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## **QiO Technologies Ltd**

Unaudited

Report and Financial Statements

For the year ended

31 December 2021

Registered Company Number 09368431

# **QiO Technologies Ltd**

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### **Directors**

B Khuti

R Haythornthwaite

R Pandhare

### **Company secretary**

E Birch

### **Registered office**

One, High Street, Egham, Surrey, TW20 9HJ

### **Registered Company number**

09368431

# **QiO Technologies Ltd**

## **Report of the directors**

**for the year ended 31 December 2021**

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The directors present their report together with the unaudited financial statements for the year ended 31 December 2021.

### **Results**

The consolidated statement of comprehensive income is set out on page 3 and shows the loss for the year, after taxation of £2,635,814 (2020 - £3,132,877).

### **Principal activity**

The principal activity of QiO Technologies Ltd and its subsidiaries ("the Group") is the development and distribution of industrial analytics software.

### **Review of business**

The financial statements reflect the sixth full year of trading since incorporation. The business continues to hone its talent pool and has significantly invested in product development. The Group is developing a product suite of subscription software applications that embed Artificial Intelligence, Big Data and advanced analytics together on an open cloud-native platform for industrial customers.

The directors place significant importance on the development and enhancement of the QiO Foresight Platform® and the QiO Foresight Suite® of subscription application products and invest as much trading surplus and investment funds as possible into these activities. All research and development expenditure has been charged to profit and loss in the year in which it is incurred and a total of £854,317 (2020 - £1,587,588) has been charged in the year.

### **Directors**

The directors of QiO Technologies Ltd ("the Company") throughout the year and to the date of this report were:

B Khuti

R Haythornthwaite

R Pandhare

The Company maintains indemnity insurance on behalf of its directors.

# QiO Technologies Ltd

## Report of the directors (*continued*) for the year ended 31 December 2021

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### Directors' responsibilities

The directors are responsible for preparing the directors' 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 Group and Company 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 and Company 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Basis of Preparation

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

### Approval

This Directors' Report was approved by order of the Board on 31 May 2022.



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R Pandhare

Director

**QiO Technologies Ltd**  
**Consolidated statement of comprehensive income**  
**for the year ended 31 December 2021**

	<b>Note</b>	<b>2021</b> <b>£</b>	<b>2020</b> <b>£</b> (as restated – see note 20)
<b>Revenue</b>	<b>1</b>	<b>927,035</b>	<b>1,083,978</b>
<b>Cost of revenue</b>		<b>(505,567)</b>	<b>(645,662)</b>
<b>Gross profit</b>		<b>421,468</b>	<b>438,316</b>
<b>Operating expenses/Other income</b>			
Sales and marketing expenses		<b>(265,830)</b>	<b>(459,187)</b>
General and administrative expenses		<b>(1,375,636)</b>	<b>(1,294,917)</b>
Research and development expenses		<b>(854,317)</b>	<b>(1,587,588)</b>
Other income	<b>1</b>	<b>-</b>	<b>-</b>
<b>Operating loss</b>	<b>3</b>	<b>(2,074,315)</b>	<b>(2,903,376)</b>
<b>Interest payable and similar charges</b>	<b>6</b>	<b>(815,604)</b>	<b>(571,344)</b>
<b>Loss on ordinary activities before taxation</b>		<b>(2,889,919)</b>	<b>(3,474,720)</b>
<b>Taxation on loss on ordinary activities</b>	<b>7</b>	<b>221,021</b>	<b>431,861</b>
<b>Loss for the financial year</b>		<b>(2,668,898)</b>	<b>(3,042,859)</b>
<b>Other comprehensive loss for the year</b>			
Currency translation differences		<b>33,084</b>	<b>(90,018)</b>
<b>Total comprehensive loss for year</b>		<b>(2,635,814)</b>	<b>(3,132,877)</b>

The notes on pages 8 to 25 form part of these financial statements.

# QiO Technologies Ltd

## Consolidated balance sheet

at 31 December 2021

<b>Company number 09368431</b>	<b>Note</b>	<b>2021</b>	<b>2021</b>	<b>2020</b>	<b>2020</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
				(as restated – see note 20)	
<b>Fixed assets</b>					
Tangible assets	8		-		200
<b>Current assets</b>					
Debtors	10	759,883		1,291,381	
Cash at bank and in hand		712,760		342,515	
		1,472,643		1,633,896	
<b>Creditors: amounts falling due within one year</b>	11	(1,022,966)		(1,030,027)	
<b>Net current assets</b>			449,677		603,869
<b>Creditors: amounts falling due in greater than one year</b>	12		(4,199,993)		(3,867,158)
<b>Net (liabilities)/assets</b>			(3,750,316)		(3,263,089)
<b>Capital and reserves</b>					
Called up share capital	15		7,932		7,932
Share premium	16		2,509,033		2,509,033
Share warrant reserve	16		-		877,500
Preference share reserve	16		7,231,546		7,231,546
Super Preference Shares	16		2,029,851		-
Profit and loss account			(15,528,678)		(13,889,100)
<b>Shareholders' (deficit)/funds</b>			(3,750,316)		(3,263,089)

The notes on pages 8 to 25 form part of these financial statements. These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

For the year ending 31 December 2021, the Company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies. The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006. The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 31 May 2022.

*Rajan Pandhare*

R Pandhare

Director

# QiO Technologies Ltd

## Consolidated statement of changes in equity

for the year ended 31 December 2021

	Called up share capital	Share premium	Share warrant reserve	Preference share reserve	Super Preference share reserve	Profit and loss account	Total equity/ (deficit)
	£	£	£	£	£	£	£
<b>At 1 January 2019</b>	<b>5,984</b>	<b>1,010,552</b>	<b>877,500</b>	<b>7,007,546</b>	<b>-</b>	<b>(11,319,124)</b>	<b>(2,417,542)</b>
<b>Total comprehensive loss for the year</b>							
Loss for the year (as restated – see note 20)	-	-	-	-	-	(3,042,859)	(3,042,859)
Currency translation differences	-	-	-	-	-	(90,018)	(90,018)
	-	-	-	-	-	(3,132,877)	(3,132,877)
<b>Total contributions by and distributions to owners</b>							
New shares issued in the year	429	-	-	-	-	-	429
Convertible loan converted into equity in the year	1,519	1,498,481	-	-	-	-	1,500,000
Convertible loan issued in the year	-	-	-	-	-	547,974	547,974
Preference shares issued in the year	-	-	-	224,000	-	-	224,000
Share based payment	-	-	-	-	-	14,927	14,927
<b>At 31 December 2020 (as restated – see note 20)</b>	<b>7,932</b>	<b>2,509,033</b>	<b>877,500</b>	<b>7,231,546</b>	<b>-</b>	<b>(13,889,100)</b>	<b>(3,263,089)</b>
<b>Total comprehensive loss for the year</b>							
Loss for the year	-	-	-	-	-	(2,668,898)	(2,668,898)
Currency translation differences	-	-	-	-	-	33,084	33,084
	-	-	-	-	-	(2,635,814)	(2,635,814)
<b>Total contributions by and distributions to owners</b>							
Convertible loan converted into equity in the year	-	-	-	-	1,029,851	(547,974)	481,877
Super preference shares issued in the year	-	-	-	-	1,000,000	-	1,000,000
Share based payment	-	-	-	-	-	666,710	666,710
Expired share warrants transferred to retained earnings	-	-	(877,500)	-	-	877,500	-
<b>At 31 December 2021</b>	<b>7,932</b>	<b>2,509,033</b>	<b>-</b>	<b>7,231,546</b>	<b>2,029,851</b>	<b>(15,528,678)</b>	<b>(3,750,316)</b>

# QiO Technologies Ltd

## Company balance sheet

at 31 December 2021

<b>Company number 09368431</b>	<b>Note</b>	<b>2021</b>	<b>2021</b>	<b>2020</b>	<b>2020</b>
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	8		-		87
Investments	9		21,007		21,007
			<u>21,007</u>		<u>21,094</u>
<b>Current assets</b>					
Debtors	10	780,441		1,177,603	
Cash at bank and in hand		711,971		300,087	
		<u>1,492,412</u>		<u>1,477,690</u>	
<b>Creditors: amounts falling due within one year</b>	11	(1,487,053)		(1,239,996)	
		<u></u>		<u></u>	
<b>Net current assets/(liabilities)</b>			5,358		237,694
<b>Creditors: amounts falling due in greater than one year</b>	12		(4,199,992)		(3,867,158)
			<u></u>		<u></u>
<b>Net (liabilities)/assets</b>			(4,173,626)		(3,608,370)
			<u></u>		<u></u>
<b>Capital and reserves</b>					
Called up share capital	13		7,932		7,932
Share premium	15		2,509,033		2,509,033
Share warrant reserve	15		-		877,500
Preference share reserve	15		7,231,546		7,231,546
Super Preference Shares			2,029,851		
Profit and loss account	15		(15,951,988)		(14,234,381)
			<u></u>		<u></u>
<b>Shareholders' (deficit)/funds</b>			(4,173,626)		(3,608,370)
			<u></u>		<u></u>
<b>Loss for the year</b>			(2,713,843)		(3,104,764)

The notes on pages 8 to 25 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 31 May 2022.

*Rajan Pandhare*

R Pandhare

Director



# QiO Technologies Ltd

## Company statement of changes in equity

for the year ended 31 December 2021

	Called up share capital	Share premium	Share warrant reserve	Preference share reserve	Super Preference share reserve	Profit and loss account	Total equity/ (deficit)
	£	£	£	£	£	£	£
At 1 January 2019	5,984	1,010,552	877,500	7,007,546	-	(11,692,518)	(2,790,936)
<b>Total comprehensive loss for the year</b>							
Loss for the year	-	-	-	-	-	(3,104,764)	(3,104,764)
	-	-	-	-	-	(3,104,764)	(3,104,764)
<b>Total contributions by and distributions to owners</b>							
New shares issued in the year	429	-	-	-	-	-	429
Convertible loan converted into equity in the year	1,519	1,498,481	-	-	-	-	1,500,000
Convertible loan issued in the year	-	-	-	-	-	547,974	547,974
Preference shares issued in the year	-	-	-	224,000	-	-	224,000
Share based payment	-	-	-	-	-	14,927	14,927
At 31 December 2020	7,932	2,509,033	877,500	7,231,546	-	(14,234,381)	(3,608,370)
<b>Total comprehensive loss for the year</b>							
Loss for the year	-	-	-	-	-	(2,713,843)	(2,713,843)
	-	-	-	-	-	(2,713,843)	(2,713,843)
<b>Total contributions by and distributions to owners</b>							
Convertible loan converted into equity in the year	-	-	-	-	1,029,851	(547,974)	481,877
Super preference shares issued in the year	-	-	-	-	1,000,000	-	1,000,000
Share based payment	-	-	-	-	-	666,710	666,710
Expired share warrants transferred to retained earnings	-	-	(877,500)	-	-	877,500	-
At 31 December 2021	7,932	2,509,033	-	7,231,546	2,029,851	(15,951,988)	(4,173,626)

# QiO Technologies Ltd

## Notes forming part of the financial statements

for the year ended 31 December 2021

### 1. Accounting policies

#### *Basis of preparation of financial statements*

QiO Technologies Ltd is a company incorporated in England and Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the Group's operations and its principal activities are set out in the Directors' report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 2).

The consolidated financial statements present the results of the Group as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The Group has taken the exemption available under the small companies regime not to present a statement of cash flows for the Group or Company.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements.

#### *Going concern*

Accounting standards require the Directors to consider the appropriateness of the going concern basis when preparing the financial statements and if necessary to explain how they have reached their conclusion. The Directors have taken notice of the Financial Reporting Council guidance on the going concern basis of accounting and reporting on solvency and liquidity risks. The Group made a loss after tax of £2,635,814 for the year ended 31 December 2021 (2020 - £3,132,877) and had net current assets of £449,677 (2020 - £603,869) and net liabilities of £3,750,316 (2020 - net liabilities of £3,263,089) at that date.

The directors have prepared a cash flow forecast for the Group and Parent company for a period including twelve months from the date of approval of these financial statements. These cash flow forecasts show that the Group and the Company are able to continue to operate without the need for further financing for a period including 12 months from the date of approval of these financial statements.

However, the above forecasts have been prepared using certain assumptions for new contract wins, the fulfilment of current contracts and related cash receipts, the timing and amounts of which are not certain and significantly impact the future cash flows of the business. The assumptions are also based on the estimated potential impact of further global COVID-19 restrictions and regulations, along with our proposed mitigating actions over the next 12 months. Measures have already been taken to protect the health and safety of our employees and our customers as well as to significantly reduce costs. Other than as described above, the Group and Company does not have any further financing available and therefore future cash flows may impact the group and Company's ability to operate within its existing financing facility. The Board has concluded that the above represents a material uncertainty that may cast significant doubt upon the Group and Company's ability to continue as a going concern. However, after considering the uncertainties the Board has a reasonable expectation that the Group and Company will be successful in continuing to operate without the need for additional financing. Accordingly the Board considers it is appropriate to continue to adopt the going concern basis in preparing the financial statements. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

#### *Revenue*

Revenue represents net invoiced sales of goods (analytics software) and services, excluding value added tax. Amounts recognised as revenue but not yet billed are reflected in the balance sheet as accrued income.

# QiO Technologies Ltd

## Notes forming part of the financial statements for the year ended 31 December 2021 (continued)

### 1. Accounting policies (continued)

#### Revenue (continued)

Amounts billed in advance of work performed are deferred in the balance sheet as deferred income. Revenue in respect of time and materials contracts is recognised as the services are performed. Revenue relating to fixed fee contracts is recognised evenly over the contract period.

	2021	2020
Revenue attributable to each class of business consists of	£	£
Software implementation	202,701	300,129
Recurring revenue	724,334	783,849
	<u>927,035</u>	<u>1,083,978</u>
	2021	2020
Revenue attributable to geographical segments consists of	£	£
United Kingdom	797,146	969,408
Germany	129,889	29,629
United States of America	-	84,941
Middle East	-	-
Asia Pacific	-	-
	<u>927,035</u>	<u>1,083,978</u>

#### Government grants

Grants of a revenue nature that compensate the Group for expenses incurred are recognised in profit or loss as 'other income' in the same period as the related expenditure.

#### Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset on a straight-line basis as follows:

Computer equipment – 33% on cost

#### Impairment of fixed assets

Fixed assets are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit ("CGU") to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e. CGUs).

# QiO Technologies Ltd

## Notes forming part of the financial statements for the year ended 31 December 2021 (*continued*)

### 1. Accounting policies (*continued*)

#### *Impairment of tangible fixed assets and intangible assets (continued)*

Fixed assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

#### *Share warrants*

Share warrants issued to third parties in exchange for agreeing the framework of a contractual relationship are initially recognised at fair value and capitalised as an intangible asset with a corresponding increase in equity to the share warrants reserve. The asset is valued with reference to the fair value of equity consideration on the date of award using an estimated discounted cash flow method and is amortised through profit and loss over the term of the contract. The one warrant issued in exchange for agreeing the framework of a contractual relationship was fully amortised as at 31 December 2019.

Share warrants issued with performance-based vesting conditions to third parties where there is an ongoing service obligation are charged to profit and loss evenly over the performance measurement period. The warrants are initially recognised with reference to the fair value of the equity consideration on the date of award with a corresponding increase in the share warrants reserve is recognised. The cumulative warrant charge is adjusted at each reporting date for the expected number of warrants to be issued depending on the most likely outcome of the performance-based vesting conditions. The one warrant with a performance-based condition was cancelled and consequently all related charges recognised to date were reversed.

#### *Investments in subsidiary undertakings*

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the Directors when there has been an indication of potential impairment.

#### *Financial assets*

Financial assets, other than investments, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

#### *Financial liabilities and equity*

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

#### *Research and development*

All Research and Development expenditure is charged to profit and loss in the period in which it is incurred.

#### *Leased assets*

Rentals paid under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

#### *Foreign currency translation*

##### *(a) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in sterling, which is the Company's functional and the Group's presentation currency.

# QiO Technologies Ltd

## Notes forming part of the financial statements for the year ended 31 December 2021 (*continued*)

### 1. Accounting policies (*continued*)

#### (a) *Functional and presentation currency (continued)*

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

#### (b) *Transactions and balances*

Foreign currency transactions are translated into the Group entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses are presented in profit or loss within 'operating expenses'.

#### *Pension costs*

The Company operates a defined contribution pension scheme for employees. Contributions are charged to the profit and loss account as they become payable.

#### *Share based payments*

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the profit and loss account is charged with the fair value of goods and services received.

#### *National insurance on share options*

To the extent that the share price at the balance sheet date is greater than the exercise price on options granted under unapproved schemes after 19 May 2000, provision for any National Insurance contributions has been made based on the prevailing rate of National Insurance. The provision is accrued over the performance period attaching to the award.

#### *Share capital*

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Group has several classes of share in existence:

# QiO Technologies Ltd

## Notes forming part of the financial statements for the year ended 31 December 2021 (*continued*)

### 1. Accounting policies (*continued*)

#### *Share capital (continued)*

- Ordinary, A ordinary and B ordinary shares all of 0.1p each classified as equity instruments; and
- Preference shares of 0.1p classified as a compound instrument with both an equity and liability component.

#### *Current and deferred taxation*

Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company's subsidiaries operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the Group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

### 2. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the Directors have made the following judgements:

- Determine the extent to which the performance-based vesting conditions on share warrant issues are expected to be met and therefore the estimate of the number of warrants expected to vest once exercisable (see note 16).
- Determine whether leases entered into by the Company are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis (see note 17).

#### *Other key sources of estimation uncertainty*

- *Revenue recognition*

Accrued income is recognised in the balance sheet where work has been performed but has not yet been billed. Where there is uncertainty surrounding the amount of income to be billed, the directors make estimates of revenue recognition based upon contractual terms and historical experience and recognise income on that basis.

# QIO Technologies Ltd

## Notes forming part of the financial statements for the year ended 31 December 2021 (continued)

### 2. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

#### Other key sources of estimation uncertainty (continued)

- *Determine the fair value of the convertible loan notes which are classified as a liability*  
This requires calculating the present value of the debt using an effective interest rate with the residual reflecting a capital contribution from the investors. 15% was assumed to be an effective interest rate that would be charged on a similar loan by a third party without the conversion option (see note 12). Changes in this estimate would result in differences in the amounts initially recognised as a liability and within equity.
- *Determine the extent to split preference shares between debt and equity component*  
This requires calculating the fair value of the preference dividend into perpetuity using a discount rate applicable at the date of issue of the preference share with the residual reflecting the equity component of the instrument. 20% was assumed to be the discount rate on the date of issue of the instrument (see note 12). Changes in this estimate would result in differences in the amounts initially recognised as a liability and within equity.

### 3. Operating loss

	2021	2020
	£	£
<b>This is arrived at after charging/(crediting):</b>		
Depreciation – owned assets	200	311
Amortisation on intangible assets	-	-
Research and development expenditure	854,317	1,587,588
Operating lease charge – land and buildings	15,666	44,661
Foreign exchange differences	(33,084)	90,018
	<u>          </u>	<u>          </u>

### 4. Employees

	2021	2020
	£	£
<b>Staff costs (including directors) consist of:</b>		
Wages and salaries	1,255,577	2,016,896
Social security costs	81,406	163,338
Cost of defined contribution scheme	38,101	51,095
Share based payments	(2,095)	(5,345)
	<u>          </u>	<u>          </u>
	1,372,989	2,225,984
	<u>          </u>	<u>          </u>

A defined contribution pension scheme is operated by the Group on behalf of the employees of the company and one of the subsidiary undertakings. The assets of the scheme are held separately from those of the Group in independently administered funds. The pension charge represents contributions payable by the Group to the funds and amounted to £38,101 (2020 - £51,095). Contributions amounting to £5,191 (2020 - £4,518) were payable to the fund at year end and are included in creditors.

**QiO Technologies Ltd**  
**Notes forming part of the financial statements**  
**for the year ended 31 December 2021 (continued)**

**4. Employees (continued)**

The average number of employees (including Directors) during the year was as follows:

	<b>Group 2021 Number</b>	<b>Group 2020 Number</b>	<b>Company 2021 Number</b>	<b>Company 2020 Number</b>
Engineering	17	20	3	2
Support	6	7	-	-
Sales and Marketing	1	2	1	1
Operations and Corporate	3	4	3	3
	<u>27</u>	<u>33</u>	<u>7</u>	<u>6</u>

**5. Director's remuneration**

During the year two directors (2020 - two) received remuneration in respect of services provided to the company. The highest paid director received total remuneration of £191,129 (2020 - £229,231).

	<b>2021</b>	<b>2020</b>
		£
Directors' emoluments	177,687	259,131
Company contributions to money purchase pension schemes	13,442	2,492
	<u>191,129</u>	<u>261,623</u>

**6. Interest payable and similar charges**

	<b>2021</b>	<b>2020</b>
	£	£
Interest expense on convertible loans	263,209	119,803
Interest expense on preference shares	539,066	447,917
Interest expense on super preference shares	12,436	-
Interest expense on other unsecured loans	893	3,624
	<u>815,604</u>	<u>571,344</u>



# **QiO Technologies Ltd**

## **Notes forming part of the financial statements for the year ended 31 December 2021 (continued)**

### **7. Taxation**

	2021 £	2020 £
<i>UK corporation tax</i>		
Current Tax	(332,163)	(478,808)
Adjustment in respect of previous periods	-	-
	<u>(332,163)</u>	<u>(478,808)</u>
<i>Foreign tax</i>		
Current tax on foreign income for the year	<u>111,142</u>	<u>46,947</u>
Total current tax and taxation on loss on ordinary activities	<u>(221,021)</u>	<u>(431,861)</u>

The tax assessed for the year is different to the standard rate of corporation tax in the UK applied to loss before tax. The differences are explained below:

	2021 £	2020 £ (as restated – see note 20)
Loss on ordinary activities before tax	<u>(2,889,919)</u>	<u>(3,474,720)</u>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19% (2020 – 19%)	(549,085)	(660,197)
Effects of:		
Expenses not deductible for tax purposes	215	3,121
Additional reduction for R&D Expenditure	(239,767)	(343,945)
Surrender of tax losses for R&D tax credit refund	100,469	144,123
R&D expenditure credits	1,977	3,381
Remeasurement of deferred tax for changes in tax rates	(724,245)	(156,994)
Deferred tax not recognised	1,116,358	566,883
Impact of different tax rates on foreign income	<u>(29,656)</u>	<u>(20,768)</u>
Tax credit for the year	<u>(323,734)</u>	<u>(464,396)</u>
R&D expenditure credits	<u>(8,429)</u>	<u>(14,412)</u>
Total tax credit for the year	<u>(332,163)</u>	<u>(478,808)</u>

**QiO Technologies Ltd**  
**Notes forming part of the financial statements**  
**for the year ended 31 December 2021 (continued)**

**7. Taxation (continued)**

A reduction in the UK main corporation tax rate from 21% to 20% (effective from 1 April 2015) and 20% to 19% (effective 1 April 2017) was substantively enacted on 2 July 2013. A further reduction to 17% (effective 1 April 2020) was substantively enacted on 15 September 2016. This would reduce the Company's future current tax charge accordingly. However, on 11 March 2020 it was announced that the UK corporation tax main rate for the years starting 1 April 2020 and 1 April 2021 would remain at 19% (for all profits except ring fence profits). Furthermore, on 3 March 2021 it was announced that the UK corporation tax main rate for the year starting 1 April 2022 would remain at 19% (for all profits except ring fence profits). On 15 March 2021 it was announced that the UK corporation tax main rate for the years starting 1 April 2023 would increase to 25% (applicable to all businesses with profits greater than £250,000). This was substantively enacted on 24 May 2021 and This would increase the Company's future current tax charge accordingly.

A deferred tax asset has not been recognised (see note 13 for further details).

**8. Tangible fixed assets**

<b>Group</b>	<b>Computer equipment £</b>
<i>Cost</i>	
At 1 January 2021	10,566
Additions	-
	<hr/>
At 31 December 2021	<b>10,566</b>
	<hr/>
<i>Depreciation</i>	
At 1 January 2021	10,366
Charge for the year	200
	<hr/>
At 31 December 2021	<b>10,566</b>
	<hr/>
<i>Net book value</i>	
At 31 December 2021	-
	<hr/>
At 31 December 2020	200
	<hr/>

The company's tangible fixed assets have a net book value of £0 (2020: £87).

**9. Fixed asset investments**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
At 1 January and 31 December	<b>21,007</b>	21,007
	<hr/>	<hr/>

# QiO Technologies Ltd

Notes forming part of the financial statements  
for the year ended 31 December 2021 (continued)

## 9. Fixed asset investments (continued)

The Company owns 100% of the ordinary share capital of the following subsidiaries:

Name of undertaking	Country of incorporation	Class of shares held	Registered address	Principal activity
QiO Technologies Gmbh	Germany	Ordinary	Guido-Seeber Haus, August-Bebel-Straße 27, 14482 Potsdam, Brandenburg	Software development
QiO Technologies (US) Ltd	United States of America	Ordinary	Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle, Delaware 19801	Software development
QiO Technologies India Private Ltd	India	Ordinary	Platinum Towers, Level 8, No. 1, Naylor Road, Pune 411001, Maharashtra	Software development
QiO Technologies (Singapore) Pte Ltd	Singapore	Ordinary	80 Raffles Place, #33-00, UOB Plaza 1, 048624	Software development

## 10. Debtors

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Trade debtors	425,647	209,278	448,098	49,359
Other debtors	180	180	180	180
Prepayments and accrued income	1,893	7,521	-	5,027
Corporation tax	332,163	1,074,402	332,163	1,123,037
	<u>759,883</u>	<u>1,291,381</u>	<u>780,441</u>	<u>1,177,603</u>

# QiO Technologies Ltd

## Notes forming part of the financial statements for the year ended 31 December 2021 (continued)

### 11. Creditors: amounts falling due within one year

	Group 2021 £	Group 2020 £  (as restated – see note 20)	Company 2021 £	Company 2020 £
Trade creditors	97,405	222,203	95,535	202,661
Taxation and social security	74,419	70,450	37,052	-
Deferred income	213,432	157,821	213,432	23,436
Accruals	210,279	211,530	36,918	41,549
Amount owed to group undertakings	-	-	1,027,632	967,866
Other creditors	427,431	368,023	76,484	4,484
	<u>1,022,966</u>	<u>1,030,027</u>	<u>1,487,053</u>	<u>1,239,996</u>

### 12. Creditors: amounts falling due in greater than one year

#### Convertible loan notes

On 21 March 2017 the Company issued unsecured, non-interest-bearing convertible loan notes to existing investors in exchange for cash consideration of £1,500,000. At the discretion of the Company the convertible loan notes will either convert into ordinary Share Capital of the Company at a subscription price of 30% discount on market value of the Company's shares upon certain fundraising criteria being met or be repaid in full upon maturity of the loan notes on 20 February 2020. On 18 March 2020 the Company and the investors agreed to amend the maturity date of the convertible loan notes to 20 February 2021.

The convertible loan notes meet the definition of a liability because the company merely has the option to issue a variable number of its own shares as currency to extinguish its fixed obligation. The contract does not evidence a residual interest in the entity's assets after deducting all of its liabilities.

The fair value of the instrument is calculated by discounting the liability to present value from its maturity date at the directors expected cost of debt of 15%. The difference between the fair value of the liability component and the cash received is recognised as a capital contribution as the convertible loan notes have been issued to existing investors and is recognised within the profit and loss account in equity.

Interest expense is charged through profit and loss over the term of the contract.

On 29 September 2020 the Company and the investors agreed to convert the loan notes into ordinary Share Capital of the Company. The fair value of the liability component and the accrued interest was derecognised and the ordinary Share Capital was issued and recognised on the conversion of the loan notes into equity.

On 30 July 2020 the Company issued unsecured, 8% interest bearing convertible loan notes to a combination of existing investors and third parties in exchange for cash consideration of £1,600,000. At the majority consent of the investors the convertible loan notes and any accrued but unpaid interest will either convert into ordinary Share Capital of the Company at a subscription price of 20% discount on market value of the Company's shares upon certain qualifying or non-qualifying financing event criteria being met or be repaid in full upon maturity on 30 July 2023 (or earlier if an exit event occurs) with a redemption premium equal to 100% of the principal amount the loan notes.

# QiO Technologies Ltd

## Notes forming part of the financial statements for the year ended 31 December 2021 (*continued*)

### 12. Creditors: amounts falling due in greater than one year (*continued*)

The convertible loan notes meet the definition of a liability because the company merely has the option to issue a variable number of its own shares as currency to extinguish its fixed obligation. The contract does not evidence a residual interest in the entity's assets after deducting all of its liabilities.

The fair value of the instrument is calculated by discounting the liability to present value from its maturity date at the directors expected cost of debt of 15%. The difference between the fair value of the liability component and the cash received is recognised as a capital contribution as the convertible loan notes have been issued to a combination of existing investors and third parties and is recognised within the profit and loss account in equity.

Interest expense is charged through profit and loss over the term of the contract.

At the majority election of the investors on 20 November 2021 the investors agreed to convert the loan notes into Super preference share capital of the Company. The fair value of the liability component and the accrued interest was derecognised and the Super preference share capital was issued and recognised on the conversion of the loan notes into equity.

#### *Preference shares and Super preference shares*

On 7 August 2017, the Company issued cumulative 4% preference shares to a third party in exchange for cash consideration of £1,500,000. Between 2 July 2018 and 18 December 2018, the Company issued cumulative 4% preference shares to a combination of existing investors and third parties in exchange for cash consideration of £4,500,000. Between 30 August 2019 and 23 December 2019, the Company issued cumulative 4% preference shares to a combination of existing investors and third parties in exchange for cash consideration of £2,640,002.

On 30 September 2020, existing preference shares in issue were recalculated in accordance with the anti-dilution, downround provisions of the preference share agreements and the existing preference shareholders were awarded with a bonus issue of preference shares. The bonus issue of preference shares does not constitute a qualifying or non-qualifying financing event under the convertible loan note agreement entered into on 29 July 2020.

On 20 November 2021, the Company issued cumulative 4% super preference shares to existing investors in exchange for cash consideration of £1,000,000.

The preference shares and super preference shares are convertible into ordinary share capital of the Company on a 1:1 basis only upon certain fundraising criteria being met. The preferred and super preferred dividends cannot be paid unless there are sufficient accumulated distributable reserves available and any unpaid dividends will accumulate in creditors on a cumulative basis until there are sufficient accumulated distributable reserves available.

The preference shares and super preference shares represent a 'compound instrument' which contains both liability and equity components. The fair value of the liability component has been calculated as the present value to perpetuity of the non-discretionary dividend. The directors have considered a discount rate of 20% is appropriate for the preference share issues. The balance is recognised within the preference share reserve in equity. Interest expense is charged through profit and loss over the term of the contract.

# Qio Technologies Ltd

Notes forming part of the financial statements  
for the year ended 31 December 2021 (*continued*)

## 12. Creditors: amounts falling due in greater than one year (*continued*)

The table below outlines the movement in long-term debt:

Group and company	Long-term debt £
<i>Fair value</i>	
At 1 January 2021	3,867,158
Additions	1,983,012
Converted into equity	(2,464,888)
	<hr/>
At 31 December 2021	<b>3,385,282</b>
	<hr/>
<i>Interest expense</i>	
At 1 January 2021	1,509,958
Charge for the year	814,712
	<hr/>
At 31 December 2021	<b>2,324,670</b>
	<hr/>
<i>Net book value</i>	
At 31 December 2021	<b>4,199,993</b>
	<hr/>
At 31 December 2020	<b>3,867,158</b>
	<hr/>

## 13. Deferred tax

Unrecognised deferred tax assets are calculated using a tax rate of 25% (2020 - 17%) at the year end and were as follows:

	2021 £	2020 £
Fixed asset timing differences	-	-
Short term timing differences	329,112	253,098
Losses and other deductions	2,688,576	1,648,232
	<hr/>	<hr/>
	<b>3,017,688</b>	<b>1,901,330</b>
	<hr/>	<hr/>

# Qio Technologies Ltd

## Notes forming part of the financial statements for the year ended 31 December 2021 (continued)

### 14. Share capital

	2021 £	2021 Number	2020 £	2020 Number
<i>Allotted, issued and fully paid</i>				
Ordinary shares in issue at the beginning of the year at 0.1p each	6,776	6,775,944	5,905	5,905,690
Ordinary shares issued during the year at 0.1p each	-	-	1,519	1,518,686
Ordinary shares cancelled during the year at 0.1p each	-	-	(648)	(648,432)
Ordinary shares in issue at the end of the year at 0.1p each	6,776	6,775,944	6,776	6,775,944
A Ordinary shares in issue at the beginning and end of the year at 0.1p each	79	78,604	79	78,604
B Ordinary shares in issue at the beginning of the year at 0.1p each	1,077	1,077,241	-	-
B Ordinary share issued during the year at 0.1p each	-	-	1,077	1,077,241
B Ordinary shares in issue at the end of the year at 0.1p each	1,077	1,077,241	1,077	1,077,241
Total shares classified as equity in issue at the end of the year	<b>7,932</b>	<b>7,931,789</b>	<b>7,932</b>	<b>7,931,789</b>
Preference shares in issue at the beginning of the year at 0.1p each	6,406	6,406,428	2,042	2,041,823
Preference shares issued during the year at 0.1p each	-	-	4,364	4,364,605
Preference shares in issue at the end of the year at 0.1p each	6,406	6,406,428	6,406	6,406,428
Super Preference shares issued during the year at 0.1p each	3,560	3,559,524	-	-
Total shares classified as equity and liabilities in issue at the end of the year	<b>17,898</b>	<b>17,897,741</b>	<b>14,338</b>	<b>14,338,217</b>

# QiO Technologies Ltd

## Notes forming part of the financial statements for the year ended 31 December 2021 (*continued*)

### 14. Share capital (*continued*)

#### *Shares classified as equity*

Ordinary, A ordinary and B ordinary shares are classified as equity. Ordinary, A ordinary and B ordinary shares rank pari passu in all respects except A ordinary shares do not have voting rights and are only entitled to dividends if the Board exercises its discretion to propose such a payment which is approved by Investor Majority Consent.

Ordinary and B ordinary shares have the following rights:

- To receive notice of and to attend, speak and vote at all general meetings of the Company and to receive and vote on proposed written resolutions of the Company. The ordinary and B ordinary shareholders shall have one vote for each share of which he is the holder; and
- To receive such dividend as declared by the Board with Investor Majority Consent pro rata to each share held.

#### *Shares classified as a compound instrument*

On 20 November 2021, the Company issued 1,123,595 Super preference shares to existing investors in exchange for cash consideration of £1,000,000. The issue of Super preference shares constituted a non-qualifying financing event under the convertible loan note agreement entered into on 29 July 2020. At the majority election of the investors, the aggregate of the principal amount and accrued interest of the convertible loan note was converted into 2,435,929 Super preference shares – being the most senior class of shares with identical rights and preferences as attached to, and with the same obligations as, the securities issued to the investors in the non-qualified financing on 20 November 2021.

Super preference shares are entitled to a cumulative 4% dividend. Accrued dividends shall rank equally amongst super preference shares and are compounded at the end of each period. Super preference dividends rank before any other class of share and the super preference dividends do not confer any further rights to participation in the profits or assets of the Company. Preference shareholders do not have voting rights. The super preference shares are convertible into ordinary share capital of the Company on a 1:1 basis only upon certain fundraising criteria being met.

Preference shares are entitled to a cumulative 4% dividend. Accrued dividends shall rank equally amongst preference shares and are compounded at the end of each period. Preference dividends rank before any other class of share except super preference shares and the preference dividends do not confer any further rights to participation in the profits or assets of the Company. Preference shareholders do not have voting rights. The preference shares are convertible into ordinary share capital of the Company on a 1:1 basis only upon certain fundraising criteria being met.

Super Preference shares and Preference shares are categorised as a compound instrument containing both a liability and equity component (see note 12).

#### *Capital return*

In the event of a distribution of assets, the capital return will be distributed as follows:

- Super preference shareholders to receive their subscription monies in priority to preference shareholders;
- Preference shareholders to receive their subscription monies in priority to any other class of share; and
- Ordinary, A ordinary and B ordinary shareholders rank pari passu and receive the surplus assets of the Company remaining after payment of its liabilities pro rata to the number of shares held.



# QiO Technologies Ltd

## Notes forming part of the financial statements for the year ended 31 December 2021 (*continued*)

### 15. Reserves

The movement in reserves are disclosed fully within the consolidated statement of changes in equity. The description of the nature and purpose of each reserve within owner's equity is as follows:

Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value.
Share warrant reserve	Represents the fair value of the warrants issued.
Preference share reserve	Represents equity component of preference shares issued.
Profit and loss account	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

### 16. Share warrants and share based payments

#### *Share warrants*

On 13 July 2016 the Company issued a warrant instrument to a third party in exchange for reaching agreement on a master framework agreement. The warrant holder is entitled to exercise the warrant in exchange for 10% of the diluted share capital of the Company any time from 13 July 2016 through to the end of the exercise period on 31 December 2021. The fair value of the warrants has been calculated with reference to a discounted cash flow method (see note 1). The third party did not exercise the warrant and the warrant expired on 31 December 2017 with the Company released from all obligations under the warrant instrument with the third party.

Also on 13 July 2016 the Company issued a further warrant instrument to the third party. This entitled the warrant holder to a further equity interest in the Company at a subscription price of 30% discount on market value of the Company's shares, up until the expiry of the exercise period on 31 December 2021, ranging between 0 and 10% of the diluted share capital of the Company upon the achievement of a performance condition which vested on 31 December 2018. The further warrant was irrevocably terminated by the Company and the third party on 27 September 2018 with the Company released from all obligations under the further warrant instrument with the third party.

#### *Share based payments*

The Group introduced an employee share option plan in 2016 which provides for the issuance of share options. Share option awards under this plan have a 10-year contractual term. Vesting for awards is generally either over three years from the date of grant (with one third of the award vesting after one year, one third after two years and the remaining third after three years) or over five years from the date of grant (with one fifth of the award vesting after one year, one fifth after two years, one fifth after three years, one fifth after four years and the remaining fifth after five years).

# Qio Technologies Ltd

## Notes forming part of the financial statements for the year ended 31 December 2021 (continued)

### 16. Share warrants and share based payments (continued)

The table below outlines the movement in share options:

	Weighted average exercise price		Weighted average exercise price	
	2021 £	2021 Number	2020 £	2020 Number
Outstanding at beginning of year	1.55	685,949	1.45	821,030
Granted during the year	0.28	1,842,372	1.37	84,500
Forfeited during the year	(2.26)	(158,971)	(1.11)	(219,581)
Outstanding at the end of the year	0.51	2,369,350	1.55	685,949
Exercisable at the end of the year	0.62	1,067,316	1.09	445,402

For the share options outstanding as at 31 December 2021 the weighted average remaining contractual life is 0.7 years (2020 - 1.4 years). The range of exercise prices for options outstanding at the end of the year was £0.08 to £4.77 (2020 - £0.08 to £4.77).

The following information is relevant in the determination of the fair value of options granted during the year under the share option scheme operated by the Group. Options were valued using the Black Scholes option-pricing model. No performance conditions were included in the fair value calculations.

	2021	2020
Exercise price (£)	0.26-1.28	1.28-4.29
Vesting period (years)	0-5	3-5
Expected volatility (%)	100	100
Option life (years)	10	10
Risk free rate (%)	1.33	1.33

The weighted average grant date fair value of options granted in the year was £1.03 (2020 - £0.79).

# QiO Technologies Ltd

## Notes forming part of the financial statements for the year ended 31 December 2021 (continued)

### 17. Commitments under operating leases

As at 31 December 2021, the Group and Company had total future minimum commitments under non-cancellable operating leases as set out below:

	Land and buildings 2021	Land and buildings 2020 £
Operating leases commitments which are due:		
Within one year	<u>5,218</u>	<u>8,058</u>

### 18. Ultimate Controlling Party

The ordinary and B ordinary Share Capital is owned by numerous parties and, therefore in the opinion of the directors, the Company has no Ultimate Controlling Party.

### 19. Related party disclosures

R Haythornthwaite is a director of both QiO Technologies Ltd and CloudGrove Ltd. During 2021 CloudGrove Ltd billed QiO Technologies Ltd £446 (2020 - £1,587) for business and travel expenses incurred, the balance outstanding at 31 December 2020 was £9,767 (2020 - £9,321). During 2021 CloudGrove Ltd also billed QiO Technologies Ltd £nil (2020 - £280,000) for consultancy services provided, of which £nil (2020 - £280,000) was settled by the issue of preference shares and £nil (2020 - £nil) was settled in cash, the balance outstanding at 31 December 2021 was £nil (2020 - £nil).

During 2021 CloudGrove Ltd loaned the Company £50,000 (2020 - £nil) in unsecured loans, the balance outstanding at 31 December 2021 was £nil (2020 - £nil). During 2021 R Haythornthwaite loaned the Company £nil (2020 - £100,000) in unsecured, 4% interest bearing loans, the balance outstanding at 31 December 2021 was £nil (2020 - £nil).

Key management personnel include all directors across the Group who together have authority and responsibility for planning, directing and controlling the activities of the Group. The total compensation paid to key management personnel for services provided to the Group during 2021 was £191,129 (2020 - £261,623).

### 20. Prior Period Adjustment

In the prior year financial statements there was a typographical error in the Company's consolidated statement of comprehensive income. The correction of the typographical error resulted in the loss on ordinary activities before taxation equity being reduced, and creditors falling due within one year being decreased, by £19,019 at 31 December 2020. This reduces the Company's consolidated net liabilities at that date by £19,019. The correction has been made in the comparative figures included in these financial statements.