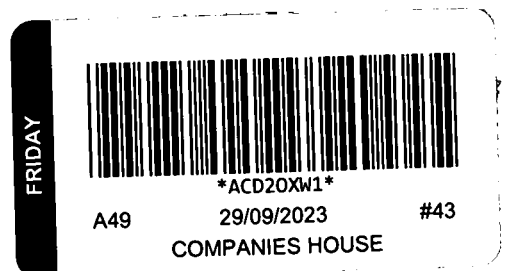


COMPANY REGISTRATION NUMBER: 08046649

Licentia Group Ltd
Financial Statements
30 June 2022



Licentia Group Ltd

Financial Statements

Year ended 30 June 2022

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Licentia Group Ltd

Officers and Professional Advisers

The board of directors

Mr A J Head
Mr K Shaw
Mr B S Levett
Mr A Gaylard
Mr R P M A Forlee

Registered office

3 Assembly Square
Britannia Quay
Cardiff Bay
Cardiff
CF10 4PL

Auditor

Kilsby & Williams LLP
Chartered Accountants
Cedar House
Hazell Drive
Newport
NP10 8FY

Licentia Group Ltd

Strategic Report *(continued)*

Year ended 30 June 2022

The directors present their Strategic Report for the year ended 30 June 2022.

Principal activities

Licentia Group Ltd and its subsidiaries (Group) are a UK-based technology group that develops white-label software that is used in the payments and identity authentication sectors.

The Group has developed PCI certified solutions under existing standards that enable financial institutions, payment service providers and other fintechs to deploy software-enabled point-of-sale ("softPOS") to merchants for card payment acceptance on a mobile phone.

The Group has further built on these solutions to provide digitally secure authentication solutions presently used by banks for step-up security and ticket inspection in transit.

Business review

Turnover increased 31% during the year, from £919,820 for year ending June 2021 to £1,208,630 for year ending June 2022. This was a result of new customer growth and deploying live solutions in market. At the start of the financial year ending 30 June 2022, the business had 1 customer deployment processing live payment transactions, this had increased to 10 by the end of the financial year.

The business continues to develop its technology and grow revenue, customers and products. Management is optimistic about future prospects for the Group in terms of market relevance and commercial opportunities.

The acquisition of SmartPesa in July 2022 has further increased the Group's profile and expanded the customer base and added capabilities such as mPOS and agency banking. Barry Levett, the founder of SmartPesa was appointed as Chief Executive Officer of Licentia Group Ltd on 31 July 2022 and Richard Forlee as Chairman on the same date.

Principal risks and uncertainties

Liquidity risk

The business is presently loss-making and as such is subject to liquidity risk as it is dependent upon external sources of funding until such time as it generates sufficient net positive cash flow to meet its working capital requirements.

The Group has raised funding of just over £40m since its inception in 2012. It continues to be well supported by its shareholder base and raised £10.6m in March 2021 through convertible loans provided by, amongst others, the UK government's Future Fund run by the British Business Bank to support UK-based businesses. Furthermore, the Group successfully raised additional capital in May 2023 in an investment round led by a specialist fintech investor.

Competition Risk

As demand for softPOS solutions grows, so does competition and the competitive landscape continues to evolve. Management closely monitors competitors and developments in the industry to ensure that we stay ahead of the competition and meet the Group's strategic goals.

Licentia Group Ltd

Strategic Report *(continued)*

Year ended 30 June 2022

Compliance

The Group activities insofar as payments activities are concerned are required to be PCI DSS compliant and its payment solutions must be certified under PCI SSC standards or by card brands such as Visa and Mastercard under waivers in respect of solutions not covered by PCI standards. As such, the Group is required to meet and maintain standards set by these institutions and failure to do so could result in reputational damage and curtailment of certain activities.

The Group has to date achieved all the requirements of the standards set by the relevant bodies.

Cyber Risk

The Group is exposed to the risk of operational disruption, customer detriment, financial loss and/or reputational damage arising from cyber-attacks. The Group takes cyber risk very seriously and has an active IT Risk Committee to identify vulnerabilities and manage such risks. The Group has developed a Business Continuity Plan with supporting Disaster Recovery Plans to cover instances of cyber attack.

The Group has achieved PCI CPoC and PCI SPoC for its payment solutions and is both PCI DSS and PCI PIN certified. All products go through rigorous vulnerability, penetration and lab tests before they are provided to customers. The Group maintains professional indemnity and cyber risk insurance policies.

Operational Risk

The business provides services that require high levels of security, consistency and 24-hour support. Failure to meet service level agreement conditions may lead to negative financial penalties. Interruption to the Group's operations could impact negatively on its customers' activities.

The business employs monitoring tools, a 24-hour customer support team that is augmented by a third-party service. It has a dedicated security team that is augmented by a third-party cyber-security firm. Constant refinements are made to the Group's solutions and detection tooling to reduce operational risk exposure. The Group maintains professional indemnity and cyber-risk insurance policies and seeks to minimise the legal consequences of service level failures in its contracts to the extent possible.

People Risk

The business is a software development and services provider. As such it relies upon employee skills and experience. Staff remuneration accounts for almost 75% of total expenses excluding cost of sales. The Group manages this risk through by seeking to eliminate single-points-of-failure, active engagement, remuneration policies, staff training, socialisation and recruitment activity.

Licentia Group Ltd

Strategic Report *(continued)*

Year ended 30 June 2022

Future developments

The Group completed the acquisition of Transaction Technologies Pte. Ltd. (trading as SmartPesa) on 31 July 2022. SmartPesa were a competitor to the Group. They had been very successful in winning new customers and had developed a variety of solutions and capabilities that were attractive to the Group and its strategic goals.

The Group raised additional capital in May 2023 in an investment round led by a specialist fintech investor.

This report was approved by the board of directors on 25 September 2023 and signed on behalf of the board by:

DocuSigned by:



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B S Levett
Director

Registered office:
3 Assembly Square
Britannia Quay
Cardiff Bay
Cardiff
CF10 4PL

Licentia Group Ltd

Directors' Report

Year ended 30 June 2022

The directors present their report and the financial statements of the group for the year ended 30 June 2022.

Directors

The directors who served the company during the year were as follows:

Mr P M Dunkelberger	(Resigned 30 June 2023)
Mr A J Head	
Mr K Shaw	
Mr R P M A Forlee	
Mr J R Pike	(Resigned 14 September 2021)

Dividends

The directors do not recommend the payment of a dividend.

Events after the end of the reporting period

Particulars of events after the reporting date are detailed in note 24 to the financial statements.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Licentia Group Ltd

Directors' Report *(continued)*

Year ended 30 June 2022

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the group and the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the group and the company's auditor is aware of that information.

This report was approved by the board of directors on 25 September 2023 and signed on behalf of the board by:

DocuSigned by:



A41CB5C8EC9044A...

B S Levett
Director

Registered office:
3 Assembly Square
Britannia Quay
Cardiff Bay
Cardiff
CF10 4PL



**KILSBY
WILLIAMS**
Chartered Accountants

Independent Auditor's Report to the Members of Licentia Group Ltd *(continued)*

Year ended 30 June 2022

Opinion

We have audited the financial statements of Licentia Group Ltd (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2022 which comprise the consolidated profit and loss account, consolidated balance sheet, balance sheet, consolidated statement of changes in equity, company statement of changes in equity, consolidated cash flow statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2022 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

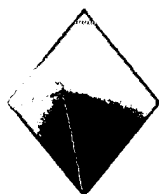
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of 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.

Material uncertainty related to going concern

We draw attention to the going concern paragraph in note 3 in the financial statements, which states certain conditions and other matters that a material uncertainty exists that may cast significant doubt in the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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



**KILSBY
WILLIAMS**
Chartered Accountants

Independent Auditor's Report to the Members of Licentia Group Ltd *(continued)*

Year ended 30 June 2022

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.

Opinions on other matters prescribed by the Companies Act 2006

The prior year comparative figures have not been audited.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that



**KILSBY
WILLIAMS**
Chartered Accountants

Independent Auditor's Report to the Members of Licentia Group Ltd *(continued)*

Year ended 30 June 2022

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.

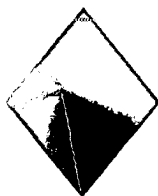
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting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

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company that were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that 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 focussed on laws and regulations which could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006 and UK tax legislation. Our tests included agreeing the financial statement disclosures to underlying supporting documentation, enquiries with management and enquiries of legal counsel. There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We did not identify any key audit matters relating to irregularities, including fraud. As in all our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain 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 group's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
-



**KILSBY
WILLIAMS**
Chartered Accountants

Independent Auditor's Report to the Members of Licentia Group Ltd (continued)

Year ended 30 June 2022

- Conclude 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 or the parent company'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 or the parent company to cease to continue as a going concern.
- Evaluate 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Use of our report

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

29th September 2023

Simon Tee (Senior Statutory Auditor)

For and on behalf of
Kilsby & Williams LLP
Chartered Accountants & statutory auditor
Cedar House
Hazell Drive
Newport
NP10 8FY

Licentia Group Ltd**Consolidated Profit and Loss Account****Year ended 30 June 2022**

		2022	2021
	Note	£	£
Turnover	5	1,208,630	919,280
Cost of sales		(535,063)	(852,295)
Gross profit		<u>673,567</u>	<u>66,985</u>
Administrative expenses:			
Other administrative expenses		(3,105,632)	(2,128,485)
Amortisation of intangible assets		(2,573,047)	(1,922,041)
		<u>(5,678,679)</u>	<u>(4,050,526)</u>
Operating loss	6	(5,005,112)	(3,983,541)
Gain on sale of shares in group undertaking	9	–	587,441
Other interest receivable and similar income	10	3,155	230
Interest payable and similar expenses	11	(987,106)	(190,053)
Loss before taxation		<u>(5,989,063)</u>	<u>(3,585,923)</u>
Tax on loss	12	(1,385,852)	(1,666,915)
Loss for the financial year and total comprehensive income		<u>(4,603,211)</u>	<u>(1,919,008)</u>

All the activities of the group are from continuing operations.

The notes on pages 17 to 29 form part of these financial statements.

Licentia Group Ltd**Consolidated Balance Sheet****30 June 2022**

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	13	27,189,518	23,368,724
Tangible assets	14	109,085	75,511
		<u>27,298,603</u>	<u>23,444,235</u>
Current assets			
Debtors	16	2,064,964	3,810,567
Cash at bank and in hand		<u>5,089,674</u>	<u>7,960,366</u>
		7,154,638	11,770,933
Creditors: amounts falling due within one year	17	(1,071,041)	(825,622)
Net current assets		<u>6,083,597</u>	<u>10,945,311</u>
Total assets less current liabilities		33,382,200	34,389,546
Creditors: amounts falling due after more than one year	18	(11,258,111)	(7,792,156)
Provisions	19	–	(241)
Net assets		<u>22,124,089</u>	<u>26,597,631</u>
Capital and reserves			
Called up share capital	22	1,322	1,274
Share premium account		30,528,654	30,528,654
Capital redemption reserve		8	8
Other reserves, including the fair value reserve		20,159,960	20,159,960
Profit and loss account		<u>(28,565,855)</u>	<u>(24,092,264)</u>
Shareholders funds		<u>22,124,089</u>	<u>26,597,631</u>

These financial statements were approved by the board of directors and authorised for issue on 25 September 2023 and are signed on behalf of the board by:

DocuSigned by:

Barry Levett

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Mr B S Levett
Director

Company registration number: 08046649

The notes on pages 17 to 29 form part of these financial statements.

Licentia Group Ltd**Balance Sheet****30 June 2022**

	Note	2022 £	2021 £
Fixed assets			
Investments	15	19,275,854	19,275,854
Current assets			
Debtors	16	33,965,247	28,371,195
Cash at bank and in hand		4,373,785	7,359,245
		<u>38,339,032</u>	<u>35,730,440</u>
Creditors: amounts falling due within one year	17	(82,497)	(1,874)
Net current assets		<u>38,256,535</u>	<u>35,728,566</u>
Total assets less current liabilities		57,532,389	55,004,420
Creditors: amounts falling due after more than one year	18	(11,258,111)	(7,792,156)
Provisions	19	—	(241)
Net assets		<u>46,274,278</u>	<u>47,212,505</u>
Capital and reserves			
Called up share capital	22	1,322	1,274
Share premium account		30,528,654	30,528,654
Capital redemption reserve		8	8
Profit and loss account		15,744,294	16,682,569
Shareholders funds		<u>46,274,278</u>	<u>47,212,505</u>

The loss for the financial year of the parent company was £1,068,019 (2021: £1,813,242).

These financial statements were approved by the board of directors and authorised for issue on 25 September 2023 and are signed on behalf of the board by:

DocuSigned by:

Barry Levett

A41CB5C8EC9044A...

Mr B S Levett
Director

Company registration number: 08046649

The notes on pages 17 to 29 form part of these financial statements.

Licentia Group Ltd

Consolidated Statement of Changes in Equity

Year ended 30 June 2022

	Called up share capital £	Share premium account £	Capital redemption reserve £	Other reserves £	Profit and loss account £	Total £
At 1 July 2020	964	25,528,743	8	–	(22,571,152)	2,958,563
Loss for the year	—	—	—	—	(1,919,008)	(1,919,008)
Total comprehensive income for the year	—	—	—	—	(1,919,008)	(1,919,008)
Issue of shares	309	4,999,911	—	—	—	5,000,220
Issue of convertible debt	—	—	—	—	397,896	397,896
Other reserves on consolidation	—	—	—	20,159,960	—	20,159,960
Total investments by and distributions to owners	309	4,999,911	—	20,159,960	397,896	25,558,076
At 30 June 2021	1,274	30,528,654	8	20,159,960	(24,092,264)	26,597,631
Loss for the year	—	—	—	—	(4,603,211)	(4,603,211)
Total comprehensive income for the year	—	—	—	—	(4,603,211)	(4,603,211)
Issue of shares	48	—	—	—	—	48
Issue of convertible debt	—	—	—	—	129,744	129,744
Total investments by and distributions to owners	48	—	—	—	129,744	129,792
At 30 June 2022	<u>1,322</u>	<u>30,528,654</u>	<u>8</u>	<u>20,159,960</u>	<u>(28,565,855)</u>	<u>22,124,089</u>

The notes on pages 17 to 29 form part of these financial statements.

Licentia Group Ltd

Company Statement of Changes in Equity

Year ended 30 June 2022

	Called up share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total £
At 1 July 2020	965	25,528,743	8	18,097,915	43,627,631
Loss for the year	—	—	—	(1,813,242)	(1,813,242)
Total comprehensive income for the year	—	—	—	(1,813,242)	(1,813,242)
Issue of shares	309	4,999,911	—	—	5,000,220
Issue of convertible debt	—	—	—	397,896	397,896
Total investments by and distributions to owners	309	4,999,911	—	397,896	5,398,116
At 30 June 2021	1,274	30,528,654	8	16,682,569	47,212,505
Loss for the year	—	—	—	(1,068,019)	(1,068,019)
Total comprehensive income for the year	—	—	—	(1,068,019)	(1,068,019)
Issue of shares	48	—	—	—	48
Issue of convertible debt	—	—	—	129,744	129,744
Total investments by and distributions to owners	48	—	—	129,744	129,792
At 30 June 2022	<u>1,322</u>	<u>30,528,654</u>	<u>8</u>	<u>15,744,294</u>	<u>46,274,278</u>

The notes on pages 17 to 29 form part of these financial statements.

Licentia Group Ltd

Consolidated Cash Flow Statement

Year ended 30 June 2022

	2022 £	2021 £
Cash flows from operating activities		
Loss for the financial year	(4,603,211)	(1,919,008)
<i>Adjustments for:</i>		
Depreciation of tangible assets	36,151	70,441
Amortisation of intangible assets	2,573,047	1,922,041
Gain on sale of subsidiary	–	(587,441)
Other interest receivable and similar income	(3,155)	(230)
Interest payable and similar expenses	987,106	190,053
Tax on loss	(1,385,852)	(1,667,099)
Accrued expenses	293,323	285,522
<i>Changes in:</i>		
Trade and other debtors	120,547	(815,813)
Trade and other creditors	(47,911)	40,187
Cash generated from operations	(2,029,955)	(2,481,347)
Interest received	3,155	230
Tax received	3,011,151	–
Net cash from/(used in) operating activities	<u>984,351</u>	<u>(2,481,117)</u>
Cash flows from investing activities		
Purchase of tangible assets	(69,725)	(489,988)
Purchase of intangible assets	(6,393,966)	(6,825,133)
Proceeds from sale of subsidiary	–	1,207,028
Issue of convertible debt	2,608,600	8,000,000
Net cash (used in)/from investing activities	<u>(3,855,091)</u>	<u>1,891,907</u>
Cash flows from financing activities		
Proceeds from issue of ordinary shares	48	5,000,220
Net cash from financing activities	<u>48</u>	<u>5,000,220</u>
Net (decrease)/increase in cash and cash equivalents	(2,870,692)	4,411,010
Cash and cash equivalents at beginning of year	7,960,366	3,549,356
Cash and cash equivalents at end of year	<u>5,089,674</u>	<u>7,960,366</u>

The notes on pages 17 to 29 form part of these financial statements.

Licentia Group Ltd

Notes to the Financial Statements

Year ended 30 June 2022

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is 3 Assembly Square, Britannia Quay, Cardiff Bay, Cardiff, CF10 4PL.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in British pound sterling, which is the functional currency of the entity.

Going concern

The accounts show that the group had net assets of £22,124,089 (2021: £26,597,631), but that it had negative profit and loss reserves of £28,565,855 (2021: £24,092,264) at the balance sheet date, and made a loss of £4,603,211 in the year (2021: loss of £1,919,008). In addition the company has investments in, and debtors due from, its subsidiaries totalling £53,200,601 (2021: £47,592,406). The subsidiaries both reported significant net liabilities as stated in note 15. The directors have therefore had to consider the appropriateness of the going concern basis.

In May 2023, the group successfully raised investment to fund working capital requirements and support its growth ambitions. The directors are confident that investors will continue to support the business for at least the next twelve months to enable them to deliver their strategy and make the company profitable. Accordingly the accounts are prepared on a going concern basis.

Disclosure exemptions

The parent company satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following reduced disclosures available under FRS 102:

- (a) Disclosures in respect of each class of share capital have not been presented.
- (b) No cash flow statement has been presented for the company.
- (c) Disclosures in respect of financial instruments have not been presented.
- (d) No disclosure has been given for the aggregate remuneration of key management personnel.

Consolidation

The financial statements consolidate the financial statements of Licentia Group Ltd and all of its subsidiary undertakings.

The results of subsidiaries acquired or disposed of during the year are included from or to the date that control passes.

Licentia Group Ltd

Notes to the Financial Statements *(continued)*

Year ended 30 June 2022

3. Accounting policies *(continued)*

Consolidation *(continued)*

The parent company has applied the exemption contained in section 408 of the Companies Act 2006 and has not presented its individual profit and loss account.

Turnover

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

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

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that it is probable the expenses recognised will be recovered.

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

Goodwill

Goodwill arises on business acquisitions and represents the excess of the cost of the acquisition over the company's interest in the net amount of the identifiable assets, liabilities and contingent liabilities of the acquired business.

Licentia Group Ltd

Notes to the Financial Statements *(continued)*

Year ended 30 June 2022

3. Accounting policies *(continued)*

Goodwill *(continued)*

Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. It is amortised on a straight-line basis over its useful life. Where a reliable estimate of the useful life of goodwill or intangible assets cannot be made, the life is presumed not to exceed ten years.

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Any intangible assets carried at revalued amounts, are recorded at the fair value at the date of revaluation, as determined by reference to an active market, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

Intangible assets acquired as part of a business combination are only recognised separately from goodwill when they arise from contractual or other legal rights, are separable, the expected future economic benefits are probable and the cost or value can be measured reliably.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Goodwill	-	10% straight line
Research and development	-	Over the life of the products

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Research and development

Research expenditure is written off in the period in which it is incurred.

Development expenditure incurred is capitalised as an intangible asset only when all of the following criteria are met:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- There is the intention to complete the intangible asset and use or sell it;
- There is the ability to use or sell the intangible asset;
- The use or sale of the intangible asset will generate probable future economic benefits;
- There are adequate technical, financial and other resources available to complete the development and to use or sell the intangible asset; and
- The expenditure attributable to the intangible asset during its development can be measured reliably.

Expenditure that does not meet the above criteria is expensed as incurred.

Licentia Group Ltd

Notes to the Financial Statements *(continued)*

Year ended 30 June 2022

3. Accounting policies *(continued)*

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Plant and machinery	- 25% straight line
Equipment	- 25% straight line

Investments

Investments in subsidiaries, associates and jointly controlled entities are held at cost less impairment or fair value with gains and losses recognised in a fair value reserve.

Investments in associates

Investments in associates are accounted for using the equity method of accounting, whereby the investment is initially recognised at the transaction price and subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the associate.

Investments in joint ventures

Investments in joint ventures are accounted for using the equity method of accounting, whereby the investment is initially recognised at the transaction price and subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the joint venture.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

Licentia Group Ltd

Notes to the Financial Statements *(continued)*

Year ended 30 June 2022

3. Accounting policies *(continued)*

Impairment of fixed assets *(continued)*

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the balance sheet and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial instruments

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Licentia Group Ltd

Notes to the Financial Statements *(continued)*

Year ended 30 June 2022

3. Accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Convertible debt

The proceeds received on issue of convertible debt are allocated into their liability and equity components and presented separately in the balance sheet. Transaction costs that relate to the issue of the instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds.

The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that did not include an option to convert. This is then measured at amortised cost.

The difference between the net proceeds of the convertible debt and the amount allocated to the debt component is credited direct to equity and is not subsequently re-measured. On conversion, the debt and equity elements are credited to share capital and share premium as appropriate, with no gain or loss recognised.

Licentia Group Ltd

Notes to the Financial Statements *(continued)*

Year ended 30 June 2022

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

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant judgements

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(Enter detail of the nature of the assumption or other key source of estimation uncertainty as well as the carrying amount as at the end of the reporting period.)

5. Turnover

Turnover arises from:

	2022	2021
	£	£
Rendering of services	<u>1,208,630</u>	<u>802,342</u>

The turnover is attributable to the one principal activity of the group. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	2022	2021
	£	£
United Kingdom	226,272	200,405
Overseas	<u>982,358</u>	<u>718,875</u>
	<u>1,208,630</u>	<u>919,280</u>

6. Operating profit

Operating loss is stated after charging:

	2022	2021
	£	£
Amortisation of intangible assets	2,573,047	1,922,041
Depreciation of tangible assets	36,151	70,441
Foreign exchange differences	<u>24,795</u>	<u>44,087</u>

Licentia Group Ltd

Notes to the Financial Statements *(continued)*

Year ended 30 June 2022

7. Auditor's remuneration

	2022	2021
	£	£
Fees payable for the audit of the financial statements	<u>16,623</u>	<u>1,426</u>

8. Staff costs

The average number of persons employed by the group during the year, including the directors, amounted to:

	2022	2021
	No.	No.
Administrative staff	5	5
Management staff	6	6
Number of Technical support staff	22	15
Number of Software engineering staff	28	21
Number of marketing staff	6	6
	<u>67</u>	<u>53</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2022	2021
	£	£
Wages and salaries	4,975,628	5,136,273
Social security costs	413,096	419,656
Other pension costs	163,415	157,029
	<u>5,552,139</u>	<u>5,712,958</u>

9. Income from shares in group undertakings

	2022	2021
	£	£
Gain on disposal of subsidiary	<u>—</u>	<u>587,441</u>

10. Other interest receivable and similar income

	2022	2021
	£	£
Interest receivable	<u>3,155</u>	<u>230</u>

11. Interest payable and similar expenses

	2022	2021
	£	£
Other interest payable and similar charges	<u>987,106</u>	<u>190,053</u>

Licentia Group Ltd

Notes to the Financial Statements *(continued)*

Year ended 30 June 2022

12. Tax on loss

Major components of tax expense

	2022 £	2021 £
Current tax:		
UK current tax income	(1,410,698)	(1,666,915)
Adjustments in respect of prior periods	24,605	–
Total current tax	<u>(1,386,093)</u>	<u>(1,666,915)</u>
Deferred tax:		
Origination and reversal of timing differences	241	–
Tax on loss	<u>(1,385,852)</u>	<u>(1,666,915)</u>

Reconciliation of tax income

The tax assessed on the loss on ordinary activities for the year is higher than (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021: 19%).

	2022 £	2021 £
Loss on ordinary activities before taxation	<u>(5,989,063)</u>	<u>(3,585,923)</u>
Loss on ordinary activities by rate of tax	(1,836,630)	(1,848,649)
Adjustment to tax charge in respect of prior periods	24,605	–
Effect of expenses not deductible for tax purposes	425,932	181,975
Deferred tax	241	(241)
Tax on loss	<u>(1,385,852)</u>	<u>(1,666,915)</u>

Licentia Group Ltd

Notes to the Financial Statements *(continued)*

Year ended 30 June 2022

13. Intangible assets

Group	Goodwill £	Development costs £	Total £
Cost			
At 1 July 2021	19,220,537	19,524,391	38,744,928
Additions from internal developments	–	6,393,966	6,393,966
At 30 June 2022	<u>19,220,537</u>	<u>25,918,357</u>	<u>45,138,894</u>
Amortisation			
At 1 July 2021	15,376,204	–	15,376,204
Charge for the year	1,922,041	651,006	2,573,047
At 30 June 2022	<u>17,298,245</u>	<u>651,006</u>	<u>17,949,251</u>
Carrying amount			
At 30 June 2022	<u>1,922,167</u>	<u>25,267,351</u>	<u>27,189,518</u>
At 30 June 2021	<u>3,844,333</u>	<u>19,524,391</u>	<u>23,368,724</u>

The company has no intangible assets.

14. Tangible assets

Group	Plant and machinery £	Equipment £	Total £
Cost			
At 1 July 2021	19,651	91,776	111,427
Additions	–	69,725	69,725
At 30 June 2022	<u>19,651</u>	<u>161,501</u>	<u>181,152</u>
Depreciation			
At 1 July 2021	19,651	16,265	35,916
Charge for the year	–	36,151	36,151
At 30 June 2022	<u>19,651</u>	<u>52,416</u>	<u>72,067</u>
Carrying amount			
At 30 June 2022	<u>–</u>	<u>109,085</u>	<u>109,085</u>
At 30 June 2021	<u>–</u>	<u>75,511</u>	<u>75,511</u>

The company has no tangible assets.

Licentia Group Ltd

Notes to the Financial Statements *(continued)*

Year ended 30 June 2022

15. Investments

Company	Shares in group undertakings £
Cost	
At 1 July 2021 and 30 June 2022	<u>19,275,854</u>
Impairment	
At 1 July 2021 and 30 June 2022	<u>—</u>
Carrying amount	
At 1 July 2021 and 30 June 2022	<u>19,275,854</u>
At 30 June 2021	<u>19,275,854</u>

The investment in subsidiaries relates to the wholly owned subsidiary Mypinpad Ltd, its fellow subsidiary Mypinpad (Asia) Limited and MyEPOS Limited. MyEPOS Limited is a dormant company. The directors deem the company to be in growth stage. The company and its subsidiaries are currently loss making. The directors believe that the market value of the investments and goodwill are substantially higher than the carrying value.

Subsidiaries, associates and other investments

Details of the investments in which the group and the parent company have an interest of 20% or more are as follows:

	Class of share	Percentage of shares held
Subsidiary undertakings		
Mypinpad Limited	Ordinary	100
Mypinpad (Asia) Limited	Ordinary	100
MyEPOS Limited	Ordinary	100

During the year ended 2021, the group sold its 100% shares in MYHSM Limited.

Licentia Group Ltd

Notes to the Financial Statements (continued)

Year ended 30 June 2022

16. Debtors

	2022	Group 2021	2022	Company 2021
	£	£	£	£
Trade debtors	253,898	376,914	–	–
Amounts owed by group undertakings	–	–	33,924,747	28,316,552
Prepayments and accrued income	316,378	226,919	37,849	–
Other debtors	1,494,688	3,206,734	2,651	54,643
	<u>2,064,964</u>	<u>3,810,567</u>	<u>33,965,247</u>	<u>28,371,195</u>

The amounts owed by group undertakings of £33,924,747 (2021: £28,316,552) relates to the wholly owned subsidiaries Mypinpad Ltd and Mypinpad (Asia) Ltd. Mypinpad Limited reported net liabilities of £31,343,574 (2021: £24,130,971) at 30 June 2022. The directors are confident that this balance is recoverable.

17. Creditors: amounts falling due within one year

	2022	Group 2021	2022	Company 2021
	£	£	£	£
Trade creditors	213,114	439,235	72,122	74
Accruals and deferred income	328,582	35,252	10,375	1,800
Social security and other taxes	127,939	143,174	–	–
Other creditors	401,406	207,961	–	–
	<u>1,071,041</u>	<u>825,622</u>	<u>82,497</u>	<u>1,874</u>

18. Creditors: amounts falling due after more than one year

	2022	Group 2021	2022	Company 2021
	£	£	£	£
Other creditors	<u>11,258,111</u>	<u>7,792,156</u>	<u>11,258,111</u>	<u>7,792,156</u>

Included in other creditors are convertible redeemable loans of £10,284,204 (2021: £7,632,156), which are due to be converted into equity in March 2024 under the terms of the loan agreement. Additionally, there is convertible loan interest outstanding of £961,989 (2021: £160,000) at the year-end.

19. Provisions

Group and company	Deferred tax (note 20)
	£
At 1 July 2021	(241)
Additions	241
At 30 June 2022	<u>–</u>

Licentia Group Ltd

Notes to the Financial Statements *(continued)*

Year ended 30 June 2022

20. Deferred tax

The deferred tax included in the balance sheet is as follows:

	2022	Group 2021	2022	Company 2021
	£	£	£	£
Included in provisions (note 19)	—	(241)	—	(241)

The deferred tax account consists of the tax effect of timing differences in respect of:

	2022	Group 2021	2022	Company 2021
	£	£	£	£
Provisions	—	(241)	—	(241)

21. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £496,415 (2021: £157,029).

22. Called up share capital

Issued, called up and fully paid

	2022		2021	
	No.	£	No.	£
Ordinary shares of £0.01 each	49,126	491	49,126	491
A Ordinary shares of £0.01 each	64,534	645	64,534	645
B Ordinary shares of £0.01 each	18,527	185	13,750	138
	<u>132,187</u>	<u>1,322</u>	<u>127,410</u>	<u>1,274</u>

23. Analysis of changes in net debt

	At 1 Jul 2021	Cash flows	At 30 Jun 2022
	£	£	£
Cash at bank and in hand	<u>7,960,366</u>	<u>(2,870,692)</u>	<u>5,089,674</u>

24. Events after the end of the reporting period

The group acquired Transaction Technologies Pte Ltd, an entity incorporated on Singapore, trading as SmartPesa on 31 July 2022 by way of share for share exchange.

25. Related party transactions

Company

The company has taken advantage of the exemption provided by Section 33 of Financial Reporting Standard 102 from the requirement to disclose transactions between wholly owned members of the same group.

Licentia Group Ltd

Notes to the Financial Statements *(continued)*

Year ended 30 June 2022

26. Ultimate controlling party

There is no ultimate individual controlling party.