar	3,942	1,179
Colombian peso	1,280	341
Euro	579	165
Canadian dollar	635	43
Other	108	-
	48,317	**17,999**

Net cash

	2021 £'000	2020 £'000
Cash and cash equivalents	48,317	17,999
Lease liabilities	(349)	(538)
	47,968	**17,461**

7. Share capital

The allotted, called up and fully paid share capital is made up of 288,505,082 ordinary shares of £0.01 each.

	Note	Number of shares	Share capital £'000	Share premium £'000	Total £'000
At 1 January 2020		2,742,026	27	21,767	21,794
At 31 December 2020		2,742,026	27	21,767	21,794
24 May 2021	(i)	271,460,574	2,715	(2,715)	-
28 July 2021	(ii)	14,272,482	143	19,475	19,618
30 September 2021	(iii)	10,000	-	3	3
16 December 2021	(iv)	20,000	-	5	5
At 31 December 2021		**288,505,082**	**2,885**	**38,535**	**41,420**

(i) On 24 May 2021, a resolution was passed such that the number of shares in issue was increased to 274,202,600 shares, with a nominal value of £0.01 each, through a bonus allotment to existing shareholders of 99 shares for each share held.

(ii) On 28 July 2021 the following movements occurred:

- A total of 373,650 EMI share options were exercised into shares with a nominal value of £0.01 each for £0.27 prior to the listing on AIM
- A total of 5,858,500 warrants were exercised into shares with a nominal value of £0.01 each for £0.67 prior to the listing on AIM
- A total of 8,040,332 new ordinary shares with a nominal value of £0.01 each were placed in connection with the Company's initial public offering and admission to AIM for £2.00. Transaction costs of £482,000 directly associated with the equity raise have been netted against the cash proceeds recognised in share premium.

(iii) On 30 September 2021, a total of 10,000 EMI share options were exercised into shares with a nominal value of £0.01 each for £0.27.

(iv) On 16 December 2021, a total of 20,000 EMI share options were exercised into shares with a nominal value of £0.01 each for £0.27.

8. Principal risks and uncertainties

The principal risks and uncertainties impacting the Group are described on pages 16-19 of the Annual Report 2021. They include: reliance on key customers, failure to manage growth, change in government policy, failure to develop new products, competitor actions, reliance on third-party technology and communication systems, reputational risk, dependence on partners, loss of key personnel, supply chain, product liability, foreign exchange risk, credit risk, business taxation, bid pricing, cyber security/business interruption, intellectual property/patents and operating in global markets.

9. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this section of the notes.

The Group's other related party transactions were the remuneration of key management personnel. Details of Directors' remuneration for the year are provided in the Remuneration Committee Report in the Annual Report 2021.

Prior to their appointments to the Board, Simon Collins and a company that is a related party to Daren Morris provided consultancy services to the Company in relation to the July 2021 IPO. £29,000 (2020: £6,000) was paid to Simon J Collins & Associates Ltd, a company controlled by Simon Collins. £160,000 (2020: £9,000) was paid to Rockmount Financial Ltd, a company controlled by the wife of Daren Morris.

In addition to these transactions, £92,000 (2020: £84,000) was paid to TFM Developments Ltd, a company of which Sara Murray is a director. The transaction relates to a license fee paid in respect of a patent owned by the company used by the Group as part of its continuing research and development activities.

The Group has a 50% interest in Union Temporal Sistemas Electronicos de Seguridad (UTSES) which was established in late 2017 to provide electronic monitoring services to the Colombia prison service and is accounted for as a joint venture using the equity method of accounting. During the year the Group made no sales to or purchases from UTSES (2020: £3,063,000 sales).