

Registration number: 06458458

LOCATION SCIENCES GROUP PLC
ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021



LOCATION SCIENCES GROUP PLC

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LOCATION SCIENCES GROUP PLC

COMPANY INFORMATION

Directors

B Chilcott (resigned 25 May 2021)
K Harrison (resigned 25 May 2021)
N Burton (appointed 25 May 2021)
D Rae
M Slade
S Wilkinson (appointed 25 May 2021)

Registered Office

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Company Secretary

BPE Secretaries Limited
BPE Solicitors LLP
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St James' Square
Cheltenham
GL50 3PR

Auditors

Hazlewoods LLP
Staverton Court
Staverton
Cheltenham
GL51 0UX

Bankers

NatWest
21 Gentleman's Walk
Norwich
NR2 1NA

Nominated Advisor

Allenby Capital
5 St Helen's Place
London
EC3A 6AB

Broker

Turner Pope Investments
8 Frederick's Place
London
EC2R 8AB

LOCATION SCIENCES GROUP PLC

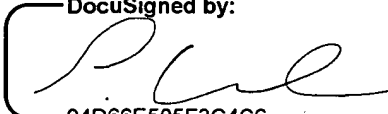
CHAIRMAN'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Following the funding round in May 2021, which introduced new strategic investors to the shareholder register and two new Board members, the remainder of 2021 became a key period of transition for the Group. Whereby the new Board reviewed the existing business units and made key strategic decisions with the aim of increasing shareholder value in the medium to long term.

The traditional operating markets of Location Sciences, location data and verification have remained difficult markets to grow within due to the ongoing regulatory headwinds and the deep market inertia faced. This has slowed the adoption of the Group's market leading location verification technology across the digital advertising industry. During the financial year, the executive team successfully exited the location insights space selling the Group's insights dashboard and certain customer contracts to Digital Envoy, Inc, a leading IP intelligence business for US\$700,000.

The proceeds from the aforementioned sale and the Group's share placing in May 2021, which raised approximately £3.74m (before expenses), provide the Group with a solid financial platform from which to increase shareholder value which management and the Board are fully engaged in.

I am excited for the future of the Group and believe that the new Board will return real shareholder value in the foreseeable future.

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Simon Wilkinson, Chairman

Date: 29 March 2022

LOCATION SCIENCES GROUP PLC

CHIEF EXECUTIVE'S REVIEW FOR THE YEAR ENDED 31 DECEMBER 2021

Location data and verification continues to be a challenging space to do business. However, the Board is pleased to have completed the strategic fundraising in May 2021 which raised approximately £3.7 million (before expenses), with the potential for further funding of a similar quantum should all warrants issued in conjunction with the May 2021 fundraise be exercised. The fundraising increased the cash reserves of the business and introduced new directors and strategic shareholders to help shape a new direction for the business. The Board continues to work with the new investors to explore strategic options to maximise shareholder value.

The Board is pleased to have completed the sale of the insights business to Digital Envoy, Inc. a leading US IP intelligence company, for the full US\$700,000 consideration. This business unit faced considerable headwinds during the COVID-19 pandemic and going forward will face significant challenges from changing privacy regulations. The Board believes that it was the right decision to sell the division to a larger company that can absorb these macro challenges.

During 2021, we have significantly reduced the Group's overheads while ensuring that David and I continue to support the ongoing operations of the Verify business. However, the Board expects the outlook for Verify in the medium term to be challenging due to privacy related reductions of location data within the digital advertising industry. As a result, the Board continues to explore options for this division.

The Group ends the financial year, better capitalised, with a new Board and strategic shareholding to take the business forward.



Mark Slade, Chief Executive Officer

Date: 29 March 2022

LOCATION SCIENCES GROUP PLC

CHIEF FINANCIAL OFFICER'S REVIEW FOR THE YEAR ENDED 31 DECEMBER 2021

Financial Performance

During the financial year the Insights business was sold to Digital Envoy, Inc. As a result, the financial performance below represents the Verify division only.

Revenues from the Verify division in 2021 were £167,940 compared to £318,572 in 2020 representing a 47% decrease in revenues year-on-year.

Following the change in strategic direction of the Company, the Board implemented measures to achieve significant overhead reductions. These included a substantial reduction in the number of employees. In addition, Location Sciences has terminated its relationship with one of its joint brokers.

The administrative costs for continuing operations excluding associated depreciation and amortisation were £801,432 in 2021 compared to £565,202 during 2020.

The Group received £11,267 of furlough income from the Coronavirus Job Retention Scheme during 2021 (the "Job Retention Scheme"), compared to £30,119 of grant income in 2020, which, included £20,119 of furlough income from the Job Retention Scheme. The Board does not expect to receive further grant income in the foreseeable future.

The continuing operations delivered a loss before exceptional items, amortisation and depreciation of £699,468 (2020: £322,098), an operating loss of £1,199,068 (2020: £507,362) and a loss after taxation of £1,085,197 (2020: £341,090).

Loss per share from continuing operations decreased from 0.24p in 2020 to 0.076p in 2021. This was primarily due to the issue of additional shares in the May 2021 fundraising.

Statement of Financial Position

As at 31 December 2021, the Group's net assets were £5,178,571 (2020: £2,645,507) of which £4,378,825 (2020: £1,128,118) were cash and cash equivalents.

Net current assets were £4,641,080 as at 31 December 2021 compared to net current assets of £1,497,887 as at 31 December 2020.

Group borrowings were £Nil as at 31 December 2021 (2020: £Nil).

The Directors consider the Company's net asset position as a solid platform and the Directors are considering all strategic options available to maximise shareholder value in the medium to long term.



David Rae, Chief Financial Officer

Date: 29 March 2022

LOCATION SCIENCES GROUP PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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

Fair review of the business

The fair review of the business is set out in the Chief Executive Officer's and Chief Financial Officer's reviews, which describe in detail the financial results and future plans for Location Sciences.

The Board monitors progress on the overall Group strategy and the individual strategic elements by reference to KPIs. The primary measures are revenue, costs, EBITDA before exceptional items and working capital levels.

The impact of the COVID-19 pandemic is evident in the relatively poor financial performance of the Group during 2020 and 2021. As a result, the Board launched a business review early in 2021 to review the strategic options available to the Group, which led to a refinancing of the business in May 2021. The refinancing brought new strategic shareholders and several Board changes.

Following the refinancing of the Group, the Group's Insights dashboard was sold, along with four contracts, to Digital Envoy, Inc. bringing in further funds to the Group and reducing the operational cost of the business.

The Group continues to operate Verify and the Board is reviewing the strategic options available to the Group.

Principal risks and uncertainties

The principal and commercial risks to the Group are as follows:

Description	The Group does not achieve sufficient commercial success before existing competitors or new entrants enter the market.
Impact	The current plans of the Group may not be realised, and the Group may have to re-evaluate its business plan.
Mitigation	The operating costs of Verify are minimal compared to the cash resources of the business.
Description	Location Sciences Group PLC continues to be in a cash consumption phase.
Impact	Going concern has been carefully considered and details are provided in the Corporate Governance Report below and in note 2 of the Group's financial statements.
Mitigation	The Group had in excess of £4 million in net cash resources as at 31 December 2021, which is more than sufficient for the Groups requirements for the foreseeable future.
Description	Changes in regulation negatively impact the Group's market.
Impact	The Group may find the demand for its products is reduced and / or the Group may be forced to change or stop selling one or more of its products.
Mitigation	The Board takes account of commentators and industrial bodies as to the direction of policy change.
Description	The impact of the COVID-19 pandemic on existing and potential customers.
Impact	The Group may find the demand for their products reduce especially its location verification solutions which rely to a large extent on people's movement.
Mitigation	The Board has commenced a business review and reduced its operational cost base.

The Board meets regularly to review specific and general risks that face the Group. The Board strives to position the Group in a way that any risks can be minimised and met, should the need arise.

LOCATION SCIENCES GROUP PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

The Group's performance is dependent on its products and solutions keeping pace with market. This includes technological developments, frequent introduction of new services and products and evolving industry standards. Advances in technology may result in changing customer preferences for products and services and delivery formats. Any such change in preferences may be rapid.

The Group manages this risk by a commitment to research and development, combined with ongoing dialogue with key industry players and engagement with the regulatory landscape. This includes monitoring requirements and compliance for privacy regulations.

Strategic risks

In 2020, the Group responded to the COVID-19 pandemic with a substantial cost reduction programme and shifted focus of the business towards the data and insights solutions which are more resilient to effects of the pandemic. Due to the continuing impact of the COVID-19 pandemic, the Group commenced a business review in 2021 which has led to the refinancing of the business, new strategic shareholders, new Board members, the sale of the Insights dash board and four contracts and a further reduction of operational costs. This positions the Group with considerable cash resources and broader strategic options for the future. The Board continues to review the strategic options available to the Group.

This report, in conjunction with the Chief Executive Officer's Report, form the Strategic Report for the purposes of s414A of the Companies Act 2006.

Section 172 statement

The Directors believe that they have effectively implemented their duties under section 172 of the Companies Act 2006 through adherence to the Quoted Companies Alliance Corporate Governance Code, as disclosed on pages 15 to 17 and as published on our website: www.locationsciencesgroup.ai/investor-relations/board-governance. The Chairman's Report and Chief Executive's Review details the Group's future plans to achieve its long-term strategy.

The Group is committed to maintaining an excellent reputation and strive for high standards, while maintaining an awareness of the environmental impact of the work that it does and strives to reduce its carbon footprint.

The Directors recognise the importance of the wider stakeholders in delivering their strategy and achieving sustainability within the business; in ensuring that all our stakeholders are considered as part of every decision process we believe we act fairly between all members of the company.



David Rae, Chief Financial Officer

Date: 29 March 2022

LOCATION SCIENCES GROUP PLC

CORPORATE GOVERNANCE

The application of the UK Corporate Governance Code ("Code") and corporate governance during the period 1 January 2021 to 31 December 2021 ("Year").

The Board recognises the importance of good corporate governance in order to protect and build upon the substantial investments made by our diverse shareholder base. We have chosen to apply the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code'), which was developed by the QCA in consultation with a number of significant institutional small company investors, as an alternative corporate governance code applicable to AIM companies. The underlying principle of the QCA Code is that "the purpose of good corporate governance is to ensure that the company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term". The Board anticipates that whilst the Company will continue to comply with the QCA Code, given the Group's size and plans for the future, it will also endeavour to have regard to the provisions of the UK Corporate Governance Code as best practice guidance to the extent appropriate for a company of its size and nature.

An explanation of how these principles have been applied is set out both below and in the Directors' remuneration, Audit Committee and internal control sections of this report.

Certain information required under the QCA code is included within the Strategic report and the Directors Remuneration Report.

Name	Date Appointed	Date Resigned	Role	Committees
Simon Wilkinson	25/05/2021		Chairman	Remuneration, Nomination, Audit
Kelvin Harrison	15/02/2017	25/05/2021	Chairman	Remuneration, Nomination, Audit
Nigel Burton	25/05/2021		Non-Executive Director	Remuneration, Nomination, Audit
Benjamin Chilcott	21/03/2018	25/05/2021	Non-Executive Director	Remuneration, Nomination, Audit
Mark Slade	24/07/2017		CEO	-
David Rae	12/02/2018		CFO	-

The Board is responsible to the shareholders for the proper management of the Group through setting the overall strategy of the business and to review the people, performance, policies and budgets of the Group. The Board typically meets bi-monthly and also meets for any other extraordinary matters as they may arise. Detailed information on matters to be discussed during the meetings are circulated in advance of the meeting to ensure non-executive directors can contribute in an educated manner.

Independence of Chairman and Chief Executive Officer

The roles of the Chairman, Simon Wilkinson, and the Chief Executive Officer, Mark Slade, have a formal division. The Chairman is responsible for overseeing the Board and ensuring no individual or group takes control of the Board's decision making and that all non-executive directors are fully briefed on matters and their responsibilities. The Chief Executive Officer has the responsibility of executing the strategy of the Board and running the day-to-day activities of the business.

Board Balance

A minimum of 50% of the Board will always consist of non-executive directors including the Chairman. All non-executive directors are independent of the management team and are not involved in any other business or relationship, both as an executive or non-executive, which may impair their independent nature and judgement.

LOCATION SCIENCES GROUP PLC

CORPORATE GOVERNANCE (CONTINUED)

Nomination Committee

The Group's nomination committee is responsible for reviewing and making proposals to the Board on the appointment of Directors and meets as necessary. The Group's nomination committee consists of Simon Wilkinson, who acts as Non-Executive Chairman of the committee, and Nigel Burton.

Performance Evaluation and Re-election

The Board has continued to evaluate its effectiveness and performance during the year, taking into account the Financial Reporting Council's Guidance on Board Effectiveness. It is anticipated that following the completion of the Board strategic review director appraisals will be performed to ensure that their performance is, and continues to be, effective, that where appropriate they maintain their independence and that they are demonstrating continued commitment to the role. The Directors will be evaluated internally based on their responsibilities to the Board. New Directors resign and stand for re-election at the Group's first AGM following their appointment. One-third of continuing Directors stand for re-election on an annual basis.

The Directors carry out continued professional development throughout the year where appropriate and each Director keeps up to date with market changes through the use of market articles and industry contacts.

Remuneration Committee

The Group's remuneration committee is responsible for the specific remuneration and incentive packages for each of the company's executive directors, senior executives and managers. The Group's Remuneration Committee consists of Nigel Burton and Simon Wilkinson, who acts as Non-Executive Chairman of the committee. Further details of the Committee's remit are contained in the Directors' Remuneration Report on pages 12 to 14.

Relations with Shareholders

The Group encourages two-way communication with both its institutional and private investors and responds promptly to all queries received. The CEO and CFO communicate regularly with the Group's institutional shareholders and ensure that their views are communicated fully to the Board. The Board recognises the Group's AGM as an important opportunity to meet with the Group's private shareholders. The Directors are available to listen to the views of shareholders informally immediately following the AGM. The Directors have also organised various events throughout the year (presentations, seminars, webinars) for existing and potential shareholders to gain a greater understanding of the Group's strategy, products and market.

Annual General Meeting

The Annual General Meeting of the Group provides shareholders with the opportunity to be updated on the Group's progress and to ask questions of the Board.

Financial Reporting and Internal Control

The Company has established policies covering the key areas of internal financial control and the appropriate procedures, controls, authority levels and reporting requirements which must be applied throughout the Group.

The key procedures that have been established in respect of internal financial control are:

- An annual budget set by the Board
- Monthly management accounts with comparisons to budget
- Monthly forecast updates with comparisons to budget
- Monthly cashflow forecasts with comparisons to budget
- Weekly meetings of the Executive Directors and Senior Management to review priorities and issues
- Restriction of user access to systems, including but not limited to Financial, HR and Technology.

The above controls have been established to support the growth of the business and to protect against future risks.

LOCATION SCIENCES GROUP PLC

CORPORATE GOVERNANCE (CONTINUED)

Corporate Culture

It is the Board's view that the Group's corporate culture is consistent with its objectives, strategy and business model. The Board is aware that the culture set by the Board will greatly impact all aspects of the Group and the way that employees behave. The Board invites employees to provide feedback on their peers and management.

Consolidated Accounts

The aforementioned Financial Reporting and Internal Controls apply to all subsidiaries. The accounts of all subsidiaries are combined with those of the Company to form consolidated accounts each month. The Chief Financial Officer is responsible for producing the consolidated accounts, including the elimination of intercompany transactions and balances.

Audit Committee

The Group's Audit Committee is responsible for ensuring the financial performance of the Group is properly monitored and reported on, the effectiveness of accounting systems and financial reporting procedures. The Group's Audit Committee consists of Nigel Burton and Simon Wilkinson, who acts as Non-Executive Chairman of the committee.

The Committee considers all proposals for non-audit services and ensures that these do not impact on the objectivity and independence of the auditor. The Audit Committee reviews, with the external auditor, the safeguards and procedures developed by the auditor to counter threats or perceived threats to their objectivity and independence. Non-audit services performed by the external auditor are assessed for threats to objectivity and independence on a case-by-case basis.

Board and Committee Attendance

Name	Main Board	Audit Committee	Remuneration Committee	Nomination Committee
Simon Wilkinson	8/8	1/1	1/1	1/1
Kelvin Harrison	4/4	1/1	1/1	1/1
Nigel Burton	8/8	1/1	1/1	1/1
Benjamin Chilcott	4/4	1/1	1/1	1/1
Mark Slade	12/12	-	-	-
David Rae	12/12	-	-	-

LOCATION SCIENCES GROUP PLC

CORPORATE GOVERNANCE (CONTINUED)

Going concern

The directors have taken a view of the Group as a whole.


The Group raised approximately £3.74 million (before expenses) in new funds during the financial year through a placing, subscription and broker option. Following the successful fundraising, the Board continued to review how best to maximise the value of the Company's two core business units, namely location verification and data and insights. As part of this business review, the Board decided to sell its Insights dashboard and four contracts to Digital Envoy, Inc. for a total consideration of US\$700,000 of which US\$575,000 was received by the Company during the financial year and the remaining US\$125,000 was received by the Company on 31 January 2022. The sale to Digital Envoy, Inc. also allowed the Company to significantly reduce its ongoing operational costs.

The Group continues to operate Verify which has a global client base with customers in Europe, US and South Africa.

Despite the actions of the Board, the Group continued to operate with a trading loss during the year and the same is expected throughout 2022. The new funds raised during 2021 will be utilised for the operation of Verify and for working capital purposes and future opportunities and enable the Group to also remain debt free. The Board will continue to monitor cash resources and progress the ongoing business review.

Based on the current status, after making enquiries and considering the existing cash resources of the business and cost reductions made during 2021, the Board has a reasonable expectation that the Group will be able to execute its plans in the medium term such that the Group will have adequate resources to continue in operational existence for the foreseeable future. This provides the Board with assurance on the Group's ability to continue as a going concern, and therefore adopt the going concern basis of accounting in preparing the annual financial statements.

On behalf of the Board

DocuSigned by:

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Simon Wilkinson, Chairman

Date: 29 March 2022

LOCATION SCIENCES GROUP PLC

DIRECTORS' REMUNERATION REPORT

As a Company admitted to trading on AIM, Location Sciences Group PLC is not required to present a directors' remuneration report, however, a number of voluntary disclosures have been made. The Company has complied with the disclosure requirements set out in the AIM Rules for Companies.

Remuneration Committee

The Remuneration Committee, consisting of the chairman Simon Wilkinson and Nigel Burton, determines the Group's policy for executive remuneration and the individual remuneration packages for executive directors. In setting the Group's remuneration policy, the committee considers a number of factors including:

- salaries and benefits available to executive directors of comparable companies;
- the need to both attract and retain executives of appropriate calibre; and
- the continued commitment of executives to the Group's development through appropriate incentive schemes (including the award of share options).

Remuneration of executive directors

Consistent with this policy, benefit packages awarded to executive directors comprise a mix of basic salary and performance-related remuneration that is designed as an incentive. The remuneration packages can comprise the following elements:

- base salary: the Remuneration Committee sets the base salaries to reflect responsibilities and the skills, knowledge and experience of the individual;
- bonus scheme: the executive directors are eligible to receive a bonus dependent on both individual and Group performance as determined by the Remuneration Committee;
- equity: share options; and
- various other add on benefits such as private medical insurance.

The executive directors are engaged under separate contracts which require a notice period of three or six months given at any time by the individual.

Remuneration of non-executive directors

The fees and equity awarded to non-executive directors are determined by the Board. The non-executive directors do not receive any other forms of benefit such as private medical insurance.

Year to 31 December 2021

Director	Salary and fees £	Bonus £	Pension £	Benefits £	Share based payments £	Total £
M Slade (Executive)	170,654	-	1,318	1,951	15,671	189,594
K Harrison* (Non-executive)	59,129	-	-	-	-	59,129
D Rae (Executive)	157,837	-	1,318	-	10,241	169,396
B Chilcott* (Non-executive)	36,000	-	-	-	-	36,000
S Wilkinson** (Non-executive)	165,000	-	-	-	-	165,000
N Burton** (Non-executive)	115,500	-	-	-	-	115,500
	<u>704,120</u>	<u>-</u>	<u>2,636</u>	<u>1,951</u>	<u>25,912</u>	<u>734,619</u>

Included within directors' remuneration for S Wilkinson and Nigel Burton is remuneration of £165,000 and £115,500 respectively that was settled by issue of shares.

* Resigned 25 May 2021.

** Appointed 25 May 2021.

LOCATION SCIENCES GROUP PLC

DIRECTORS' REMUNERATION REPORT (CONTINUED)

Year to 31 December 2020

Director	Salary and fees £	Bonus £	Pension £	Benefits £	Share based payments £	Total £
M Slade (Executive)	156,000	-	1,314	1,991	15,671	174,976
K Harrison (Non-executive)	45,000	-	179	-	304	45,483
D Rae (Executive)	85,800	50,000	1,314	2,668	10,241	150,023
B Chilcott (Non-executive)	24,000	-	103	-	-	24,103
N Hogan* (Non-executive)	24,000	-	-	-	-	24,000
D Williams* (Non-executive)	60,387	-	-	-	-	60,387
	<u>395,187</u>	<u>50,000</u>	<u>2,910</u>	<u>4,659</u>	<u>26,216</u>	<u>478,972</u>

Included within directors' remuneration for N Hogan and D Williams is remuneration of £11,250, £11,000, £24,000 and £35,202 for K Harrison, B Chilcott, N Hogan and D Williams respectively that was settled by issue of shares.

* Resigned 11 February 2021.

Director	Grant Date	Exercise Price	At 31 December 2021 Number	At 31 December 2020 Number
M Slade (Executive)	29/11/2018	2.25p	15,555,556	15,555,556
D Rae (Executive)	29/11/2018	2.25p	7,333,333	7,333,333
K Harrison (Non-Executive)	29/11/2018	2.25p	-	577,778

Notes: The options will vest in three equal tranches when certain share price targets have been reached, the share price targets are as follows:

- 4.8 pence per New Ordinary Share
- 7.3 pence per New Ordinary Share
- 9.7 pence per New Ordinary Share

Director Warrants

Non-transferable warrants to subscribe for, in aggregate, 120,000,000 Ordinary Shares were issued to the Executive Directors and the Non-Executive Directors, exercisable at 0.20p for five years from 25 May 2021, provided that the Ordinary Shares have traded at a Volume Weighted Average Price (VWAP) at or above 0.30p for 20 consecutive Business Days, or on a change of control of the Company.

Name	Number of Ordinary Shares subject to Director Warrants
Simon Wilkinson	30,000,000
Dr Nigel Burton	30,000,000
Mark Slade	30,000,000
David Rae	30,000,000

LOCATION SCIENCES GROUP PLC

DIRECTORS' REMUNERATION REPORT (CONTINUED)

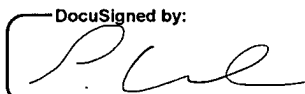
Broker Warrants

Transferable warrants to subscribe for, in aggregate, 41,250,000 Ordinary Shares were issued to the Executive Directors and the Non-Executive Directors, exercisable at 0.20p for five years from 25 May 2021.

Name	Number of Ordinary Shares subject to Broker Warrants
Dr Nigel Burton	25,000,000
Mark Slade	10,000,000
David Rae	6,250,000

Promoter Warrants

Promoter warrants were issued to certain investors in the fundraising completed on 25 May 2021 in consideration of those persons assembling and co-ordinating the Concert Party's investment in the Company. As part of this issuance, non-transferable warrants to subscribe for, in aggregate, 500,000,000 Ordinary Shares were issued to Simon Wilkinson, exercisable at 0.20p for five years from 25 May 2021.

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Simon Wilkinson Chairman, Remuneration Committee

Date: 29 March 2022

LOCATION SCIENCES GROUP PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors are pleased to present the annual report and audited financial statements of Location Sciences Group PLC for the year ended 31 December 2021.

Dividends

The Directors do not recommend the payment of a dividend.

Board of Directors

Simon Wilkinson, Non-Executive Chairman

Simon joined Location Sciences as Non-Executive Chairman in May 2021. Simon is a highly experienced software executive and entrepreneur, having been involved with a number of public and private companies over his career. He was most recently CEO then Chairman of Mobica, a world-leading, award-winning software services company offering bespoke development, QA and consultancy. He was previously Chief Executive Officer of Myriad Group AG, which was listed in Zurich, and founder and Chief Executive Officer of Magic4 Ltd, a mobile messaging software market leader, backed by 3i, Philips Ventures and Motorola Ventures.

Nigel Burton, Non-Executive Director

Nigel was appointed as a Non-Executive Director in May 2021. Nigel spent 14 years as an investment banker at leading City institutions including UBS Warburg and Deutsche Bank, including as the Managing Director responsible for the energy and utilities industries. Following this he spent 15 years as Chief Financial Officer or Chief Executive Officer of a number of private and public companies. He is currently a Non-Executive Director of BlackRock Throgmorton Investment Trust plc, DeepVerge plc, eEnergy Group plc, Mobile Streams plc and Microsaic Systems plc.

Mark Slade, Chief Executive Officer

Mark joined the Board on 24 July 2017 as an Executive Director. Mark is one of the advertising industry's leading lights with numerous senior relationships across the ad tech and media giants. He joined from Opera Mediaworks, where he was Managing Director, EMEA. Mark founded and sold his mobile advertising business 4th Screen to Opera, and then helped grow the business to over \$100 million in revenues. Mark's expertise is in executing in a high growth ad tech sector as well as European acquisitions. Mark is also a founding member of the IAB mobile council.

David Rae, Chief Financial Officer

David joined the Board in February 2018. David has enhanced the Board's financial and strategic capabilities as well as bringing experience in delivering rapid growth for ambitious companies and international business experience within the technology and energy sectors. David began his career in 1992 with EY's Entrepreneurial Services team in London, where he focused on fast growth companies. After leaving EY in 1999, David worked in corporate finance where he advised both public and private companies on fundraising and M&A activities. David is a Fellow of the Institute of Chartered Accountants in England and Wales and holds a first-class honours degree in Information Systems and Management Studies from the University of Leeds.

Research and development

Location Sciences continued to invest substantially in research and development. £341,441 (2020: £471,019) of development expenditure has been capitalised as "Intangible Assets". The Group continued to invest in the development of its location intelligence products.

Financial Risk Management

The Group's financial instruments comprise cash and cash equivalents, trade receivables and payables and borrowings. The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk.

Interest rate and credit risk – the principal assets of the Group are its cash deposits. These are short-term liquid assets and as a result the exposure to interest rate income risk is not considered significant. The principal focus of the Directors has been to minimise any credit risk in relation to its cash deposits even at the expense of interest income received. Borrowings include financial instruments on fixed interest rate terms and a revolving credit facility at a variable rate. As a result, the exposure to interest rate expense risk is low and no active management of interest rate risk is undertaken by the Board.

LOCATION SCIENCES GROUP PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

Foreign currency risk – the main functional currency is sterling. Throughout 2021, the Company's transactions have primarily been denominated in sterling and the Group has had low exposure to foreign currency risk.

Liquidity risk – the Board's policy is to ensure that sufficient cash and cash equivalents are held on a short-term basis at all times in order to meet the Group's operational needs. The Group does actively raise funds through market placings and other loan facilities.

The Group has been operating at a trading loss due to its stage of development and seeks to ensure that its investments will deliver long term value to shareholders. Liquidity risk is actively managed through regular review of cash requirements of the business in conjunction with the strategic and operational plans for the Group.

Substantial shareholdings

As at 29 March 2022 the Directors had been notified of the following holdings representing 3% or more of the issued share capital of the Company:

	Number of ordinary shares	Percentage of issued share capital
Richard Hughes	200,000,000	7.68%
Mahmud Kamani	200,000,000	7.68%
Turner Pope Investments	132,750,000	5.10%
Darron Lee	125,000,000	4.80%

Directors

The Directors, who held office during the year, were as follows:

B Chilcott (resigned 25 May 2021)

K Harrison (resigned 25 May 2021)

N Burton (appointed 25 May 2021)

D Rae

M Slade

S Wilkinson (appointed 25 May 2021)

The Company maintains director and officers' liability insurance.

Statement of Directors' responsibilities

The Directors acknowledge their responsibilities 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

LOCATION SCIENCES GROUP PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

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

Directors' interests in shares

The directors held the following interests in Location Sciences Group PLC:

	At 31 December 2021			At 31 December 2020		
	Ordinary Shares of 0.1p each	Options over Ordinary Shares of 0.1p each	Warrants over Ordinary Shares of 0.1p each	Ordinary Shares of 0.1p each	Options over Ordinary Shares of 0.1p each	Warrants over Ordinary Shares of 0.1p each
M Slade	26,204,444	15,555,556	40,000,000	6,204,444	15,555,556	-
D Rae	13,666,667	7,333,333	36,250,000	1,166,667	7,333,333	-
S Wilkinson	75,000,000	-	530,000,000	-	-	-
N Burton	67,500,000	-	55,000,000	-	-	-
B Chilcott	-	-	-	2,291,667	-	-
K Harrison	-	-	-	3,010,416	577,778	-

The market price of the Company's shares at the end of the financial year was 0.53p.

Disclosure of information to auditor

Each of the persons who are directors at the time when this director's report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the auditor is aware of that information.

Annual General Meeting

Notice of the forthcoming Annual General Meeting of the Company together with resolutions relating to the Company's ordinary business will be given to the members separately.

Reappointment of auditors

The auditors, Hazlewoods LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Approved by the Board on 29 March 2022 and signed on its behalf by:



Mark Slade
Director

LOCATION SCIENCES GROUP PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOCATION SCIENCES GROUP PLC

Opinion

We have audited the financial statements of Location Sciences Group PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021, which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Statement of Financial Position, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated Statement of Cash Flows, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 loss 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 group 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 director's 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 company's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. For the purpose of determining whether the group financial statements are free from material misstatement, we define materiality as the magnitude of a misstatement or an omission from the financial statements or related disclosures that would make it probable that the judgement of a reasonable person, relying on the information would have been changed or influenced by the misstatement or omission. We also determine a level of performance materiality, which we used to determine the extent of testing needed, to reduce to an appropriately low level that the aggregate of uncorrected and undetected misstatements exceed materiality of the group financial statements as a whole.

We establish materiality for the financial statements as a whole to be £55,000, which is 1% of the value of the trading subsidiary's total assets. Key audit risks were identified as revenue recognition; internally developed intangible assets; and going concern.

LOCATION SCIENCES GROUP PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOCATION SCIENCES GROUP PLC (CONTINUED)

An overview of the scope of our audit

Our audit approach was based on a thorough understanding of the Group's business and is risk based. In arriving at our opinions set out in this report, we highlight the following risks that in our judgment, had the greatest effect on the financial statements.

Audit risk

Recognition of revenue

Revenue consists of the value of services provided. Revenue recorded for services is recorded to the extent that the Group has performed its contractual obligations. We therefore identified revenue recognition as a risk that required particular audit attention.

How we responded to the risk

Our audit work included but was not restricted to:

- For revenue recognised in the year our audit work include, assessing whether the Group's accounting policy for revenue recognition was in accordance with IFRS 15 'Revenue';
- Sampling service sales in the year and comparing them to usage reports and stated performance dates;
- Performing cut-off testing of sales around the year end; and
- Analytical review of revenue recognised in the year including variance review.

Internally generated intangible assets

The Group has £537,491 of development costs in the year on the balance sheet. The Group capitalises development costs when the following criteria have been met: The product is technically viable, it is intended for sale, a market exists, expenditure can be measured reliably, and sufficient resources are available to allow completion of the project. When the Board is sufficiently confident that these criteria are met, the costs are capitalised. We therefore identified internally generated intangibles as a risk that required particular audit attention.

Our audit work included, but was not restricted to:

- Agreeing intangible asset additions to supporting documentation including employee costs and time spent on projects;
- Assessing the nature of the costs being capitalised to ensure they met the required accounting criteria for capitalisation; and
- Discussions were held with management to ensure that all criteria for capitalisation had been met and supporting evidence was obtained to corroborate this.
- Considering whether there are any impairment indicators and, where these exist, reviewing impairment reviews prepared by management.

Going concern

Trading performance of the Group has previously indicated the existence of material uncertainty, which may cast significant doubt about the Company and the Group's ability to continue as a going concern.

Our audit work included, but was not limited to:

- considering new funds raised in the year;
- review of forecasts prepared by management to support the going concern assumption; and
- review of customer contracts to forecasts.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

LOCATION SCIENCES GROUP PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOCATION SCIENCES GROUP PLC (CONTINUED)

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and 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 our 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' Report set out on page 16, 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 Group's and 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 Group or the parent 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.

Based on our understanding of the company and its activities, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation and money laundering, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as UK GAAP and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate or fictitious journal entries to manipulate the financial performance or financial position of the company.

LOCATION SCIENCES GROUP PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LOCATION SCIENCES GROUP PLC (CONTINUED)

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also planned and performed audit procedures including:

- Gaining an understanding of the legal and regulatory framework and considering the risk of any acts which may be contrary to applicable laws and regulations, including fraud.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluation of the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Making inquiries with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud.
- Testing journal entries and other adjustments for appropriateness and evaluating the business rationale of any significant transactions outside the normal course of business.
- Evaluation of the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclusion on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations or through collusion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Use of this 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.



Scott Lawrence (Senior Statutory Auditor)
For and on behalf of Hazlewoods LLP, Statutory Auditor

Staverton Court
Staverton
Cheltenham
GL51 0UX

Date: 29 March 2022

LOCATION SCIENCES GROUP PLC

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £	2020 £
Continuing Operations			
Revenue	4	167,940	318,572
Cost of sales		<u>(77,243)</u>	<u>(105,587)</u>
Gross profit		90,697	212,985
Administrative expenses		(801,432)	(565,202)
Other operating income	5	<u>11,267</u>	<u>30,119</u>
Operating loss before exceptional administrative expenses, amortisation and depreciation		(699,468)	(322,098)
Amortisation and depreciation		(216,392)	(179,743)
Exceptional administrative expenses	7	<u>(283,210)</u>	<u>-</u>
Operating loss	7	(1,199,070)	(501,841)
Finance income	8	2	98
Finance costs	8	<u>-</u>	<u>(5,619)</u>
Loss before tax		(1,199,068)	(507,362)
Income tax receipt	12	<u>113,871</u>	<u>166,272</u>
Loss for the year for the financial year from continuing operations		(1,085,197)	(341,090)
Discontinued operations			
Loss for the year from discontinued operations	6	<u>(298,161)</u>	<u>(898,178)</u>
Loss for the financial year		<u>(1,383,358)</u>	<u>(1,239,268)</u>
Earnings per share			
Loss per share - basic and diluted		(0.076p)	(0.24p)

The above results were derived from continuing operations.

LOCATION SCIENCES GROUP PLC

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR
ENDED 31 DECEMBER 2021**

	Note	2021 £	2020 £
Loss for the year		(1,383,358)	(1,239,268)
Other comprehensive income			
Foreign currency translation loss		(4,718)	(10,475)
Total comprehensive income for the year attributable to owners of the parent		<u>(1,388,076)</u>	<u>(1,249,743)</u>

LOCATION SCIENCES GROUP PLC

(REGISTRATION NUMBER: 06458458)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Note	2021 £	2020 £
Assets			
Non-current assets			
Intangible assets	14	537,491	1,141,792
Property, plant and equipment	15	-	5,828
		<u>537,491</u>	<u>1,147,620</u>
Current assets			
Trade and other receivables	17	331,559	415,104
Tax asset	12	113,871	166,272
Cash and cash equivalents		<u>4,378,825</u>	<u>1,128,118</u>
		4,824,255	1,709,494
Current liabilities			
Trade and other payables	19	(183,175)	(211,607)
		<u>(183,175)</u>	<u>(211,607)</u>
Net current assets		<u>4,641,080</u>	<u>1,497,887</u>
Total assets less current liabilities		<u>5,178,571</u>	<u>2,645,507</u>
Net assets		<u>5,178,571</u>	<u>2,645,507</u>
Equity			
Share capital	22	16,298,007	14,280,258
Share premium		20,034,993	19,315,231
Merger relief reserve		11,605,556	11,605,556
Capital reserve		209,791	209,791
Reverse acquisition reserve		(9,225,108)	(9,225,108)
Equity reserve		1,135,319	-
Retained earnings		<u>(34,879,987)</u>	<u>(33,540,223)</u>
Equity attributable to owners of the company		<u>5,178,571</u>	<u>2,645,507</u>

Approved by the Board on 29 March 2022 and signed on its behalf by:



Mark Slade
Director

LOCATION SCIENCES GROUP PLC**(REGISTRATION NUMBER: 06458458)****STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021**

	Note	2021 £	2020 £
Assets			
Non-current assets			
Investments	16	3,219,896	3,171,622
Current assets			
Trade and other receivables	17	132,919	-
Current liabilities			
Trade and other payables	19	(76,000)	(19,037)
Net current assets		56,919	(19,037)
Total assets less current liabilities		3,276,815	3,152,585
Net assets			
Equity			
Share capital	22	16,298,007	14,280,258
Share premium		20,034,993	19,315,231
Merger relief reserve		11,605,556	11,605,556
Equity reserve		1,135,319	-
Retained earnings		(45,797,060)	(42,048,460)
Total equity		3,276,815	3,512,585

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. The loss after tax for the parent Company for the year was £3,739,912 (2020: £1,808,132).

Approved by the Board on 29 March 2022 and signed on its behalf by:



Mark Slade
Director

LOCATION SCIENCES GROUP PLC

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

	Share capital £	Share premium £	Merger relief reserve £	Capital reserve £	Reverse acquisition reserve £	Equity reserve £	Retained earnings £	Total £
At 1 January 2020	14,008,033	18,508,593	11,605,556	209,791	(9,225,108)	-	(32,338,792)	2,768,073
Loss for the year	-	-	-	-	-	-	(1,239,268)	(1,239,268)
Other comprehensive income	-	-	-	-	-	-	(10,475)	(10,475)
Total comprehensive income	-	-	-	-	-	-	(1,249,743)	(1,249,743)
New share capital subscribed	272,225	806,638	-	-	-	-	-	1,078,863
Share-based payments	-	-	-	-	-	-	48,312	48,312
At 31 December 2020	14,280,258	19,315,231	11,605,556	209,791	(9,225,108)	-	(33,540,223)	2,645,505
	Share capital £	Share premium £	Merger relief reserve £	Capital reserve £	Reverse acquisition reserve £	Equity reserve £	Retained earnings £	Total £
At 1 January 2021	14,280,258	19,315,231	11,605,556	209,791	(9,225,108)	-	(33,540,223)	2,645,505
Loss for the year	-	-	-	-	-	-	(1,383,358)	(1,383,358)
Other comprehensive income	-	-	-	-	-	-	(4,718)	(4,718)
Total comprehensive income	-	-	-	-	-	-	(1,388,076)	(1,388,076)
New share capital subscribed	2,017,749	1,855,081	-	-	-	-	-	3,872,830
Warrants issued	-	(1,135,319)	-	-	-	1,135,319	-	-
Share-based payments	-	-	-	-	-	-	48,312	48,312
At 31 December 2021	16,298,007	20,034,993	11,605,556	209,791	(9,225,108)	1,135,319	34,879,987	5,178,571

The notes on pages 31 to 53 form an integral part of these financial statements.
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LOCATION SCIENCES GROUP PLC

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

	Share capital £	Share premium £	Merger relief reserve £	Equity reserve £	Retained earnings £	Total £
At 1 January 2020	14,008,033	18,508,593	11,605,556	-	(40,288,640)	3,833,542
Loss for the year	-	-	-	-	(1,808,132)	(1,808,132)
Total comprehensive income	-	-	-	-	(1,808,132)	(1,808,132)
New share capital subscribed	272,225	806,638	-	-	-	1,078,863
Share-based payments	-	-	-	-	48,312	48,312
At 31 December 2020	14,280,258	19,315,231	11,605,556	-	(42,048,460)	3,152,585

	Share capital £	Share premium £	Merger relief reserve £	Equity reserve £	Retained earnings £	Total £
At 1 January 2021	14,280,258	19,315,231	11,605,556	-	(42,048,460)	3,152,585
Loss for the year	-	-	-	-	(3,796,912)	(3,739,912)
Total comprehensive income	-	-	-	-	(3,796,912)	(3,739,912)
New share capital subscribed	2,017,749	1,855,081	-	-	-	3,872,830
Share-based payments	-	-	-	-	48,312	48,312
Warrants issued	-	(1,135,319)	-	1,135,319	-	-
At 31 December 2021	16,298,007	20,034,993	11,605,556	1,135,319	45,797,060	3,276,815

The notes on pages 31 to 53 form an integral part of these financial statements.
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LOCATION SCIENCES GROUP PLC
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

Cash flows from operating activities	Note	2021 £	2020 £
Loss for the year from continuing activities		(1,085,197)	(341,090)
Loss for the year from discontinued activities		(298,161)	(898,178)
Adjustments to cash flows from non-cash items:			
Depreciation and amortisation		508,862	616,778
Impairment charge		283,210	-
Profit on disposal of discontinued operations		(290,640)	-
Foreign exchange gain		(4,718)	(10,475)
Finance income	6	(2)	(98)
Finance costs	6	-	5,619
Share based payment transactions		48,312	48,312
Income tax expense		(113,871)	(166,272)
Shares issued other than for cash		120,000	158,362
Uplift in fair value of directors' fees		195,500	-
		<u>(636,705)</u>	<u>(587,042)</u>
Working capital adjustments			
Decrease / (Increase) in trade and other receivables		88,225	(7,783)
Decrease in trade and other payables		<u>(33,114)</u>	<u>(137,472)</u>
Cash used in operations		(581,594)	(732,297)
Income taxes received	11	<u>166,272</u>	<u>166,909</u>
Net cash flow from operating activities		<u>(415,322)</u>	<u>(565,391)</u>
Cash flows from investing activities			
Interest received	8	2	98
Disposals of discontinued operations	6	450,138	-
Acquisitions of property plant and equipment	14	-	(1,278)
Acquisition of intangible assets	13	<u>(341,441)</u>	<u>(471,019)</u>
Net cash flows from investing activities		<u>108,699</u>	<u>(472,199)</u>
Cash flows from financing activities			
Proceeds from issue of ordinary shares, net of issue costs		3,557,330	920,504
IFRS 16 liability repayment		<u>-</u>	<u>(80,537)</u>
Net cash flows from financing activities		<u>3,557,330</u>	<u>839,967</u>
Net increase/(decrease) in cash and cash equivalents		3,250,707	(197,621)
Cash and cash equivalents at 1 January		<u>1,128,118</u>	<u>1,325,739</u>
Cash and cash equivalents at 31 December		<u>4,378,825</u>	<u>1,128,118</u>

The notes on pages 31 to 53 form an integral part of these financial statements.

**LOCATION SCIENCES GROUP PLC
CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021 £	2020 £
Non-cash financing activities:		
Share warrants exercised in year	10,000	-
Fees settled by share issues	120,000	76,923
Directors' fees settled by share issues	163,625	81,452
	<hr/>	<hr/>

For full details on non-cash financing activities see note 21

LOCATION SCIENCES GROUP PLC

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £	2020 £
Cash flows from operating activities		
Loss for the year	(3,796,912)	(1,808,132)
Adjustments to cash flows from non-cash items		
Non-cash impairments	3,314,312	1,557,859
Share issues other than for cash	120,000	158,375
Uplift in fair value of directors' fees	195,500	-
	<u>(167,100)</u>	<u>(91,898)</u>
Working capital adjustments		
Decrease/(increase) in trade and other receivables	(132,918)	(803,099)
Increase / (decrease) in trade and other payables	57,000	(25,507)
	<u>(243,018)</u>	<u>(920,504)</u>
Net cash flow from operating activities	(243,018)	(920,504)
Cash flows from financing activities		
Proceeds from issue of ordinary shares, net of issue costs	3,557,330	920,504
Decrease in inter-company loans	(3,314,312)	-
Net cash flows from financing activities	<u>243,018</u>	<u>920,504</u>
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at 1 January	-	-
Cash and cash equivalents at 31 December	<u>-</u>	<u>-</u>

The notes on pages 31 to 53 form an integral part of these financial statements.

LOCATION SCIENCES GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1 General information

The company is a public company limited by share capital, incorporated and domiciled in England.

The address of its registered office is:

First Floor
St James' House
St James' Square
Cheltenham
Gloucestershire
GL50 3PR

The Company's ordinary shares are traded on the Alternative Investment Market (AIM) of the London Stock Exchange.

Principal activity

Location Sciences has developed a global platform called Verify, which brings transparency to the location based mobile advertising market. Verify allows marketers to authenticate where their adverts have been viewed and uses proprietary technology to detect location ad-fraud, which would otherwise go unnoticed.

2 Accounting policies

Statement of compliance

The group financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the EU ("adopted IFRS's").

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Going concern

The directors have taken a view of the Group as a whole.

The Group raised approximately £3.74 million in new funds (before expenses) during the financial year through a placing, subscription and broker option. Following the successful fundraising, the Board continued to review how best to maximise the value of the Company's two core business units, namely location verification and data and insights. As part of this business review, the Board decided to sell its Insights dashboard and four contracts to Digital Envoy, Inc. for a total consideration of US\$700,000 of which US\$575,000 was received by the Company during the year and the remaining US\$125,000 was received by the Company on 31 January 2022. The sale to Digital Envoy, Inc. also allowed the Company to significantly reduce its ongoing operational costs.

The Group continues to operate Verify which has a global client base with customers in Europe, US and South Africa.

Despite the actions of the Board, the Group continued to operate with a trading loss during the year and the same is expected throughout 2022. The new funds raised during 2021 will be utilised for the operation of Verify and for working capital purposes and the Group also remains debt free. The Board will continue to monitor cash resources and progress the ongoing business review.

Based on the current status, after making enquiries and considering the existing cash resources of the business and cost reductions made during 2021, the Board have a reasonable expectation that the Group will be able to execute its plans in the medium term such that the Group will have adequate resources to continue in operational existence for the foreseeable future. This provides the Board with assurance on the Group's ability to continue as a going concern, and therefore adopt the going concern basis of accounting in preparing the annual financial statements.

LOCATION SCIENCES GROUP PLC

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

2 Accounting policies (continued)

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2021 in accordance with IFRS 10.

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

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in accounting policy

For the purpose of the preparation of these consolidated financial statements, the Group has applied all standards and interpretations that are effective for accounting periods beginning on or after 1 January 2021. None of the standards that have been applied have had a material effect on the financial statements.

New standards, interpretations and amendments not yet effective

No new standards, amendments or interpretations to existing standards that have been published and that are mandatory for the Group's accounting periods beginning on or after 1 January 2022, or later periods, have been adopted early.

None of the standards, interpretations and amendments which are effective for periods beginning after 1 January 2022, and which have not been adopted early, are expected to have a material effect on the financial statements.

LOCATION SCIENCES GROUP PLC

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

2 Accounting policies (continued)

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker for the use in strategic decision making and monitoring of performance. The Group considers the chief operating decision maker to be the Executive Board.

Revenue recognition

Revenue represents the invoice value of services and software licences provided to external customers in the period, stated exclusive of value added tax.

Consideration received from customers in respect of services is only recorded as revenue to the extent that the Group has performed its contractual obligations in respect of that consideration. Management assess the performance of the Group's contractual obligations against project milestones and work performed to date.

Revenue from software licences sold in conjunction with services is invoiced separately from those services and recognised over the period of the licence.

Revenue from software licences for the use of the technology platform is recognised over the period of the license.

Revenue from software development is recognised to the extent that the Group has obtained the right to consideration through its performance.

The IFRS 15 Practical expedient has been applied whereby the promised amount of consideration has not been amended for the effects of a significant financing component as at the contract inception there are no contracts where the period between transfers of promised goods or services and customer payment is expected to exceed one year.

Under the Group's standard contract terms, customers have a right of return within 30 days. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. It is considered highly probable that a significant reversal in the revenue recognised will not occur given the consistent low level of returns over previous years.

Grants

Grants for revenue expenditure are presented as part of the Income Statement in the periods in which the expenditure is recognised.

Foreign currency transactions and balances

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 Parent's presentational currency.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

The results and financial position of all Group entities that have a functional currency different from the presentational currency of the Group are translated into sterling follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- Income and expenses for each income statement are translated at the average exchange rate for the month where these approximate the exchange rate at the date of the transaction; and
- All resulting exchange differences are recognised within other comprehensive income and taken to the foreign exchange reserve.

LOCATION SCIENCES GROUP PLC

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

2 Accounting policies (continued)

Tax

The current 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 group operates and generates taxable income.

Deferred tax is provided for using the liability method on temporary differences at the balance sheet date between tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised in full for all temporary differences other than those relating to goodwill on investments in subsidiaries. Deferred tax assets are recognised for all deductible temporary differences carried forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is assessed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised, or the liability settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

The tax currently receivable is based on the taxable loss for the period and relates to R&D tax credits. Taxable loss differs from net loss as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. This is calculated using rates and laws enacted or substantively enacted at the reporting date

Financial instruments

The Group recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Group's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Group classifies all of its financial assets as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary assets. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterpart or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Income Statement. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Group classifies all of its financial liabilities as liabilities at amortised cost. Liabilities are classified as current liabilities when the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

LOCATION SCIENCES GROUP PLC

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

2 Accounting policies (continued)

Intangible assets

Internally developed software

Intangible assets are predominantly internally generated software development costs for Location Sciences' technologies. Development costs are capitalised when certain criteria are met. The product must be technically feasible, sale is intended, a market exists, expenditure can be measured reliably, and sufficient resources are available to complete the project. The extent of capitalisation is limited to the amount, which taken together with further related costs, will be recovered from the future economic benefits related to the asset. When the Board is sufficiently confident that all of the criteria for capitalisation are met, development costs are amortised over the expected useful life, currently 5 years, from the date the asset is available for use. Development costs that have been capitalised, but where amortisation has not yet commenced are reviewed annually for impairment. If no intangible asset can be recognised based on the above then development costs are recognised within administrative expenses in the Consolidated Income Statement.

Amortisation

Asset class	Amortisation method and rate
Development costs	20% straight line

Amortisation is recognised within administrative expenses and disclosed separately on the Consolidated Income Statement.

Depreciation

Asset class	Depreciation method and rate
Computer equipment	33.33% straight line
Office equipment	33.33% straight line
Right of Use assets	Straight line over lease term

Depreciation is recognised within administrative expenses and disclosed separately on the Consolidated Income Statement.

Impairment of non-financial assets

At each Statement of Financial Position date, the Group performs an impairment review in respect of goodwill and any intangible assets not yet ready for use and reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered any impairment. If any such indication exists, the recoverable amount of the asset (being the higher of fair value less costs to sell and value in use) is estimated in order to determine the extent of any impairment. Any impairment loss is recognised as an expense in the Consolidated Income Statement in the period in which it was identified.

Investments

Investments are carried at cost, less any impairment in value.

The Company grants options over its equity investments to the employees of its subsidiaries. The carrying value of the investment in this subsidiary is increased by an amount equal to the value of the share-based payment charge attributable to the option holder in the subsidiary.

Dividends on equity securities are recognised in income when receivable.

LOCATION SCIENCES GROUP PLC

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

2 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, and have a maturity of less than 3 months from the date of acquisition. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand and bank deposits.

Trade receivables

Trade receivables are amounts due from customers for licences sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Leases

Assets held under leases are recognised as assets of the Group at the fair value at the inception of the lease or if lower, at the present value of the minimum lease payments. The related liability to the lessor is included in the Balance Sheet as a finance lease obligation. Lease payments are apportioned between interest expenses and capital redemption of the liability. Interest is recognised immediately in the Consolidated Income Statement, unless attributable to qualifying assets, in which case they are capitalised to the cost of those assets.

Exemptions are applied for short life leases and low value assets, with payments made under operating leases charged to the Consolidated Income Statement on a straight-line basis over the period of the lease.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

Share based payments

The Group operates an equity-settled, share-based compensation plan. Equity-settled share-based payments are measured at fair value at date of grant. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured by use of the Black Scholes or a binomial options valuation model as appropriate depending on the terms of the options.

LOCATION SCIENCES GROUP PLC

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

2 Accounting policies (continued)

Equity

Equity comprises:

Share capital - the nominal value of ordinary shares is classified as equity.

Share premium - represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.

Merger relief reserve - the difference between cost or fair value and the nominal value of shares issued on the exchange of shares with Location Sciences AI Limited and on acquisition of subsidiaries where shares are issued as part of the consideration.

Translation reserve - the foreign exchange difference arising on consolidation.

Capital reserve - represents a capital contribution to the Company.

Equity reserve - represents the fair value of warrants over shares issued as part of the May 2021 fundraise.

Reverse acquisition reserve - the balance of the amount recognised as issued equity instruments arising on restatement of Location Sciences AI Limited to reflect the parent equity structure, further to the reverse acquisition basis of accounting adopted in 2013 on the share exchange by Location Sciences Group Plc for 100% of the shares of Location Sciences AI Limited.

Retained earnings - includes all current and prior period retained profits/(losses).

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial information in conformity with IFRS requires the directors to make critical accounting estimates and judgements that affect the application of policies and reported amounts of assets and liabilities, income and expenses. An assessment of the impact of these estimates and judgements on the financial statements is set out below.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates and any subsequent changes are accounted for with an effect on income at the time such updated information is available.

Fair values for employee share schemes

The establishment of fair values in respect of employee services received in exchange for share options require the exercise of judgement and estimation in respect of the life of the option, the expected dividend yield and, in particular, the volatility of the underlying shares. A calculated value for the latter may not accurately reflect the future share price movements given the Group's stage of development.

Assessing whether development costs meet the criteria for capitalisation

The point at which development costs meet the criteria for capitalisation is critically dependent on management's judgement of the point at which technical feasibility is demonstrable. Commercial success of the development projects remains uncertain at the time of recognition and therefore impairment reviews are undertaken based on current estimates of future revenue streams. This assessment has resulted in the impairment of £283,210 (2020: £nil) of development costs.

LOCATION SCIENCES GROUP PLC

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

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Fair values of warrant instruments

Warrants issued in May 2021 are valued based on the fair value of the underlying services received. The directors' warrant instruments have been valued with reference to the fair value of the other warrants issued to third parties.

Classification and valuation of financial instruments

The Group previously issued financial instruments including conversion features and warrants. The valuation of these financial instruments, including Level 3 fair values where there are no observable market inputs, are performed in consultation with third party valuation specialists, with the overall aim of maximising the use of market based information.

Assessing whether revenue meets the criteria for recognition

Contracts can include both the sale of licences and provision of services including integration and development. Revenue is recognised based on the analysis of individual contracts and the point at which significant risks and reward of ownership transfer is dependent on the contractual terms. In respect of a licence, this would usually be on delivery of the software. Software development and other consulting services generally recognised on the basis of work done but where issues of client acceptance are identified, then revenue is deferred until issues are resolved.

4 Segmental analysis

Operating segments are based on internal reports about components of the Group, which are regularly reviewed and used by the Board for strategic decision making, to allocate resources across segments and to assess performance by segment.

Since 2018 the Group maintained a holding company structure with one operating subsidiary. For financial reporting, Location Sciences segments the Group based on its two distinct products. Firstly, its UK Data and Insights platform, which gives customers access to its data lake of over 36 billion location data points. This helps customers in a variety of ways, for example, competitor and footfall analysis, attribution services for advertisers, and even the ability to enhance the sustainability of transport systems. Secondly, Location Sciences has developed a global platform called Verify, which brings transparency to the location based mobile advertising market. Verify allows marketers to authenticate where their adverts have been viewed and uses proprietary technology to detect location ad-fraud, which would otherwise go unnoticed. The Insights segment was disposed of during the year.

It should be noted that a segmental analysis of the Balance Sheet is not part of routine management reporting and consequently no segmental analysis of assets is shown here.

The analysis of the Group's revenue from contracts with customers for the year is as follows:

	2021 £	2020 £
Verify	167,940	318,572
Location Data and Insights*	373,448	762,170
	<u>541,388</u>	<u>1,080,742</u>

* disclosed within discontinued operations

LOCATION SCIENCES GROUP PLC

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

4 Segmental analysis (continued)

An analysis of the Group's revenue by geographical segment is as follows:

	2021 £	2020 £
UK	383,003	578,697
ROW	158,385	502,045
	<u>541,388</u>	<u>1,080,742</u>

All non-current assets of the Group are held in the UK.

During the year there was revenue from individual customers that represented more than 10% of revenue as follows:

	2021 £	2020 £
Verify - customer 1	113,120	-
Location Data and Insights - customer 1	141,480	385,074
Location Data and Insights - customer 2	163,871	132,242
Location Data and Insights - customer 3	84,000	-
Location Data and Insights - customer 4	63,710	-

Average payments terms are set out in note 17. There are no significant financing components, nor variable consideration elements in customers' contracts.

An analysis of EBITDA is as follows:

	2021 £	2020 £
Location Data and Insights	(299,972)	(533,297)
Verify	(682,706)	(249,945)
Total EBITDA	<u>(982,678)</u>	<u>(783,242)</u>

An analysis of loss before tax is as follows:

	2021 £	2020 £
Location Data and Insights	(588,803)	(898,178)
Verify	(908,426)	(507,362)
Total loss before tax	<u>(1,497,229)</u>	<u>(1,405,540)</u>

LOCATION SCIENCES GROUP PLC

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

5 Other operating income

The analysis of the Group's other operating income for the year is as follows:

	2021 £	2020 £
Government grants	-	10,000
Furlough receipts	11,267	20,119
	<u>11,267</u>	<u>30,119</u>

Furlough scheme

The furlough scheme is a government grant relating to a wage subsidiary programme introduced in the United Kingdom in response to the COVID-19 coronavirus pandemic. The Company was entitled to the wage subsidy because it had reduced operations in the United Kingdom as a result of the COVID-19 pandemic. The accounting policy adopted is set out in Note 2 to the financial statements; the grant was recognised in the profit and loss in 'other income' as the related wages and salaries for furloughed employees were recognised.

6 Discontinued operations

On 21 October 2021, Location Sciences AI Limited entered into an agreement for the sale of the 'Insights business'.

Outlined below are the results for the year in relation to the portion of the business sold.

	2021 £	2020 £
Revenue	373,448	762,170
Direct expenditure	(144,286)	(252,609)
Gross profit from discontinued operations	<u>229,162</u>	<u>509,561</u>
Overheads	(817,963)	(1,407,739)
Loss before tax on discontinued operations	<u>(588,801)</u>	<u>(898,178)</u>
Sale proceeds received*	450,138	-
Net book value of assets sold	(159,498)	-
Profit on sale of discontinued operations	<u>290,640</u>	<u>-</u>
Total loss on discontinued operations	<u>(298,161)</u>	<u>(898,178)</u>

*The Company also received an additional US\$125,000 in relation to the sale of the Insights business which is not included in the above sale proceeds due to not meeting the requirements for recognition within the accounting period. This deferred consideration has been recognised post year end.

LOCATION SCIENCES GROUP PLC

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

7 Loss before taxation

Arrived at after charging/(crediting)

	2021 £	2020 £
Depreciation expense *	5,828	102,314
Amortisation expense	503,034	514,464
Research and development expenditure	-	27,548
Impairment charge **	283,210	-
Share based payments	48,312	48,312
Net foreign exchange losses	4,718	11,004
Auditors remuneration		
- Company audit	10,000	10,000
- Subsidiary audit	15,000	15,000
Non-audit services:		
- Tax and other compliance services	7,750	12,750

* Depreciation includes the charge arising on right-of-use assets arising upon initial application of IFRS 16 totalling £ nil (2020: £93,879).

** Impairment of intangible assets is disclosed within exceptional items in the Income Statement.

8 Finance income and costs

	2021 £	2020 £
Finance income		
Interest income on bank deposits	2	98
Finance costs		
Interest on IFRS 16 lease liabilities	-	(5,619)
Net finance costs	2	(5,521)

9 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2021 £	2020 £
Wages and salaries	794,544	1,074,189
Social security costs	102,073	150,120
Pension costs, defined contribution scheme	8,790	13,017
Share-based payment expenses	48,312	48,312
Redundancy	19,035	-
	972,754	1,285,638

LOCATION SCIENCES GROUP PLC

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

9 Staff costs (continued)

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	2021 No.	2020 No.
Finance and operations	2	2
Research and development	4	8
Commercial and client services	1	4
Non-executive directors	2	4
	9	18

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2021 No.	2020 No.
Finance and operations	2	2
Non-executive directors	2	4
	4	6

10 Key management compensation and directors' remuneration

Details of aggregate key management emoluments for the year are as follows:

	2021 £	2020 £
Salaries and other short-term employee benefits	706,071	449,846
Pension costs	2,636	2,910
Expense of share-based payments	25,912	26,216
	734,619	478,972

The directors are of the opinion that the key management of the Group comprises the executive and the non-executive directors of Location Sciences Group Plc. These persons have authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

Directors' remuneration is disclosed in the Directors' Remuneration Report on pages 12 to 14. Directors' remuneration includes salaries settled by issue of shares, as disclosed in note 21.

11 Auditors' remuneration

	2021 £	2020 £
Audit of the Company's financial statements	10,000	10,000
Audit of the subsidiaries' financial statements	15,000	15,000
	25,000	25,000
All other non-audit services comprising interim review and permitted tax services	7,750	12,750

LOCATION SCIENCES GROUP PLC

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

12 Income tax

Tax charged/(credited) in the income statement

	2021 £	2020 £
Current taxation		
UK R&D tax credit	(113,871)	(166,272)

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2021 - higher than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	2021 £	2020 £
Loss before tax	(1,199,068)	(507,362)
Corporation tax at standard rate	(227,823)	(96,399)
Effect of expenses not deductible	9,640	9,926
Unrecognised deferred tax asset	167,042	154,144
Surrender of tax losses for R&D tax credit	35,339	51,602
Additional deduction for research development expenditure	(84,336)	(123,146)
Discontinued operations	(56,651)	(170,654)
Other differences	42,918	8,255
Total tax credit	(113,871)	(166,272)

Subject to the UK tax authority's agreement, the Group has UK tax losses of approximately £20,933,000 (2020: £20,200,000) available to carry forward and offset against future taxable profits arising from the same trade. The Group has a potential deferred tax asset of £3,977,000 (2020: £3,840,000) which will not be recognised until it is regarded as more likely than not that there will be sufficient taxable profits from which the tax losses can be deducted. In addition, no deferred tax asset is recognised in respect of future tax deductions on exercise of share options.

13 Loss per share

The calculation of loss per share is based on the loss of £1,383,358 (2020: £1,239,268) and on the number of shares in issue, being the weighted average number of equity shares in issue during the period of 1,814,571,645 0.1p ordinary shares (2020: 513,986,630 0.1p ordinary shares).

	2021 £	2020 £
Loss for the financial year	(1,383,358)	(1,239,268)

Earnings per share

Loss per share - basic and diluted	(0.076p)	(0.24p)
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Dilutive instruments

Instruments that could potentially dilute basic loss per share in the future but are not included in the calculation of diluted loss per share because they are anti-dilutive.

LOCATION SCIENCES GROUP PLC

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

14 Intangible assets

Group

	Internally generated software development costs £
Cost or valuation	
At 1 January 2020	2,799,161
Additions	<u>471,019</u>
At 31 December 2020	<u>3,270,180</u>
At 1 January 2021	3,270,180
Additions	341,441
Disposal	<u>(2,306,381)</u>
At 31 December 2021	<u>1,305,240</u>
Amortisation	
At 1 January 2020	1,613,924
Amortisation charge	<u>514,464</u>
At 31 December 2020	<u>2,128,388</u>
At 1 January 2021	2,128,388
Amortisation Charge	503,034
Disposal during the year	(2,146,883)
Impairment	<u>283,210</u>
At 31 December 2021	<u>767,749</u>
Carrying amount	
At 31 December 2021	<u>537,491</u>
At 31 December 2020	<u>1,141,792</u>
At 1 January 2020	<u>1,185,237</u>

Internal development represents the cost incurred in developing the Group's Verify proprietary location verification software with net book value of £537,491 (2020: £590,369). These internal costs have been capitalised in accordance with the Group's accounting policies where all the conditions for capitalisation have been met.

The intangible assets have on average a remaining amortisation period of 4 years respectively.

Impairment of research and development is considered within the conditions of capitalisation. Amortisation charges are included in administrative expenses, disclosed separately on the Consolidated Income Statement.

LOCATION SCIENCES GROUP PLC

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

15 Property, plant and equipment

Group

	Computer Equipment £	Office Equipment £	IFRS 16 Right of Use Assets: Property £	Total £
Cost or valuation				
At 1 January 2020	39,554	2,493	187,757	229,804
Additions	1,278	-	-	1,278
Disposals	-	-	(187,757)	(187,757)
At 31 December 2020	40,832	2,493	-	43,325
Additions	-	-	-	-
Disposals	(35,965)	(2,493)	-	(38,458)
At 31 December 2021	4,867	-	-	4,867
Depreciation				
At 1 January 2020	28,507	554	93,879	122,940
Charge for year	7,605	831	93,878	102,314
Eliminated on disposal	-	-	(187,757)	(187,757)
At 31 December 2020	36,112	1,385	-	37,497
Charge for year	4,720	1,108	-	5,828
Eliminated on disposal	(35,965)	(2,493)	-	(38,458)
At 31 December 2021	4,867	-	-	4,867
Carrying amount				
At 31 December 2021	-	-	-	-
At 31 December 2020	4,720	1,108	-	5,828
At 1 January 2020	11,047	1,939	93,878	106,864

LOCATION SCIENCES GROUP PLC

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

16 Investments

Company

	2021 £	2020 £
Investment in subsidiaries	2,045,589	2,045,627
Capital contribution arising from IFRS 2 share-based payments charge	1,174,307	1,125,995
	3,219,896	3,171,622

	Subsidiaries £
Cost or valuation	
At 1 January 2020	3,491,764
Revaluation	48,312
Impairment	(368,454)
At 31 December 2020	3,171,622
Disposal	(38)
Revaluation	48,312
At 31 December 2021	3,219,896
Carrying amount	
At 31 December 2021	3,219,896
At 31 December 2020	3,171,622
At 1 January 2020	3,491,764

Details of the Group subsidiaries held as direct investments of the Company as at 31 December 2021 are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2021	2020
Location Sciences AI Limited	Verify	Same registered office address as group	100%	100%
Location Sciences (US) Inc.	Location Data and Insights and Verify within the US marketplace	1209 Orange Street, Wilmington, New Castle, Delaware, 19801 USA	0%	100%

Note, during the year Location Sciences (US) Inc. was dissolved on 25th March 2021

LOCATION SCIENCES GROUP PLC

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

17 Trade and other receivables

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Trade receivables	175,875	258,468	-	-
Receivables from related parties	-	-	-	-
Prepayments	149,403	6,837	132,919	-
Other receivables	6,281	149,799	-	-
	<u>331,559</u>	<u>415,104</u>	<u>132,919</u>	<u>-</u>

Trade and other receivables are all current and the net carrying amount of trade receivables is considered a reasonable approximation of fair value. Average credit terms were 45 days (2020: 45) and average debtor days outstanding were 65 (2020: 73) excluding balances that have been fully provided for.

All of the Group's trade and other receivables have been assessed for impairment based upon the expected credit losses model. In order to manage credit risk, the Directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history.

Trade receivables are regularly reviewed for bad and doubtful debts. The Group's policy is to include a provision for impairment based on estimated credit losses. This includes an assessment where relevant of forward-looking information on macroeconomic factors that may affect the ability of customers to settle receivables. Trade receivables are written off where there is no reasonable expectation of recovery, for example where the customer has entered insolvency proceedings or where a customer has failed to make contractual payments for an extended period.

The Group's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other receivables is disclosed in the financial risk management and impairment note.

Trade receivables above include amounts (detailed below) that are past due at the end of the reporting period and which an allowance for doubtful debts has not been recognised as the amounts are still considered recoverable and there has not been a significant change in credit quality.

Age of trade receivables that are past due but not impaired

	Group	
	2021	2020
	£	£
31 to 60 days	32,680	92,954
61 to 90 days	40,082	31,838
91 to 120 days	17,578	34,118
3 to 6 months	41,575	22,913
	<u>131,915</u>	<u>181,823</u>

LOCATION SCIENCES GROUP PLC

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

18 Trade and other payables

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Trade payables	18,699	45,458	-	-
Payables to related parties	-	-	-	38
Accrued expenses	79,872	117,208	19,000	18,999
Social security and other taxes	81,215	42,347	57,000	-
Other payables	3,389	6,594	-	-
	<u>183,175</u>	<u>211,607</u>	<u>76,000</u>	<u>19,037</u>

The directors consider that the carrying amount of trade and other payables approximated their fair value.

Trade payables are paid between 30 and 60 days of receipt of the invoice.

The Group's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in the financial risk management and impairment note.

19 Obligations under leases

IFRS 16

For the year ended 31 December 2021, the following amounts have been recognised under IFRS 16 in relation to property leases:

	2021	2020
	£	£
Additions to 'right-of-use' assets	-	-
Depreciation charged on 'right-of-use' asset recognised	-	93,878
Interest expense recognised on lease liability	-	5,619
Expense incurred in relation to 'short-term' leases	14,563	19,200
Obligation at year end in relation to 'short-term' leases	-	-
Total cash outflow in year in relation to leases	<u>14,563</u>	<u>99,737</u>

LOCATION SCIENCES GROUP PLC

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

20 Financial risk management and impairment of financial assets

Treasury risk management

The Group manages a variety of market risks, including the effect of changes in foreign exchange rates, liquidity and counterparty risks.

Credit risk

The Group's principal financial assets are bank balances, cash, trade and other receivables.

The credit risk on liquid funds is limited because the counterparties are UK banks or "Blue Chip" companies with high credit ratings assigned by international credit rating agencies.

The credit risk associated with trade receivables is minimal as invoices are based on contractual agreements with long-standing customers. Credit losses historically incurred by the Group have consequently been considered by the Directors to be exceptional in their occurrence. The Group maintains a provision against receivables, however, this is not necessarily linked to credit risk and the ageing of receivables is not the most relevant indicator to determine the potential impairment of a receivable. The nature of the Group's operations is such that misunderstandings or minor disagreements may arise during the course of contracts, which may sometimes require an adjustment to be made to achieve settlement and the Group's provisions are made on a case by case basis, based on Directors' knowledge of the circumstances surrounding overdue balances as they arise.

As a result, investment returns and credit risk to the Group in this regard are not material to the financial statements.

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date. No collateral is held in respect of these amounts which are expected to be received in full. In order to manage credit risk, credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history.

The Company has significant credit risks associated with the inter-company debt due from its subsidiary, which is fully provided for as at the year end. As with the Group's policy for making provisions against trade receivables, provisions against inter-company debt is considered based on the Directors' knowledge of the subsidiary's trading activity and financial position.

Currency risk

The Group's operations are primarily located in the United Kingdom. The Group's transactions during 2021 were predominantly denominated in sterling, with consequently little exposure to foreign currency risks. Due to the limited risks to the Group, forward exchange contracts are not considered necessary and are not used. At the year end, the Group operated both sterling and dollar bank accounts. Going forward the Directors will continue to monitor the currency risk.

The translation risk on the Group's foreign exchange payables and receivables is considered to be immaterial due to their short-term nature.

Liquidity risk

The Group has sufficient capital resources to meet its external current liabilities as they fall due in 2022.

Operational cash flow represents on going trading revenue and costs, administrative costs and research and development activities. The Group manages its liquidity requirements by the use of both short-term and long-term cash flow forecasts. The Group's policy is to ensure facilities are available as required or to issue equity share capital to ensure cash resources available are in accordance with long-term cash flow forecasts. The Group currently has no overdrawn committed facilities as at 31 December 2021.

The Group actively manages its working capital to ensure it has sufficient funds for operations and planned research and development activities.

LOCATION SCIENCES GROUP PLC

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

20 Financial risk management and impairment of financial assets (continued)

The Group's main financial liabilities include trade payables and operational costs. All amounts for trade and other payables are due for payment in accordance with agreed settlement terms with suppliers or statutory deadlines. All such payment terms are within six months.

Capital management

The Group's activities are of a type and at a stage of development where the most suitable capital structure is that of one primarily financed by equity. The directors will reassess the future capital structure when projects under development are sufficiently advanced.

The Group's financial strategy is to utilise its resources and current trading revenue streams to commercialise its products and grow revenues. The Group keeps investors informed of its progress with its projects through regular announcements and raises additional equity finance at appropriate times.

The Group manages capital on the basis of the carrying amount of equity, and debt with regard to maintaining sufficient liquidity to enable the Group to continue to trade and invest in commercialisation. As at the year end the equity to overall financing ratio, excluding IFRS 16 adjustments, is 1 (2020:1).

Categories of financial instruments

All of the Group's financial assets are classified as loans and receivables; see note 17. The directors consider that the carrying amount of trade and other receivables approximates their fair value.

All of the Group's financial liabilities are classified as liabilities at amortised cost: see note 18. The directors consider that the carrying amount of trade and other payables approximates their fair value. All financial liabilities are due within one year.

The accounting policies applied are set out in note 2.

21 Share capital

Allotted, called up and fully paid shares

	2021		2020	
	No.	£	No.	£
New Ordinary shares of 0.1p each	2,605,087,398	2,605,087	587,337,398	587,337
Deferred shares of 0.99p each	1,040,712,398	10,303,054	1,040,712,398	10,303,054
New deferred shares of 0.9p each	376,651,734	3,389,866	376,651,734	3,389,866
	<u>4,022,451,530</u>	<u>16,298,007</u>	<u>2,004,701,530</u>	<u>14,280,258</u>

Reconciliation of shares

	<u>Number of shares</u>
Total number of shares at 1 January 2021	2,004,701,530
25 May 2021 share issue: placing	1,842,500,000
25 May 2021 share issue: settlement of professional fees	132,750,000
25 May 2021 share issue: settlement of director fees	<u>42,500,000</u>
At 31 December 2021	<u>4,022,451,530</u>

LOCATION SCIENCES GROUP PLC

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

21 Share capital (continued)

Share issue

On 25 May 2021, 1,842,500,000 ordinary shares of 0.1p were issued at 0.2p pursuant to a placing, subscription and broker option with a nominal value of £1,842,500 for aggregate consideration of £3,685,000 before costs of the placing, subscription and broker option, with an additional 132,750,000 ordinary shares issued at 0.2p to settle professional fees in relation to the placing, subscription and broker option. At the same time 42,500,000 ordinary shares were issued at the market value on day of admission of the shares at 0.66p to the non-executive directors as consideration for their first-year fees.

At the same time various warrants were issued to certain parties as detailed in the section below.

Share rights

Ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

Deferred shares have attached to them no voting, dividend or capital distribution (including on winding up) rights; they do not confer any rights of redemption.

Warrants in Issue

1) Promoter Warrants - non-transferable warrants to subscribe for up to 1,500,000,000 Ordinary Shares, exercisable at the 0.20p for five years from 25 May 2021, were issued to certain members of the Concert Party in consideration of those persons assembling and co-ordinating the Concert Party's investment in the Company in May 2021 and facilitating the appointment of Simon Wilkinson as Non-Executive Chairman.

Name	Number of Ordinary Shares subject to Promoter Warrants
Richard Hughes	500,000,000
Mahmud Kamani	500,000,000
Simon Wilkinson	500,000,000

2) Cornerstone Investor Warrants - non-transferable warrants to subscribe for up to 250,000,000 Ordinary Shares, exercisable at 0.20p for five years from 25 May 2021, were issued to the Cornerstone Investors of the May 2021 placing.

Name	Number of Ordinary Shares subject to Cornerstone Investor Warrants
Ben Turner	50,000,000
Donna Turner	75,000,000
James Pope	50,000,000
Maxine Pope	75,000,000

3) Broker Warrants - transferable warrants to subscribe for up to 100,000,000 Ordinary Shares, exercisable at the 0.20p for five years from 25 May 2021 were issued as shown below.

Name	Number of Ordinary Shares subject to Broker Warrants
Turner Pope	58,750,000
Dr Nigel Burton	25,000,000
Mark Slade	10,000,000
David Rae	6,250,000

4) Director Warrants - non-transferable warrants to subscribe for, in aggregate, 120,000,000 Ordinary Shares were issued to the Executive Directors and the Non-Executive Directors, exercisable at 0.20p for five years from 25 May 2021, provided that the Ordinary Shares have traded at a Volume Weighted Average Price (VWAP) at or above 0.30p for 20 consecutive Business Days, or on a change of control of the Company.

LOCATION SCIENCES GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2021 (CONTINUED)

21 Share capital (continued)

Name	Number of Ordinary Shares subject to Broker Warrants
Mark Slade	30,000,000
David Rae	30,000,000
Simon Wilkinson	30,000,000
Dr Nigel Burton	30,000,000

The expense recognised in respect of all warrants issued as part of the May 2021 fundraise has been recognised directly in the share premium reserve, based on the fair value of the services received that are considered to directly relate to the issuing of shares.

The pre-existing share warrants held by Mike Staten were surrendered on 25 May 2021 in consideration for the issue of 5 million Ordinary Shares at 0.20p

22 Share-based payments

The share option scheme was originally adopted by the company on 29 September 2011. It was established to attract and retain the best available personnel for positions of responsibility, to provide additional incentive to employees, officers or consultants of the company and to promote the success of the company's business. Further to the acquisition of the business by Location Sciences Group plc, the options were granted over shares in the parent entity. The share option scheme was and continues to be administered by the directors.

All outstanding options as at 1 January 2018 and outstanding options issued in March 2018 and May 2018 were surrendered and replaced by options issued in November 2018. Further in 2019 part of the outstanding share options issued in November 2018 were surrendered and replaced by options issued in July 2019. Share options surrendered are accounted for as modified options under IFRS 2. The incremental value of the modified share options is not material.

Share options issued in November 2018, February 2019, May 2019 and October 2019 are to be settled by way of issues of Ordinary Shares. The options have no vesting period but cannot be exercised until target share prices are achieved and have a maximum term of 10 years.

The target share prices are as follows:

Target A: £0.048
Target B: £0.073
Target C: £0.097

The movements in the number of share options during the year were as follows:

	2021	2020
	Number	Number
Outstanding, start of period	26,222,222	29,773,278
Forfeited during the period	(1,555,556)	(3,551,056)
Outstanding, end of period	<u>24,666,666</u>	<u>26,222,222</u>

None of the options outstanding at the end of the period are yet exercisable as the target share prices have not yet been achieved.

LOCATION SCIENCES GROUP PLC

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

22 Share-based payments (continued)

The movements in the weighted average exercise price of share options during the year were as follows:

	2021	2020
	£	£
Outstanding, start of period	2.25	2.28
Forfeited during the period	2.25	2.49
Outstanding, end of period	2.25	2.25

The weighted average contractual life of options outstanding at the year-end is 3 years (2020: 3 years).

The share-remuneration expense for the year recognised in the Profit and Loss is £48,312 (2020: £48,312). Expenses are allocated to Location Sciences AI Limited, the company that receives the employee services.

23 Commitments

No capital expenditure was committed to as at 31 December 2021 (2020: £Nil).

25 Related party transactions

During the year purchases of £59,129 (2020: £26,250) were made to Alderslade Limited, a company of which K Harrison is a director. As at 31 December 2021, the balance owed to Alderslade Limited was £Nil (2020: £3,000).

During the year purchases of £36,000 (2020: £Nil) were made to Chilkins Limited, a company of which B Chilcott is a director. As at 31 December 2021, the balance owed to Chilkins Limited was £Nil (2020: £Nil).

During the year, the Directors supported the Company and participated in the placing and subscription in May 2021. The resulting shareholding and warrant positions are disclosed in the Directors Remuneration Report on pages 12 to 14, the Directors Report on pages 15 to 17 and the Share Capital note on pages 50 to 51.

During the year the subsidiary incurred expenses on behalf of the parent company of £Nil (2020: £Nil) and the parent company advanced the subsidiary funds, further to the May 2021 fundraise, of £3,650,000 (2020: £877,372). As at the year end the net balance after bad debt provision owed by the subsidiary to the parent company was £Nil (2020: £Nil), with a bad debt expense of £3,314,312 (2020: £1,189,405) recognised in the year.

Key management personnel are considered to be the directors of the Company and key management compensation is disclosed in note 10 to the financial statements and in the Directors' Remuneration Report on pages 12 to 14 of the financial statements.

25 Net debt note

The Group and Company has no debt, thus no net debt note is presented.