

Company registration number 11632462 (England and Wales)

**AAVE LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

# AAVE LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	S Kulechov N Butler P D Kerr	(Appointed 1 August 2023) (Appointed 1 August 2023) (Appointed 1 August 2023)
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<b>Company number</b>	11632462
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<b>Registered office</b>	71-75 Shelton Street Covent Garden London WC2H 9JQ
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<b>Auditor</b>	Wilson Wright LLP Chartered Accountants 5 Fleet Place London EC4M 7RD
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# AAVE LIMITED

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# AAVE LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2022

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The directors present the strategic report for the year ended 31 December 2022.

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

A summary of the period's trading results is given on page 8. The company's turnover has continued to increase with turnover rising by over 60% compared with the prior period as a result of increased software development activities undertaken.

The company continued to design and build its electronic money issuing solution following the grant by the FCA of an Electronic Money Institute (EMI) licence in July 2020.

In April 2022, a TUPE transfer was undertaken whereby some of the employees of Aave Limited were transferred to Avara People Limited.

In October 2022, the sole shareholder Aave SAGL sold its interest in Aave Limited to Avara Labs Cayman Holdings SEZC, a holding company based in the Cayman Islands. The new shareholder has stated that it is committed to supporting the objectives of the company and its future developments.

On 13 January 2023, 1 ordinary share was issued for total consideration of £3,818,505.

On 13 June 2023, 1 ordinary share was issued for total consideration of £2,496,256.

#### **Principal risks and uncertainties**

Aside from the risks that exist in the software development sector, the key business risks facing the company are:

##### *Credit Risk*

As the company's revenue is entirely derived from a small number of group clients, there is a risk of default in the receipt of revenue from that counter party. This risk is managed through regular dialogue to ensure the company maintains sufficient working capital to meet its liabilities as they fall due;

##### *Currency Risk*

The company is exposed to fluctuations of sterling against other currencies or cryptocurrencies. Management review this risk on a regular basis.

#### **Key performance indicators**

Key performance indicators are as follows:

	2022	2021
	£	£
Revenue	4,440,908	2,758,249
Profit/(loss) for the financial year	(1,632,870)	117,756
Net assets/(liabilities)	(1,445,903)	186,967

# AAVE LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### **Statement by the directors in performance of their duties in accordance with s172(1) Companies Act 2006**

The directors of the company, as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 and include a duty to promote the success of the company and are summarised as follows:

*'A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:*

- *the likely consequences of any decision in the long term,*
- *the interests of the company's employees,*
- *the need to foster the company's business relationships with suppliers, customers and others,*
- *the impact of the company's operations on the community and the environment,*
- *the desirability of the company maintaining a reputation for high standards of business conduct, and*
- *the need to act fairly as between members of the company.'*

The following paragraphs summarise how the directors fulfil their duties:

#### *Risk Management*

We provide software development services to our clients across multiple jurisdictions. As we grow, our business and our risk environment also becomes more complex. It is therefore vital that we effectively identify, evaluate, manage and mitigate the risks we face, and that we continue to evolve our approach to risk management. Alongside the principal risks set out on page 1 we engage external consultants and advisors to ensure that we monitor and maintain an effective oversight of regulatory changes and compliance with our ongoing legal and regulatory requirements.

#### *Our People*

The company is committed to being a responsible business. Our behaviour is aligned with the expectations of our people, clients and the community as a whole. People are fundamental to our business so, in order to succeed, we need to manage our people's performance and develop their talent whilst rewarding them appropriately and ensuring we operate as efficiently as possible. Alongside this we look to share common values that inform and guide our behaviour so that we achieve our goals in the right way. Being a relatively small company with just over 10 employees we achieve this through regular dialogue and events with employees which allows all staff to share our common values.

#### *Business Relationships*

As a key requirement for building the business of the company, the Board is very aware of the need to foster good relationships with clients, the community and other important stakeholders. The Board looks to discharge these duties by engaging in regular dialogue with both customers and service providers and attending industry events to further build and gain new relationships with key people within the industry.

#### *Community and Environment*

The company's approach is to use our position as a software developer to ensure that we interact with our local communities in a beneficial and environmentally friendly manner. The company also looks to make a positive impact on under privileged parts of society through regular charitable donations.

#### *Maintaining a reputation for high standards of business conduct*

As directors, our intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours and, which in doing so, will help the business grow over the coming years.

On behalf of the board

S Kulechov  
**Director**

28 September 2023

# AAVE LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2022

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The directors present their annual report and financial statements for the period ended 31 December 2022.

#### Principal activities

The principal activity of the company continued to be that of software development.

#### Results and dividends

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

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

#### Directors

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

S Kulechov

N Butler

P D Kerr

(Appointed 1 August 2023)

(Appointed 1 August 2023)

#### Post reporting date events

On 13 January 2023, 1 ordinary share was issued for total consideration of £3,818,505.

On 13 June 2023, 1 ordinary share was issued for total consideration of £2,496,256.

#### Auditor

In accordance with the company's articles, a resolution proposing that Wilson Wright LLP be reappointed as auditor of the company will be put at a General Meeting.

#### Energy and carbon report

As the company has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

#### Statement of directors' responsibilities

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

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

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

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

# **AAVE LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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#### **Strategic report**

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of financial risk management.

#### **Statement of disclosure to auditor**

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

On behalf of the board

S Kulechov

**Director**

28 September 2023

# AAVE LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF AAVE LIMITED

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### Opinion

We have audited the financial statements of Aave Limited (the 'company') for the period ended 31 December 2022 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 company's affairs as at 31 December 2022 and of its 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

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

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

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

### Other information

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

We have nothing to report in this regard.

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

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

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



## **AAVE LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

#### **TO THE MEMBER OF AAVE LIMITED**

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

In the light of the knowledge and understanding of the 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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 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.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

##### **Capability of the audit in detecting irregularities, including fraud:**

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the failure to comply with tax regulations, health and safety regulations, anti-bribery and anti-corruption laws, and Electronic Money Regulations 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 the Companies Act 2006. We evaluated management's incentives and opportunities for fraud manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the auditors included:

- Discussions with the director, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud.
- Considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.
- Identifying and testing manual journal entries, in particular any journal entries posted with unclear rationale.

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. 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.

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

## **AAVE LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBER OF AAVE LIMITED**

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

This report is made solely to the company's member 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 member those matters we are required to state to the member 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 member, for our audit work, for this report, or for the opinions we have formed.

**Warren Baker FCA**

**Senior Statutory Auditor**

**For and on behalf of Wilson Wright LLP**

Chartered Accountants and Statutory Auditor

5 Fleet Place

London

EC4M 7RD

29 September 2023

## AAVE LIMITED

### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	2021 £
Turnover	3	4,440,908	2,758,249
Cost of sales		(2,513,319)	(105,750)
Gross profit		1,927,589	2,652,499
Administrative expenses		(3,962,132)	(2,534,743)
Other operating income		444,079	-
Operating (loss)/profit	4	(1,590,464)	117,756
Interest payable and similar expenses	8	(62,738)	-
Other gains and losses	9	20,332	-
(Loss)/profit before taxation		(1,632,870)	117,756
Tax on (loss)/profit	10	-	-
(Loss)/profit for the financial year		(1,632,870)	117,756

# AAVE LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2022

		2022		2021	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Intangible assets	12		11,240		2,250
Tangible assets	13		-		41,027
			<u>11,240</u>		<u>43,277</u>
<b>Current assets</b>					
Debtors	14	2,732,118		1,120,296	
Cash at bank and in hand		1,343,963		788,061	
		<u>4,076,081</u>		<u>1,908,357</u>	
<b>Creditors: amounts falling due within one year</b>	15	(5,533,224)		(1,764,667)	
<b>Net current (liabilities)/assets</b>			<u>(1,457,143)</u>		<u>143,690</u>
<b>Net (liabilities)/assets</b>			<u>(1,445,903)</u>		<u>186,967</u>
<b>Capital and reserves</b>					
Called up share capital	17		308,814		308,814
Profit and loss reserves			<u>(1,754,717)</u>		<u>(121,847)</u>
<b>Total equity</b>			<u>(1,445,903)</u>		<u>186,967</u>

The financial statements were approved by the board of directors and authorised for issue on 28 September 2023 and are signed on its behalf by:

S Kulechov  
Director

Company Registration No. 11632462

# AAVE LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 January 2021	308,814	(239,603)	69,211
Year ended 31 December 2021:			
Profit and total comprehensive income for the year	-	117,756	117,756
Balance at 31 December 2021	308,814	(121,847)	186,967
Year ended 31 December 2022:			
Loss and total comprehensive income for the year	-	(1,632,870)	(1,632,870)
Balance at 31 December 2022	308,814	(1,754,717)	(1,445,903)

# AAVE LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

		2022		2021	
	Notes	£	£	£	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	23	679,251		744,350	
Interest paid		(62,738)		-	
<b>Net cash inflow from operating activities</b>		616,513		744,350	
<b>Investing activities</b>					
Purchase of intangible assets		(8,990)		-	
Purchase of tangible fixed assets		(4,280)		(38,623)	
Net proceeds from additions and disposals of crypto currency		20,332		-	
<b>Net cash generated from/(used in) investing activities</b>		7,062		(38,623)	
<b>Net increase in cash and cash equivalents</b>		623,575		705,727	
Cash and cash equivalents at beginning of year		788,061		82,334	
Effect of foreign exchange rates		(67,673)		-	
<b>Cash and cash equivalents at end of year</b>		1,343,963		788,061	

# AAVE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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### 1 Accounting policies

#### Company information

Aave Limited is a private company limited by shares incorporated in England and Wales. The registered office is 71-75 Shelton Street, Covent Garden, London, WC2H 9JQ.

#### 1.1 Accounting convention

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

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

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

#### 1.2 Going concern

At the balance sheet date, the company has net liabilities of £1,445,903 (2021 - net assets of £186,967). Shares have been issued subsequent to the balance sheet date to ensure that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### 1.3 Turnover

Turnover consists of intercompany services performed in respect of software development. Revenue for the period is based on project related costs recharged at a mark-up of 10%.

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

#### 1.4 Intangible fixed assets other than goodwill

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

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

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

Patents and licences	20% on cost
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#### 1.5 Tangible fixed assets

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

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

Fixtures and fittings	25% reducing balance
Computers	25% reducing balance

# AAVE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 1 Accounting policies

(Continued)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to the statement of income.

#### 1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 1.7 Cash and cash equivalents

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

#### 1.8 Financial instruments

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

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

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

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

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



# AAVE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 1 Accounting policies

(Continued)

#### **Other financial assets**

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

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

Financial assets, other than those held at fair value through the statement of income, are assessed for indicators of impairment at each reporting end date.

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

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

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

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

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

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

#### **Basic financial liabilities**

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

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

# AAVE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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### 1 Accounting policies

(Continued)

#### ***Other financial liabilities***

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

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

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

### 1.9 Equity instruments

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

### 1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

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

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

### 1.11 Retirement benefits

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

### 1.12 Foreign exchange

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

## 2 Judgements and key sources of estimation uncertainty

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

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

# AAVE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 3 Turnover and other revenue

	2022 £	2021 £
<b>Turnover analysed by class of business</b>		
Software development	4,440,908	2,758,249
	<u>4,440,908</u>	<u>2,758,249</u>
	2022 £	2021 £
<b>Turnover analysed by geographical market</b>		
Europe	419,148	2,758,249
Rest of World	3,838,866	-
United Kingdom	182,894	-
	<u>4,440,908</u>	<u>2,758,249</u>
	2022 £	2021 £
<b>Other revenue</b>		
Sale of IP	444,079	-
	<u>444,079</u>	<u>-</u>

As part of an intra-group internal reorganisation, Aave Limited has sold the IP of 'Social Graph' to its parent Avara Labs Cayman Holdings SEZC for consideration of £444,079.

### 4 Operating (loss)/profit

	2022 £	2021 £
Operating (loss)/profit for the year is stated after charging:		
Exchange losses	56,183	7,422
Depreciation of owned tangible fixed assets	-	6,415
Impairment of owned tangible fixed assets	45,307	-
Amortisation of intangible assets	-	1,000
Operating lease charges	101,195	165,837
	<u>101,195</u>	<u>165,837</u>

All items are included within administrative expenses.

### 5 Auditor's remuneration

	2022 £	2021 £
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the company	28,500	45,250
	<u>28,500</u>	<u>45,250</u>
<b>For other services</b>		
Taxation compliance services	2,500	2,500
	<u>2,500</u>	<u>2,500</u>

# AAVE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 6 Employees

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

2022 Number	2021 Number
13	12
<u>13</u>	<u>12</u>

Their aggregate remuneration comprised:

	2022 £	2021 £
Wages and salaries	2,411,480	1,058,741
Social security costs	315,941	123,745
Pension costs	59,168	8,696
	<u>2,786,589</u>	<u>1,191,182</u>

### 7 Directors' remuneration

	2022 £	2021 £
Remuneration for qualifying services	693,503	60,000
Company pension contributions to defined contribution schemes	18,532	1,316
	<u>712,035</u>	<u>61,316</u>

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

	2022 £	2021 £
Remuneration for qualifying services	693,503	60,000
Company pension contributions to defined contribution schemes	18,532	1,316
	<u>712,035</u>	<u>61,316</u>

### 8 Interest payable and similar expenses

	2022 £	2021 £
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest payable to group undertakings	62,738	-
	<u>62,738</u>	<u>-</u>

# AAVE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 9 Other gains and losses

	2022 £	2021 £
Profit/(loss) from cryptocurrency exchange	20,332	-

### 10 Taxation

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

	2022 £	2021 £
(Loss)/profit before taxation	(1,632,870)	117,756
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(310,245)	22,374
Tax effect of expenses that are not deductible in determining taxable profit	19,156	(20,911)
Unutilised tax losses carried forward	291,089	7,851
Permanent capital allowances in excess of depreciation	-	(9,314)
Taxation charge for the year	-	-

The company has estimated UK tax losses of £1,680,000 (2021 - £150,000) available for carry forward against future profits.

#### Factors that may affect future tax charges:

An increase in the UK corporation tax rate from 19% to 25% with effect from 1 April 2023 was substantially enacted on 24 May 2021.

### 11 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	Notes	2022 £	2021 £
In respect of:			
Property, plant and equipment	13	45,307	-
Recognised in:			
Administrative expenses		45,307	-

Impairment losses during the year are not deemed to be material.

# AAVE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 12 Intangible fixed assets

	Patents and licences £
<b>Cost</b>	
At 1 January 2022	5,000
Additions	8,990
	<u>13,990</u>
At 31 December 2022	13,990
<b>Amortisation and impairment</b>	
At 1 January 2022 and 31 December 2022	2,750
	<u>2,750</u>
<b>Carrying amount</b>	
At 31 December 2022	11,240
	<u>11,240</u>
At 31 December 2021	2,250
	<u>2,250</u>

More information on impairment movements in the year is given in note 11.

### 13 Tangible fixed assets

	Fixtures and fittings £	Computers £	Total £
<b>Cost</b>			
At 1 January 2022	8,291	39,767	48,058
Additions	-	4,280	4,280
	<u>8,291</u>	<u>44,047</u>	<u>52,338</u>
At 31 December 2022	8,291	44,047	52,338
<b>Depreciation and impairment</b>			
At 1 January 2022	1,121	5,910	7,031
Impairment losses	7,170	38,137	45,307
	<u>8,291</u>	<u>44,047</u>	<u>52,338</u>
At 31 December 2022	8,291	44,047	52,338
<b>Carrying amount</b>			
At 31 December 2022	-	-	-
	<u>7,170</u>	<u>33,857</u>	<u>41,027</u>
At 31 December 2021	7,170	33,857	41,027
	<u>7,170</u>	<u>33,857</u>	<u>41,027</u>

More information on impairment movements in the year is given in note 11.

# AAVE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 14 Debtors

	2022	2021
	£	£
Amounts falling due within one year:		
Amounts owed by related parties	2,442,989	845,073
Amounts owed by parent undertakings	-	69,717
Other debtors	199,190	141,950
Prepayments and accrued income	89,939	63,556
	<u>2,732,118</u>	<u>1,120,296</u>

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

	2022	2021
	£	£
Trade creditors	63,701	76,425
Amounts owed to group undertakings	4,862,866	1,082,101
Taxation and social security	-	78,721
Deferred income	-	220,399
Other creditors	606,655	307,021
	<u>5,533,222</u>	<u>1,764,667</u>

### 16 Retirement benefit schemes

	2022	2021
	£	£
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	<u>59,168</u>	<u>8,696</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

### 17 Share capital

	2022	2021	2022	2021
	Number	Number	£	£
<b>Ordinary share capital</b>				
<b>Issued and fully paid</b>				
1,000,000 Ordinary shares of €0.35 each	<u>1,000,000</u>	<u>1,000,000</u>	<u>308,814</u>	<u>308,814</u>

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

On 13 January 2023, 1 ordinary share was issued for total consideration of £3,818,505.

On 13 June 2023, 1 ordinary share was issued for total consideration of £2,496,256.

## AAVE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

#### 18 Equity reserve

The profit and loss reserve represents cumulative profits and losses, net of dividends paid and other adjustments.

#### 19 Contingent liabilities

In the normal course of the company's business, claims, disputes and legal proceedings may be brought against the company arising out of current or past operations. Legal proceedings have been commenced against the company by three former group employees. The company is defending the claims. At the present time, it is not clear what, if any, claim will be settled and the legal representatives of the company are not currently able to estimate the quantum of such claims.

#### 20 Operating lease commitments

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

	2022 £	2021 £
Within one year	-	229,100

#### 21 Related party transactions

##### Transactions with related parties

During the year, the parent company was Avara Labs Cayman Holdings SEZC whose ultimate controlling party is the director S Kulechov. The company entered into transactions with companies whose ultimate controlling party is also S Kulechov and are therefore related party transactions.

During the year the company entered into the following transactions with related parties:

	Sales 2022 £	Sales 2021 £
Aave LLC	138,839	-
Aave Holdings Limited	127,825	-
Avara Labs Ltd	2,245,833	-
Quantum Swan OU	291,323	2,026,682
Avara Labs Cayman SEZC	1,256,031	731,567
Avara UI Labs Ltd	198,163	-
Avara People Limited	182,894	-
	4,440,908	2,758,249



# AAVE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 21 Related party transactions

(Continued)

	Consultancy fees	
	2022	2021
	£	£
Quantum Swan OU	-	179,717
Aave LLC	-	19,432
	<u>          </u>	<u>          </u>

The following amounts were outstanding at the reporting end date:

	2022	2021
	£	£
<b>Amounts due to related parties</b>		
Avara Labs Cayman SEZC	2,940,937	-
Quantum Swan OU	165,318	-
Avara People Limited	66,055	1,045,341
Aave LLC	984,852	36,760
	<u>          </u>	<u>          </u>
	4,157,162	1,082,101
	<u>          </u>	<u>          </u>

	2022	2021
	£	£
<b>Amounts due from related parties</b>		
Aave SAGL	69,717	-
Aave Holdings Limited	153,390	52,369
Avara UI Labs Ltd	36,677	-
Crowdback Limited	259,139	29,457
Avara Labs Cayman SEZC	-	762,989
Avara Labs Ltd	1,924,067	-
Other related parties	-	258
	<u>          </u>	<u>          </u>
	2,442,990	845,073
	<u>          </u>	<u>          </u>

### 22 Ultimate controlling party

During the year the parent company was Avara Labs Cayman Holdings SEZC. Since October 2022, the ultimate parent company has been Bear Holdings (Cayman) Limited, a company incorporated in the Cayman Islands. The registered office of the company is 190 Elgin Avenue, George Town, Grand Cayman, KY1-9008.

The ultimate controlling party is the director S Kulechov.

# AAVE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 23 Cash generated from operations

	2022 £	2021 £
(Loss)/profit for the year after tax	(1,632,870)	117,756
<b>Adjustments for:</b>		
Finance costs	62,738	-
Amortisation and impairment of intangible assets	-	1,000
Depreciation and impairment of tangible fixed assets	45,307	6,415
Foreign exchange gains on cash equivalents	67,673	-
Other gains and losses	(20,332)	-
<b>Movements in working capital:</b>		
Increase in debtors	(1,611,822)	(835,191)
Increase in creditors	3,988,956	1,233,971
(Decrease)/increase in deferred income	(220,399)	220,399
<b>Cash generated from operations</b>	<b>679,251</b>	<b>744,350</b>

### 24 Analysis of changes in net funds

	1 January 2022 £	Cash flows £	Exchange rate movements £	31 December 2022 £
Cash at bank and in hand	788,061	623,575	(67,673)	1,343,963

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