

**VERACITY UK LTD**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**Company Registration No. SC291812 (Scotland)**

# VERACITY UK LTD

## COMPANY INFORMATION

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<b>Directors</b>	Mr Alastair McLeod BSc (Hons) Mr David Corson B.Acc.,CA Mr Garfield Collins BSc (Hons) Mr Michael J Gallagher Mr Robert Hamilton, MA (Cantab), MSc. Mr Ashley Wyton (Appointed 29 July 2021)
<b>Secretary</b>	Mr Garfield Collins BSc (Hons)
<b>Company number</b>	SC291812
<b>Registered office</b>	Prestwick International Aerospace Park 4 Dow Road Monkton Prestwick Ayrshire KA9 2TU
<b>Auditor</b>	William Duncan + Co Ltd 30 Miller Road Ayr Ayrshire KA7 2AY
<b>Business address</b>	Prestwick International Aerospace Park 4 Dow Road Monkton Prestwick Ayrshire KA9 2TU
<b>Bankers</b>	HSBC 2 Buchanan Street Glasgow G1 3LB
<b>Solicitors</b>	Wright, Johnston & Mackenzie LLP 302 St Vincent Street Glasgow G2 5RZ

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# VERACITY UK LTD

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# VERACITY UK LTD

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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The directors present the strategic report for the year ended 31 December 2021.

### **Fair review of the business**

The principal activity of the Group continued to be Research and Development of high technology software and hardware products for digital video surveillance markets.

The Group has continued to benefit from the increasingly strong relationships formed with major industry partners and high-profile customers across the globe. With the COVID-19 pandemic continuing to impact on business levels through 2021, one of the Group's main objectives was to get overall sales of its continuing businesses back to pre-pandemic 2019 levels, which was achieved. With semiconductor manufacturers failing to deliver on long-term open purchase orders, and with both costs and lead times increasing to unprecedented levels, maintaining manufacturing volumes was challenging. Nevertheless, the business managed to maintain its record of shipping all orders on-time throughout the year, maintaining robust hardware sales. With access to customer sites improving throughout 2021 and some significant project successes, the software and systems sales recovered from the business lows of 2020.

The Group continued to invest significant resources in the research, design and development of innovative networked products in the specific fields of IP video transmission, video wall controllers, video data storage and integrated security system platforms, whilst controlling other overhead expenditure. The Group also benefited at the start of the year from the UK government's Job Retention Scheme and the USA's "Paycheck Protection Programme" and when coupled with strong cost control, was able to deliver a strong result, achieving EBITDA of £2,435,814 which was a significant improvement on 2020. Comprehensive Income benefited from the Fair Value adjustment to external investments held, though once again the Group suffered currency losses as Sterling generally gained ground against the other major currencies at the year-end (though this has since reversed). The Group continues to innovate, maintaining a broad product development roadmap coupled with a strong strategic vision of the relevant security industry markets.

Profits and cash reserves continued to be retained within the business and Group during the year achieving cash reserves by the year-end, net of borrowing, of £5.8m (2020 £3.7m). Funds continued to be provided to improve our stock holdings to mitigate some of the current global business and supply chain risks. In addition, Veracity UK Ltd provided additional funds to its subsidiaries where required, to support the businesses locally and provide additional liquidity for expansion plans. As well as maintaining its ISO 9001 and 14001 Certifications, the Group has also invested significantly in the cybersecurity of its products and systems with several Group companies achieving ISO 27001 during the year, with others expected to achieve this standard during the first half of 2022.

On 1st January 2022 the Group acquired the entire Share Capital of Radial Holdings Ltd., including its subsidiary Radial Electronics Ltd., for cash. The acquisition benefits the Group by eliminating royalty costs and adds to the Group's overall engineering resource.

The Group is determined to continue its overseas expansion and form relationships in new territories and markets whilst also reviewing further investment opportunities. New bases in SE Asia and southern India are planned and Group turnover is expected to increase, especially through the second half of 2022, as it benefits from substantial new project successes and sales from new product launches. The Veracity group's innovative status and reputation is still held in high regard within its increasing global customer and partner base.

# VERACITY UK LTD

## STRATEGIC REPORT (CONTINUED)

*FOR THE YEAR ENDED 31 DECEMBER 2021*

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### **Principal risks and uncertainties**

As well as the ongoing logistics and trading difficulties between the UK and Europe post-Brexit, the war in Ukraine, floods in key SE Asia component manufacturing centres and general tensions in several areas of the world, the main business risk is the uncertainty in supply of semiconductor components coupled with increasing costs and lead times for our volume hardware products. When coupled with rising global inflation this will put significant pressure on margins and overheads throughout 2022, only partially offset by selling-price increases. However, some of these same global issues are also creating additional project opportunities. The Veracity Directors are continuing to take proactive steps to try and mitigate these risks to the business and take advantage of relevant opportunities and by ensuring that our business model remains robust and flexible in response to the changing regulatory environment, to global markets and to economic pressures. We constantly review our critical KPIs so that the Board can take decisive and timely action on each issue as it arises.

The Group continues to perform around Budget EBITDA at the start of 2022 and, even after the recent Radial Holdings Ltd acquisition, retains strong cash reserves. The Group will continue to explore long term growth and margin-enhancing opportunities as it considers further product expansions or bolt-on acquisitions to enhance the products and services provided to its global customer base.

On behalf of the board

Mr Alastair McLeod BSc (Hons)  
**Director**

18 May 2022

# VERACITY UK LTD

## DIRECTORS' REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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The directors present their annual report and financial statements for the year ended 31 December 2021.

### Principal activities

The principal activity of the group continued to be Research and Development of high technology hardware and software products for digital video surveillance markets.

### Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr Alastair McLeod BSc (Hons)

Mr David Corson B.Acc., CA

Mr Garfield Collins BSc (Hons)

Mr Michael J Gallagher

Mr Robert Hamilton, MA (Cantab), MSc.

Mr Ashley Wyton

(Appointed 29 July 2021)

### Future developments

The Group continues to innovate, maintaining a broad product development roadmap coupled with a strong strategic vision of the relevant security industry markets.

### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board

Mr Alastair McLeod BSc (Hons)

**Director**

18 May 2022

## **VERACITY UK LTD**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 DECEMBER 2021***

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The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the ;
- prepare the on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

# VERACITY UK LTD

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VERACITY UK LTD

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### Opinion

We have audited the financial statements of Veracity UK Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, the company statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2021 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

### Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# VERACITY UK LTD

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF VERACITY UK LTD

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### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

## VERACITY UK LTD

### INDEPENDENT AUDITOR'S REPORT (CONTINUED)

#### TO THE MEMBERS OF VERACITY UK LTD

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- Enquiry of management, those charged with governance and the entity's solicitors around actual and potential litigation and claims;
- Enquiry of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias;
- Reviewing minutes of meetings of those charged with governance; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Reviewing and assessing the implications of COVID-19 including the working environment and remote working and transactions relating to government support schemes;
- Communicating with component auditors and accountants to request identification of any instances of non-compliance with laws and regulations as well as requesting audit work on management override of controls.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### **Use of our report**

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

**Graeme Bryson CTA, ACA (Senior Statutory Auditor)**

**For and on behalf of William Duncan + Co Ltd**

18 May 2022

**Chartered Accountants**

**Statutory Auditor**

30 Miller Road

Ayr

Ayrshire

KA7 2AY

# VERACITY UK LTD

## GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Continuing operations	Discontinued operations	31 December 2021	Continuing operations	Discontinued operations	31 December 2020
		£	£	£	£	£	£
<b>Turnover</b>	3	16,610,052	-	16,610,052	14,626,375	1,400,157	16,026,532
Cost of sales		(6,762,659)	-	(6,762,659)	(5,927,841)	(1,295,760)	(7,223,601)
<b>Gross profit</b>		9,847,393	-	9,847,393	8,698,534	104,397	8,802,931
Administrative expenses		(8,239,634)	-	(8,239,634)	(8,320,305)	(102,867)	(8,423,172)
Other operating income		422,472	-	422,472	506,619	-	506,619
<b>Operating profit</b>	4	2,030,231	-	2,030,231	884,848	1,530	886,378
Interest receivable and similar income	8	1,149	-	1,149	7,254	-	7,254
Interest payable and similar expenses	9	(6,326)	-	(6,326)	(9,219)	-	(9,219)
Adjustments to the fair value of financial assets	10	444,622	-	444,622	-	-	-
Profit/(loss) on foreign exchange		(174,868)	-	(174,868)	(156,395)	-	(156,395)
<b>Profit before taxation</b>		2,294,808	-	2,294,808	726,488	1,530	728,018
Tax on profit	11	(23,411)	-	(23,411)	166,610	-	166,610
<b>Profit for the financial year</b>		2,271,397	-	2,271,397	893,098	1,530	894,628
<b>Other comprehensive income</b>							
Currency translation differences				104,265			(52,148)
<b>Total comprehensive income for the year</b>				2,375,662			842,480

Profit for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

# VERACITY UK LTD

## GROUP BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021		2020	
		£	£	£	£
<b>Fixed assets</b>					
Goodwill	13		1,512,158		1,730,755
Other intangible assets	13		3,806		7,949
Total intangible assets			1,515,964		1,738,704
Tangible assets	14		851,109		967,689
Investments	15		1,373,932		929,310
			3,741,005		3,635,703
<b>Current assets</b>					
Stocks	18	2,120,906		1,973,798	
Debtors	19	3,814,508		3,835,972	
Cash at bank and in hand		6,039,363		4,142,863	
		11,974,777		9,952,633	
<b>Creditors: amounts falling due within one year</b>	20	(2,118,294)		(2,092,550)	
<b>Net current assets</b>			9,856,483		7,860,083
<b>Total assets less current liabilities</b>			13,597,488		11,495,786
<b>Creditors: amounts falling due after more than one year</b>	21		(165,106)		(422,645)
<b>Provisions for liabilities</b>					
Deferred tax liability	23	(1,897)		(2,084)	
			1,897		2,084
<b>Net assets</b>			13,434,279		11,075,225
<b>Capital and reserves</b>					
Called up share capital	26		17,955		17,861
Share premium account			1,733,657		1,724,361
Capital redemption reserve			486		486
Fair value reserve	27		891,628		447,006
Profit and loss reserves			10,718,197		8,817,866
<b>Equity attributable to owners of the parent company</b>			13,361,923		11,007,580
<b>Non-controlling interests</b>			72,356		67,645
			13,434,279		11,075,225

**VERACITY UK LTD**

**GROUP BALANCE SHEET (CONTINUED)**

***AS AT 31 DECEMBER 2021***

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The financial statements were approved by the board of directors and authorised for issue on 18 May 2022 and are signed on its behalf by:

Mr Alastair McLeod BSc (Hons)  
**Director**

Mr David Corson B.Acc., CA  
**Director**

# VERACITY UK LTD

## COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021		2020	
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	13		3,806		7,949
Tangible assets	14		653,757		716,782
Investments	15		5,020,611		4,575,989
			<u>5,678,174</u>		<u>5,300,720</u>
<b>Current assets</b>					
Stocks	18	1,388,872		1,414,403	
Debtors falling due after more than one year	19	193,750		-	
Debtors falling due within one year	19	3,645,473		3,588,496	
Cash at bank and in hand		3,561,372		2,778,256	
		<u>8,789,467</u>		<u>7,781,155</u>	
<b>Creditors: amounts falling due within one year</b>	20	<u>(1,139,911)</u>		<u>(1,240,412)</u>	
<b>Net current assets</b>			<u>7,649,556</u>		<u>6,540,743</u>
<b>Total assets less current liabilities</b>			<u>13,327,730</u>		<u>11,841,463</u>
<b>Creditors: amounts falling due after more than one year</b>	21		<u>(165,106)</u>		<u>(244,003)</u>
<b>Net assets</b>			<u><u>13,162,624</u></u>		<u><u>11,597,460</u></u>
<b>Capital and reserves</b>					
Called up share capital	26		17,955		17,861
Share premium account			1,733,657		1,724,361
Capital redemption reserve			486		486
Fair value reserve	27		891,628		447,006
Profit and loss reserves			10,518,898		9,407,746
<b>Total equity</b>			<u><u>13,162,624</u></u>		<u><u>11,597,460</u></u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related noted. The company's profit for the year was £1,581,772 (2020 - £1,219,750 profit).

The financial statements were approved by the board of directors and authorised for issue on 18 May 2022 and are signed on its behalf by:

Mr Alastair McLeod BSc (Hons)  
**Director**

Mr David Corson B.Acc.,CA  
**Director**

**Company Registration No. SC291812**

## VERACITY UK LTD

### GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Share premium account	Revaluation reserve	Capital redemption reserve	Fair value reserves	Profit and loss reserves	Non-controlling interest	Controlling interest	Total
Notes	£	£	£	£	£	£	£	£	£
<b>Balance at 1 January 2020</b>	17,806	1,720,252	11,003	486	447,006	7,957,736	10,154,289	-	10,154,289
<b>Year ended 31 December 2020:</b>									
Profit for the year	-	-	-	-	-	894,628	894,628	-	894,628
Other comprehensive income:									
Actuarial gains on defined benefit plans	-	-	-	-	-	(52,148)	(52,148)	-	(52,148)
Total comprehensive income for the year	-	-	-	-	-	842,480	842,480	-	842,480
Issue of share capital	26	4,109	-	-	-	-	4,164	-	4,164
Credit to equity for equity settled share-based payments	25	-	-	-	-	(6,720)	(6,720)	-	(6,720)
Transfers	-	-	(11,003)	-	-	11,003	-	-	-
Other movements	-	-	-	-	-	13,367	13,367	67,645	81,012
<b>Balance at 31 December 2020</b>	17,861	1,724,361	-	486	447,006	8,817,866	11,007,580	67,645	11,075,225

## VERACITY UK LTD

### GROUP STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Share premium account	Revaluation reserve	Capital redemption reserve	Fair value reserves	Profit and loss reserves	Total non-controlling interest	Total
Notes	£	£	£	£	£	£	£	£
<b>Year ended 31 December 2021:</b>								
Profit for the year	-	-	-	-	444,622	2,271,397	2,271,397	2,271,397
Other comprehensive income:								
Actuarial gains on defined benefit plans	-	-	-	-	-	104,265	104,265	104,265
Total comprehensive income for the year	-	-	-	-	444,622	2,375,662	2,375,662	2,375,662
Issue of share capital	26	94	9,296	-	-	-	9,390	9,390
Credit to equity for equity settled share-based payments	25	-	-	-	-	(25,998)	(25,998)	(25,998)
Transfers	-	-	-	-	-	(444,622)	(444,622)	(444,622)
Other movements	-	-	-	-	-	(4,711)	(4,711)	4,711
<b>Balance at 31 December 2021</b>	17,955	1,733,657	-	486	891,628	10,718,197	13,361,923	72,356
								13,434,279

# VERACITY UK LTD

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Share premium account	Revaluation reserve	Capital redemption reserve	Fair value reserve/loss	Profit and reserves	Total
Notes	£	£	£	£	£	£	£
<b>Balance at 1 January 2020</b>	17,806	1,720,252	11,003	486	447,006	8,183,713	10,380,266
<b>Year ended 31 December 2020:</b>							
Profit and total comprehensive income for the year	-	-	-	-	-	1,219,750	1,219,750
Issue of share capital	26	55	4,109	-	-	-	4,164
Credit to equity for equity settled share-based payments	25	-	-	-	-	(6,720)	(6,720)
Transfers	-	-	(11,003)	-	-	11,003	-
<b>Balance at 31 December 2020</b>	17,861	1,724,361	-	486	447,006	9,407,746	11,597,460
<b>Year ended 31 December 2021:</b>							
Profit and total comprehensive income for the year	26	-	-	-	444,622	1,581,772	1,581,772
Issue of share capital	26	94	9,296	-	-	-	9,390
Credit to equity for equity settled share-based payments	25	-	-	-	-	(25,998)	(25,998)
Transfers	-	-	-	-	-	(444,622)	(444,622)
<b>Balance at 31 December 2021</b>	17,955	1,733,657	-	486	891,628	10,518,898	13,162,624

# VERACITY UK LTD

## GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

		2021		2020	
	Notes	£	£	£	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	32	2,139,260		1,626,490	
Interest paid		(6,326)		(9,219)	
Income taxes refunded/(paid)		76,829		(86,627)	
<b>Net cash inflow from operating activities</b>		<b>2,209,763</b>		<b>1,530,644</b>	
<b>Investing activities</b>					
Purchase of intangible assets		-	(141,885)		
Transfer of intangible assets		-	150,000		
Purchase of tangible fixed assets		(84,007)	(147,813)		
Proceeds on disposal of tangible fixed assets		17,744	2		
Movement in associates		-	37,603		
Interest received		1,149	7,254		
<b>Net cash used in investing activities</b>			<b>(65,114)</b>		<b>(94,839)</b>
<b>Financing activities</b>					
Proceeds from issue of shares		9,390	4,164		
Bank loan movement		(257,539)	141,840		
Non-controlling interests		-	81,012		
<b>Net cash (used in)/generated from financing activities</b>			<b>(248,149)</b>		<b>227,016</b>
<b>Net increase in cash and cash equivalents</b>			<b>1,896,500</b>		<b>1,662,821</b>
Cash and cash equivalents at beginning of year		4,142,863		2,480,042	
<b>Cash and cash equivalents at end of year</b>		<b>6,039,363</b>		<b>4,142,863</b>	

# VERACITY UK LTD

## COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

		2021		2020	
	Notes	£	£	£	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	33		817,087		1,264,206
Interest paid			(6,323)		(8,268)
Income taxes refunded/(paid)			35,532		-
<b>Net cash inflow from operating activities</b>			<u>846,296</u>		<u>1,255,938</u>
<b>Investing activities</b>					
Purchase of tangible fixed assets		(22,987)		(76,062)	
Purchase of subsidiaries		-		(42,397)	
Interest received		29,314		20,143	
<b>Net cash generated from/(used in) investing activities</b>			<u>6,327</u>		<u>(98,316)</u>
<b>Financing activities</b>					
Proceeds from issue of shares		9,390		4,164	
Bank loan movement		(78,897)		(36,802)	
<b>Net cash used in financing activities</b>			<u>(69,507)</u>		<u>(32,638)</u>
<b>Net increase in cash and cash equivalents</b>			<u>783,116</u>		<u>1,124,984</u>
Cash and cash equivalents at beginning of year			2,778,256		1,653,272
<b>Cash and cash equivalents at end of year</b>			<u><u>3,561,372</u></u>		<u><u>2,778,256</u></u>

# VERACITY UK LTD

## NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1 Accounting policies

#### Company information

Veracity UK Limited ("the company") is a private limited company domiciled and incorporated in Scotland. The registered office is Prestwick International Aerospace Park, 4 Dow Road, Monkton, Prestwick, Ayrshire, KA9 2TU.

The group consists of Veracity UK Limited and all of its subsidiaries.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

#### 1.2 Business combinations

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

#### 1.3 Basis of consolidation

The consolidated group financial statements consist of the financial statements of the parent company Veracity UK Limited together with all entities controlled by the parent company (its subsidiaries) and the group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 December 2021. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

#### 1.4 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### 1.5 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

# VERACITY UK LTD

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

---

### 1 Accounting policies

(Continued)

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the sale of hardware and third party software, where no significant vendor obligations exist, is recognised on despatch. Revenue on non-standard software or where significant vendor obligations exists is recognised on customer acceptance.

Revenue from the sale of software is recognised at the time the software licence is granted, in accordance with agreed contract milestones such as installation at customer location. Revenues for support and maintenance services are recognised proportionately over the period that the services are provided. Payments received in advance of services are recorded in the balance sheet as deferred income.

#### 1.6 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

#### 1.7 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

#### 1.8 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	16%-33% Straight Line
Patents & licences	10% Straight Line

#### 1.9 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

# VERACITY UK LTD

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

---

### 1 Accounting policies

(Continued)

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	2% Straight Line
Leasehold land and buildings	25% Straight Line
Leasehold improvements	20% Straight Line
Plant and equipment	25%-33% Straight Line
Fixtures and fittings	16%-33% Straight Line and 10% Reducing Balance
Computers	20%-33% Straight Line
Motor vehicles	25% Straight Line and 25% Reducing Balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

#### 1.10 Fixed asset investments

In the parent company financial statements, investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Investments in non controlling interests are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

#### 1.11 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets 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 company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

#### 1.12 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

# VERACITY UK LTD

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

---

### 1 Accounting policies

(Continued)

#### 1.13 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.14 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

##### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

##### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

# VERACITY UK LTD

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1 Accounting policies

(Continued)

#### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

#### **Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

### 1.15 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

### 1.16 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

#### **Current tax**

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

#### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

# VERACITY UK LTD

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1 Accounting policies

(Continued)

#### 1.17 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

The company operates an HMRC approved EMI scheme in which employees are granted options on shares with an exercise price agreed annually with HMRC as being a fair valuation.

#### 1.18 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

#### 1.19 Share-based payments

The fair value of equity-settled share based payments to employees is determined at the date of grant and is expensed on a straight line basis over the vesting period. In the directors opinion the fair value of the equity-settled share based payments is determined using the EBITDA model, netted against the agreed HMRC exercise price. Equity-settled share based payments will be reversed when either exercised or an employee leaves the company.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

#### 1.20 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### 1.21 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

# VERACITY UK LTD

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Accounting policies (Continued)

#### 1.22 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

### 2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

### 3 Turnover and other revenue

	2021	2020
	£	£
<b>Turnover analysed by class of business</b>		
Hardware and software sales	16,610,052	16,026,532
	<u>16,610,052</u>	<u>16,026,532</u>
	2021	2020
	£	£
<b>Turnover analysed by geographical market</b>		
UK	4,300,103	5,009,345
USA	6,005,982	5,349,844
Europe	4,172,170	4,007,202
Australia & New Zealand	158,109	182,357
Middle East	1,234,933	1,115,144
India	738,755	362,640
	<u>16,610,052</u>	<u>16,026,532</u>
	2021	2020
	£	£
<b>Other significant revenue</b>		
Interest income	1,149	7,254
Grants received	421,547	441,836
	<u>422,696</u>	<u>449,090</u>

# VERACITY UK LTD

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 4 Operating profit

	2021	2020
	£	£
Operating profit for the year is stated after charging/(crediting):		
Research and development costs	1,653,362	1,539,219
Government grants	(421,547)	(441,836)
Depreciation of owned tangible fixed assets	150,957	197,409
Loss on disposal of tangible fixed assets	31,886	7,069
Amortisation of intangible assets	222,740	224,913
Share-based payments	(25,998)	(6,720)
Operating lease charges	197,313	211,104
	<u>                    </u>	<u>                    </u>

### 5 Auditor's remuneration

	2021	2020
	£	£
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the group and company	24,300	22,500
Audit of the financial statements of the company's subsidiaries	16,700	20,000
	<u>                    </u>	<u>                    </u>
	<u>41,000</u>	<u>42,500</u>

### 6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2021 Number	2020 Number	Company 2021 Number	2020 Number
Administration	16	21	8	8
Marketing	1	2	1	1
Operations	20	14	7	6
Research and development	27	38	13	13
Sales	26	28	5	5
Technical	24	25	3	4
Design	3	4	3	3
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total	117	132	40	40

# VERACITY UK LTD

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 6 Employees (Continued)

Their aggregate remuneration comprised:

	Group 2021 £	2020 £	Company 2021 £	2020 £
Wages and salaries	4,082,608	4,185,083	1,496,763	1,307,233
Social security costs	512,497	491,750	164,657	125,656
Pension costs	124,550	135,170	66,154	68,067
	<u>4,719,655</u>	<u>4,812,003</u>	<u>1,727,574</u>	<u>1,500,956</u>

In addition to the above wages and salaries costs, there is £1,456,910 (2020 - £1,247,631) included within research and development costs in administrative costs that have been reallocated from wages and salaries.

### 7 Directors' remuneration

	2021 £	2020 £
Remuneration for qualifying services	705,090	667,623
Company pension contributions to defined contribution schemes	65,178	59,300
	<u>770,268</u>	<u>726,923</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 6 (2020 - 5).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2021 £	2020 £
Remuneration for qualifying services	177,774	130,966
Company pension contributions to defined contribution schemes	8,632	12,228
	<u>186,406</u>	<u>143,194</u>

### 8 Interest receivable and similar income

	2021 £	2020 £
<b>Interest income</b>		
Interest on bank deposits	1,149	7,254
	<u>1,149</u>	<u>7,254</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	1,149	7,254
	<u>1,149</u>	<u>7,254</u>

# VERACITY UK LTD

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

<b>9</b>	<b>Interest payable and similar expenses</b>	<b>2021</b>	<b>2020</b>
		£	£
	<b>Interest on financial liabilities measured at amortised cost:</b>		
	Interest on bank overdrafts and loans	6,326	9,219
		<u>          </u>	<u>          </u>
<b>10</b>	<b>Amounts written off investments</b>	<b>2021</b>	<b>2020</b>
		£	£
	<b>Fair value gains/(losses) on financial instruments</b>		
	Change in value of financial assets held at fair value through profit or loss	444,622	-
		<u>          </u>	<u>          </u>
<b>11</b>	<b>Taxation</b>	<b>2021</b>	<b>2020</b>
		£	£
	<b>Current tax</b>		
	UK corporation tax on profits for the current period	(147,418)	(171,623)
	Adjustments in respect of prior periods	-	(75,848)
		<u>          </u>	<u>          </u>
	Total UK current tax	(147,418)	(247,471)
	Foreign current tax on profits for the current period	170,829	80,861
		<u>          </u>	<u>          </u>
	Total current tax	23,411	(166,610)
		<u>          </u>	<u>          </u>

The actual charge/(credit) for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	<b>2021</b>	<b>2020</b>
	£	£
Profit before taxation	2,294,808	728,018
	<u>          </u>	<u>          </u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	436,014	138,323
Tax effect of expenses that are not deductible in determining taxable profit	51,726	51,978
Tax effect of income not taxable in determining taxable profit	(84,478)	-
Tax effect of utilisation of tax losses not previously recognised	22,571	20,946
Depreciation on assets not qualifying for tax allowances	1,998	1,960
Research and development tax credit	(400,770)	(379,817)
Other permanent differences	(3,650)	-
	<u>          </u>	<u>          </u>
Taxation charge/(credit)	23,411	(166,610)
	<u>          </u>	<u>          </u>

The group has estimated UK tax losses of £1,253,737 available to carry forward against future trading profits.

## VERACITY UK LTD

### NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

#### 12 Discontinued operations

During 2020 the Directors concluded that the business of Vitre Limited which had been split out from its parent company, Visual Management Systems Limited, from the start of 2020 to gauge its performance, ultimately did not fit well within the wider Veracity Group provision of specialised hardware and software to the CCTV and wider security sectors. As a result, it was concluded that this non-core resell service should cease trading from June 2020.

#### 13 Intangible fixed assets

Group	Goodwill	Software	Patents & licences	Total
	£	£	£	£
<b>Cost</b>				
At 1 January 2021 and 31 December 2021	2,185,976	19,803	92,723	2,298,502
<b>Amortisation and impairment</b>				
At 1 January 2021	455,221	19,803	84,774	559,798
Amortisation charged for the year	218,597	-	4,143	222,740
At 31 December 2021	673,818	19,803	88,917	782,538
<b>Carrying amount</b>				
At 31 December 2021	1,512,158	-	3,806	1,515,964
At 31 December 2020	1,730,755	-	7,949	1,738,704
<b>Company</b>				
			Patents & licences	
			£	
<b>Cost</b>				
At 1 January 2021 and 31 December 2021			92,723	
<b>Amortisation and impairment</b>				
At 1 January 2021			84,774	
Amortisation charged for the year			4,143	
At 31 December 2021			88,917	
<b>Carrying amount</b>				
At 31 December 2021			3,806	
At 31 December 2020			7,949	

## VERACITY UK LTD

### NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

14 Tangible fixed assets											
Group	Freehold land and buildings	Leasehold land and buildings	Leasehold improvements	Plant and equipment	Fixtures and fittings	Computers	Motor vehicles	Total			
	£	£	£	£	£	£	£	£	£	£	
<b>Cost or valuation</b>											
At 1 January 2021	637,663	13,791	51,572	728,681	211,307	8,500	130,735	1,782,249			
Additions	-	-	-	68,458	14,413	1,136	-	84,007			
Disposals	-	-	-	-	(34,080)	-	(32,385)	(66,465)			
At 31 December 2021	637,663	13,791	51,572	797,139	191,640	9,636	98,350	1,799,791			
<b>Depreciation and impairment</b>											
At 1 January 2021	50,698	10,726	44,074	577,477	62,983	5,006	63,596	814,560			
Depreciation charged in the year	11,148	2,123	6,688	94,666	18,848	1,752	15,732	150,957			
Eliminated in respect of disposals	-	-	-	-	(5,197)	-	(11,638)	(16,835)			
At 31 December 2021	61,846	12,849	50,762	672,143	76,634	6,758	67,690	948,682			
<b>Carrying amount</b>											
At 31 December 2021	575,817	942	810	124,996	115,006	2,878	30,660	851,109			
At 31 December 2020	586,965	3,065	7,498	151,204	148,324	3,494	67,139	967,689			

# VERACITY UK LTD

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Company	Freehold land and buildings	Leasehold land and buildings	Plant and equipment	Motor vehicles	Total
	£	£	£	£	£
<b>Cost or valuation</b>					
At 1 January 2021	637,663	13,791	523,769	53,856	1,229,079
Additions	-	-	22,987	-	22,987
At 31 December 2021	637,663	13,791	546,756	53,856	1,252,066
<b>Depreciation and impairment</b>					
At 1 January 2021	50,698	10,726	410,666	40,207	512,297
Depreciation charged in the year	11,148	2,123	65,195	7,546	86,012
At 31 December 2021	61,846	12,849	475,861	47,753	598,309
<b>Carrying amount</b>					
At 31 December 2021	575,817	942	70,895	6,103	653,757
At 31 December 2020	586,965	3,065	113,103	13,649	716,782

The transitional rules set out in FRS 102 have been applied in implementing FRS 102. Accordingly the 2014 valuation is being deemed as the cost therefore revaluations are not required in the future.

Freehold buildings were revalued in 2014 at £300,000 by independent external valuers on an open market basis. Additions since that date are included at cost.

### 15 Fixed asset investments

	Notes	Group 2021 £	2020 £	Company 2021 £	2020 £
Investments in subsidiaries	16	-	-	3,646,679	3,646,679
Unlisted investments		1,373,932	929,310	1,373,932	929,310
		1,373,932	929,310	5,020,611	4,575,989

# VERACITY UK LTD

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 15 Fixed asset investments (Continued)

Movements in fixed asset investments Group		Investments £
<b>Cost or valuation</b>		
At 1 January 2021		929,310
Valuation changes		444,622
At 31 December 2021		1,373,932
<b>Carrying amount</b>		
At 31 December 2021		1,373,932
At 31 December 2020		929,310

Movements in fixed asset investments Company	Shares in subsidiaries	Other investments	Total
	£	£	£
<b>Cost or valuation</b>			
At 1 January 2021	3,646,679	929,310	4,575,989
Valuation changes	-	444,622	444,622
At 31 December 2021	3,646,679	1,373,932	5,020,611
<b>Carrying amount</b>			
At 31 December 2021	3,646,679	1,373,932	5,020,611
At 31 December 2020	3,646,679	929,310	4,575,989

### 16 Subsidiaries

Details of the company's subsidiaries at 31 December 2021 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held	
			Direct	Indirect
Veracity Systems Surveillance Private Ltd	India	Ordinary	99.99	-
Veracity ME DMCC	United Arab Emirates	Ordinary	100.00	-
Veracity Systems Ltd	UK	Ordinary	100.00	-
Veracity USA, Inc.	USA	Ordinary	100.00	-
Veracity Solutions Holdings Limited	UK	Ordinary	100.00	-
Veracity Solutions Limited	UK	Ordinary	0	100.00
Titan AI Limited	UK	Ordinary	0	100.00
Vitre Limited	UK	Ordinary	0	100.00
Bluebox Video Limited	UK	Ordinary	52.10	-

# VERACITY UK LTD

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

17 Financial instruments	Group 2021 £	2020 £	Company 2021 £	2020 £
<b>Carrying amount of financial assets</b>				
Instruments measured at fair value through profit or loss	1,373,932	929,310	1,373,932	929,310
	<u>1,373,932</u>	<u>929,310</u>	<u>1,373,932</u>	<u>929,310</u>
<b>18 Stocks</b>				
	Group 2021 £	2020 £	Company 2021 £	2020 £
Work in progress	5,537	5,537	-	-
Finished goods and goods for resale	2,115,369	1,968,261	1,388,872	1,414,403
	<u>2,120,906</u>	<u>1,973,798</u>	<u>1,388,872</u>	<u>1,414,403</u>
<b>19 Debtors</b>				
	Group 2021 £	2020 £	Company 2021 £	2020 £
<b>Amounts falling due within one year:</b>				
Trade debtors	2,981,532	2,790,758	1,233,996	1,090,109
Corporation tax recoverable	147,418	247,471	13,530	35,532
Amounts owed by group undertakings	-	-	1,914,125	1,894,337
Other debtors	202,087	273,945	197,147	238,420
Prepayments and accrued income	483,471	523,798	286,675	330,098
	<u>3,814,508</u>	<u>3,835,972</u>	<u>3,645,473</u>	<u>3,588,496</u>
<b>Amounts falling due after more than one year:</b>				
Amounts owed by group undertakings	-	-	193,750	-
	<u>-</u>	<u>-</u>	<u>193,750</u>	<u>-</u>
<b>Total debtors</b>	<u>3,814,508</u>	<u>3,835,972</u>	<u>3,839,223</u>	<u>3,588,496</u>

# VERACITY UK LTD

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 20 Creditors: amounts falling due within one year

	Notes	Group 2021 £	2020 £	Company 2021 £	2020 £
Bank loans	22	68,090	68,090	68,090	68,090
Trade creditors		779,740	780,224	581,119	659,703
Other taxation and social security		237,190	226,496	82,970	61,275
Other creditors		103,166	50,691	6,104	6,342
Accruals and deferred income		930,108	967,049	401,628	445,002
		<u>2,118,294</u>	<u>2,092,550</u>	<u>1,139,911</u>	<u>1,240,412</u>

### 21 Creditors: amounts falling due after more than one year

	Notes	Group 2021 £	2020 £	Company 2021 £	2020 £
Bank loans and overdrafts	22	165,106	422,645	165,106	244,003
		<u>165,106</u>	<u>422,645</u>	<u>165,106</u>	<u>244,003</u>

### 22 Loans and overdrafts

	Group 2021 £	2020 £	Company 2021 £	2020 £
Bank loans	233,196	490,735	233,196	312,093
	<u>233,196</u>	<u>490,735</u>	<u>233,196</u>	<u>312,093</u>
Payable within one year	68,090	68,090	68,090	68,090
Payable after one year	165,106	422,645	165,106	244,003
	<u>165,106</u>	<u>422,645</u>	<u>165,106</u>	<u>244,003</u>

The UK bank loan is secured by standard security over the property of the company.

Last year the amount included above represented a UK bank loan and a US Paycheck Protection Plan forgivable loan. During the year Veracity USA Inc. received approval for the loan to be forgiven and it therefore was recognised as a gain in the year ended 31 December 2021.

### 23 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

Group	Liabilities 2021 £	Liabilities 2020 £
Accelerated capital allowances	(1,897)	(2,084)
	<u>(1,897)</u>	<u>(2,084)</u>

# VERACITY UK LTD

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 23 Deferred taxation (Continued)

The company has no deferred tax assets or liabilities.

	Group 2021 £	Company 2021 £
<b>Movements in the year:</b>		
Asset at 1 January 2021	(2,084)	-
Charge to profit or loss	187	-
	<u>          </u>	<u>          </u>
Asset at 31 December 2021	<u>(1,897)</u>	<u>-</u>

### 24 Retirement benefit schemes

	2021 £	2020 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	124,550	135,170
	<u>          </u>	<u>          </u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

### 25 Share-based payment transactions

	Group 2021 £	2020 £	Company 2021 £	2020 £
<b>Expenses recognised in the year</b>				
Arising from equity settled share based payment transactions	(25,998)	(6,720)	(25,998)	(6,720)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

For further information see the accounting policy at note 1.19.

### 26 Share capital

	2021 Number	2020 Number	2021 £	2020 £
<b>Group and company</b>				
<b>Ordinary share capital</b>				
<b>Issued and fully paid</b>				
Ordinary shares of 10p each	179,556	178,612	17,955	17,861
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

# VERACITY UK LTD

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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27 Fair value reserve	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
At the beginning of the year	447,006	447,006	447,006	447,006
Non distributable profits in the year	444,622	-	444,622	-
At the end of the year	<u>891,628</u>	<u>447,006</u>	<u>891,628</u>	<u>447,006</u>

## VERACITY UK LTD

### NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 28 Financial commitments, guarantees and contingent liabilities

1. As part of the acquisition of the Visual Management Systems Holdings group there is a possibility of earn out payments to the VMS vendors in respect of accounting periods 1st June 2019 to 31st December 2019; 1st January 2020 to 31st December 2020; and 1st January 2021 to 31st December 2021.

The earn out payments will be calculated on a percentage of net profit relating to core business sales and distribution business sales. The first earn out payment will be calculated at 50% of net profit on core business sales and 40% of net profit on distribution business sales for the period ending 31st December 2019. The second earn out payment will be calculated at 40% of net profit on core business sales and 30% of net profit on distribution business sales for the year ending 31st December 2020. The final earn out payment will be calculated at 30% of net profit on core business sales and 20% of net profit on distribution business sales for the year ending 31st December 2021.

If the company breaks even or makes a loss no earn out payment will be made, therefore no payment is expected for the period ended 31st December 2021 as a result of the loss.

2. In June 2021, Hewlett Packard Enterprise (HPE) initiated a claim against Visual Management Systems Limited (VMS) for \$2m, being 57% of \$3.5m. The circumstances relate to the activities of a former employee and before the group acquired VMS.

In September 2018, VMS entered into an Original Equipment Manufacturer (OEM) Partner Agreement with HPE. This allowed additional discounts on supply of products conditional upon VMS's compliance with the terms of the HPE OEM Partner Agreement. The Supply of product was by CCS Inc. (CCS).

HPE allege that, in early 2019, they found that HPE products had been supplied by CCS and, instead of being used by VMS for its own products, were quickly resold by VMS to IT brokers as a standalone product. They estimate the amount of additional discounts as \$3.5m.

Veracity UK Ltd (VUK) dispute the claim and have ascertained that the supply of product was by CCS both before and after the OEM Agreement was entered into and for some product VMS then invoiced the customer.

The directors are confident that it is unlikely settlement will require to be made to HPE and on that basis have not made any provision for any amount due to HPE.

3. In February 2022, Chrimar Systems Inc served patent infringement procedures on Veracity USA Inc. alleging infringement in respect of Veracity's "power over Ethernet" products. The letter threatens to file a patent infringement lawsuit unless the companies agree on a licence to the patent and payment for that licence.

Chrimar's complaint targets sales that Veracity made to the USA market through other distributors. Only one patent is mentioned, and that patent expired during May 2019. As a result, Chrimar is limited in the infringement damages it may seek to sales made from six years before the date of filing of a lawsuit to the date of expiration of the patent.

The director's assessment of the potential exposure based on the products it has identified amounts to \$26,633 plus limited legal costs, this has not been provided in the accounts due to its immaterial value.

# VERACITY UK LTD

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 29 Operating lease commitments

#### Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2021 £	2020 £	Company 2021 £	2020 £
Within one year	168,960	216,101	28,250	51,945
Between two and five years	268,784	327,788	40,375	46,250
In over five years	4,869	4,375	-	4,375
	<u>442,613</u>	<u>548,264</u>	<u>68,625</u>	<u>102,570</u>

### 30 Events after the reporting date

On 1st January 2022 Veracity UK Limited purchased all of the share capital of Radial Holdings Limited, including its subsidiary Radial Electronics Limited.

### 31 Directors' transactions

Other creditors includes the amount of £31,378 (2020 - £35,961) owed by the company. The loan is repayable on demand and bears no interest.

### 32 Cash generated from group operations

	2021 £	2020 £
Profit for the year after tax	2,271,397	894,628
<b>Adjustments for:</b>		
Taxation charged/(credited)	23,411	(166,610)
Finance costs	6,326	9,219
Investment income	(1,149)	(7,254)
Loss on disposal of tangible fixed assets	31,886	7,069
Amortisation and impairment of intangible assets	222,740	224,913
Depreciation and impairment of tangible fixed assets	150,957	197,409
Other gains and losses	(444,622)	-
Pension scheme non-cash movement	104,265	(52,148)
Equity settled share based payment expense	(25,998)	(6,720)
<b>Movements in working capital:</b>		
Increase in stocks	(147,108)	(409,949)
(Increase)/decrease in debtors	(78,589)	1,187,179
Increase/(decrease) in creditors	25,744	(251,247)
<b>Cash generated from operations</b>	<u>2,139,260</u>	<u>1,626,490</u>

# VERACITY UK LTD

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 33 Cash generated from operations - company

	2021	2020
	£	£
Profit for the year after tax	1,581,772	1,219,750
<b>Adjustments for:</b>		
Taxation credited	(13,530)	(35,532)
Finance costs	6,323	8,268
Investment income	(29,314)	(20,143)
Amortisation and impairment of intangible assets	4,143	6,315
Depreciation and impairment of tangible fixed assets	86,012	117,151
Other gains and losses	(444,622)	-
Equity settled share based payment expense	(25,998)	(6,720)
<b>Movements in working capital:</b>		
Decrease/(increase) in stocks	25,531	(244,695)
(Increase)/decrease in debtors	(272,729)	88,461
(Decrease)/increase in creditors	(100,501)	131,351
<b>Cash generated from operations</b>	<u>817,087</u>	<u>1,264,206</u>

### 34 Analysis of changes in net funds - group

	1 January 2021	Cash flows	31 December 2021
	£	£	£
Cash at bank and in hand	4,142,863	1,896,500	6,039,363
Borrowings excluding overdrafts	(490,735)	257,539	(233,196)
	<u>3,652,128</u>	<u>2,154,039</u>	<u>5,806,167</u>

### 35 Analysis of changes in net funds - company

	1 January 2021	Cash flows	31 December 2021
	£	£	£
Cash at bank and in hand	2,778,256	783,116	3,561,372
Borrowings excluding overdrafts	(312,093)	78,897	(233,196)
	<u>2,466,163</u>	<u>862,013</u>	<u>3,328,176</u>

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.