Sonovate International Holdings Limited

Annual report and consolidated financial statements

31 December 2021

Registered number 13178930

Contents

Company information

Directors

D Chapple
R Prime
P Birch
M Birch

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101 St. Mary Street
Cardiff
CF10 1DX

Auditor

KPMG LLP
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

Bankers

Barclays Bank Plc
20 Churchill Place
London
EH14 5HP

Company secretary

OHS Secretaries Limited

Strategic report

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

The Group consists of the parent Sonovate International Holdings Limited ('the Company') and its wholly owned subsidiaries Sonovate Limited, Sonovate US LLC and two dormant entities Sonovate Business Services Limited and Sonovate US Servicing LLC ("the Subsidiaries"). Sonovate Business Services Limited did not trade during the current or previous period and has since been dissolved as of 6 September 2022.

The Group is an innovative financial services technology company that supports recruitment agencies and HR Technology businesses in the contingent labour market. Since 2015, it is providing highly valued financial products and user experience to its clients.

The Company was incorporated on 4 February 2021 as part of a restructuring which resulted in the Company acquiring all shares in Sonovate Limited on 5 March 2021. Therefore, the company financial statements cover the period from incorporation to 31 December 2021.

These consolidated financial statements are for the year ended 31 December 2021 as have been presented as a continuation of Sonovate Limited 's group financial statements, using the book values previously recorded. Therefore, the comparative figures are those from Sonovate Limited 's consolidated financial statements which is the 18-month period to 31 December 2020 due to the subsidiary extending its accounting reference period ending date.

Review of the business

The audited consolidated financial statements for the year ended 31 December 2021 is set out on pages 14 to 32. The Group continued to evolve and grow its business in the UK. The Operating loss for the financial year to 31 December 2021 was £5,054,538 (*18 months to 31 December 2020: loss of £6,606,278*). The statutory loss after tax for the year was £5,334,306 (*18 months to 31 December 2020: loss £8,773,420*). These losses are a result of continued investment into software development and personnel. At the balance sheet date, the Group had total net assets of £7,917,664 (*2020: net liabilities £2,794,229*) as a result of restructuring and increased equity during the period.

Over the course of the year ended 31 December 2021, the Group processed and funded £697,341,996 of invoices (*18-month period to 31 December 2020: £711,378,597)* almost matching the previous 18 months representing a weighted increase of 47.0% (*2020: 21.9%*). Cumulatively to 31 December 2021 the Group has provided over £2,800,000,000 of funding to businesses.

Trade debtors, which include outstanding amounts on invoices funded, grew from £56,342,899 as at 31 December 2020 to £104,633,327 as at 31 December 2021 representing an increase of 85.7% (*2020: 11.7%)*. This growth is a result of significant funding in sales, marketing & tech.

Revenue was £13,776,811 in the 18-month period to 31 December 2020 in comparison to £11,729,161 for the year to 31 December 2021 representing a weighted increase of 27.2% (2020: 15.5%) for fair comparison. The continued growth in revenue is due to the Group increasing its funding capacity following the restructuring during the year and significant investment within sales, marketing, and tech.

The Group completed a significant restructuring during the year which resulted in the incorporation of the new Holding company. At the same time, it restructured its debt facility to ensure sufficient headroom for growth. The debt facilities were further increased in the current year and more details on the refinancing and restructuring are set out in notes 14 and 19.

The Group continues to invest considerable resources into the development of software which enables recruitment agencies and other providers of contractors and contingent workers to process contracts, invoices, payments, and the provision of working capital funding with the objective of becoming the supplier of choice for such services. Its technology allows it to offer its services via an API in a "Lending as a Service" type product. The Group provides significant liquidity into UK small businesses and are an enabler of UK small business growth.

Strategic report *(continued)*

Principal risks and uncertainties

The Group is subject to principal risks and uncertainties as detailed below:

Continued access to funding and liquidity

In order to lend into UK small business, the Company requires access to a committed funding line either through equity or debt capital. Following the year end, in June 2022, the Group closed a new senior financing facility of £150m, with a large European Commercial Bank and a £30m mezzanine facility, continuing its ongoing relationship with M&G (further increased to £50m in March 2023). The Group is currently working on syndicating the debt and increasing the limit further as well as launching their Series C equity fundraising which will enable the next stage of growth.

Additional equity of £10,000,000 was raised from existing investors in June 2022 and a further subordinated commitment for an additional £10,000,000 was signed in January 2023.

Credit risk

The Group is exposed to the risk that debtors do not settle debts in a complete and/or timely manner. The Group has in place credit risk models to ensure that lending levels are appropriate for the credit risk profile of the debtor. The vast majority of funding is credit insured which significantly mitigates the risk of non-collection. This risk is monitored closely in terms of the delinquency of the invoices funded and the proportion of debt that is uninsured. The Company has recorded a bad debt provision in the period ended 31 December 2021 of £41,297 *(2020: £245,467)* against debtors that are unlikely to be recoverable. No debts provided for in the previous year have been written off during the year; for debts that have not been written off at 31 December 2021 attempts are continuing to recover the sums due.

Financial Crime risk

The Group is exposed to a number of financial crime risks, with the most significant exposure to fraud risk. The most likely fraud risk to the Group is the financing of fake invoices. The Group mitigates this risk through a proprietary software which uses a combination of public and non-public data sources to assess the potential risk for fraudulent invoices on a continuous basis.

Operational risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. As a result of these risks, the Group may have a negative impact to reputation with its stakeholders, face fines or damages and loss of future business. The Group mitigates this risk through regular internal review processes and the maintenance of an internal risk register.

Competition

The provision of finance into the temporary worker sector is a competitive marketplace. While the Group remains significantly ahead in terms of its technology, the entrance of multiple and / or well backed competitors with significant financial resources and a focus on technology could result in more competitive pricing and / or a reduced rate of market share capture. The market is monitored regularly.

Regulatory developments

There are a number of developments in the regulatory environment that could have an impact on the Group including the impact of IR35 – the off-payroll working rules for clients, workers, and their intermediaries. The Group monitors these developments, which went live on 6 April 2021, closely. To date the Group has not experienced any material impact from the changes to IR35.

Covid-19

The Group can operate in full capacity remotely. The Company's invoice financing levels were impacted during the initial months of the Covid-19 pandemic but bounced back in the second half of 2020 and throughout 2021 and since has been funding at significantly higher levels.

Strategic report *(continued)*

Key performance indicators

The directors manage the Group's operations holistically and monitor the ongoing performance of the business through several measures including:

- preparation of and monitoring of weekly and monthly management information including detailed management accounts and variance analysis;
- regular review of the portfolio performance including delinquencies, debtor days, debt turn and credit quality including credit insurance;
- monitoring of new business volumes, organic growth of existing customers, net revenue retention, client churn, cost of customer acquisition, cost to service our customers and the lifetime value of our customers; and
- gathering and responding to customer feedback.

Future developments

The Group continues to focus primarily on supporting UK small businesses through the UK recruitment sector and other providers of contractors and contingent workers. The medium-term priorities of the business are to continue to grow UK market share, leverage our current operational capabilities to drive operational efficiency, normalise our funding costs. Management has access to sufficient liquidity and capital to achieve this through our existing investors and funding partners.

By order of the board

Damon Chapple

D Chapple
Director

4th Floor Golate House
101 St. Mary Street
Cardiff
CF10 1DX

26 June 2023

Directors' report

The directors present their report and the audited financial statements of the Group for the period ended 31 December 2021.

Principal activities and review of the business

The principal activity of the Group during the year was the provision of a tech-enabled solution to recruitment agencies and other providers of contractors and contingent workers to process contracts, invoices, payments and provide working capital funding.

Directors

The directors who held office during the year were as follows:
D Chapple (appointed 25 February 2021)
R Prime (appointed 25 February 2021)
P Birch (appointed 4 February 2021)
M Birch (appointed 23 February 2021)

Financial performance and dividends

The financial performance is set out on pages 14 to 32 and is discussed in the Strategic Report. The directors do not recommend the payment of a dividend *(2020: £nil)*.

Political and charitable contributions

The Group made no political and charitable donations during the period *(2020: £nil)*.

Going concern

The performance of the Group is driven by its ability to attract new customers onto the platform, enable customers to grow organically through the platform, effectively manage the performance of the debtor portfolio, manage equity and debt funding requirements and associated costs, and manage operational costs.

As a provider of financing to customers, the funding requirements of the business is a key management activity as it is required to grow, and therefore be renewed, on a continual basis as the business scales. The Group and its management team are therefore focused on continuing to monitor, forecast and discuss with lenders and investors, both existing and potential.

Since the balance sheet date, the Senior Financing Facility was refinanced in June 2022 with a private securitisation facility for £150m of senior notes held by a large European Bank and £30m mezzanine notes issued to a UK asset manager (extended to £50m in March 2023) both running until 30 June 2024. In addition, on 29 June 2022, the group entered into a new 24-month junior loan facility of £20m (extended to £30m in May 2023). Additional equity of £10m was raised from existing investors in June 2022 and a further subordinated commitment for an additional £10m was signed in January 2023. This funding and enlarged facility is now required to support the Group's forecast volumes.

Further consideration is set out in note 1.3 to the financial statements.

Group re-organisation

The Company was incorporated on 4 February 2021 and acquired all shares in Sonovate Limited on 5 March 2021. As part of this group restructure, the ownership of Sonovate Limited transferred to the company. While substantially the same shareholders own the group following the re-organisation, there has been a change in ownership and therefore, the conditions for merger accounting were not met. As such, the consolidated accounts of the new group have been prepared using purchase accounting treating Sonovate Limited as the acquirer of the company. The key features of this accounting are:

- Sonovate International Holdings Limited's consolidated accounts have been presented as a continuation of Sonovate Limited's accounts, using the book values previously recorded in Sonovate Limited's accounts.

Directors' report *(continued)*

Group re-organisation *(continued)*

- The carrying value of the assets and liabilities of Sonovate International Holdings Limited have been adjusted to fair values on acquisition, although in this case no fair value adjustments were required and so the fair values equated to the book values in Sonovate International Holdings Limited's books at the acquisition.
- A merger reserve is created for the difference between the capital structure of Sonovate International Holdings Limited and the capital structure of Sonovate Limited. The share capital and share premium shown in the Consolidated balance sheet and consolidated statement of changes in equity is that of Sonovate Limited up until the date of the acquisition, at which point it was replaced with the share capital of Sonovate International Holdings Limited.

Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk and currency risk).

Interest rate risk

The Group's exposure to interest rate risk is minimal. While the Group's financing is linked to underlying interest rate benchmarks, it has the ability to reprice and adjust its income based on a number of factors including movement in underlying interest rates.

Liquidity and capital risk

The Group manages liquidity and capital risk through its access to various sources of debt and equity funding. During the period the Company underwent a restructuring and refinance with a cash injection of £11,947,146 into the Company, of which £10,578,851 was used to repay the Operational loan. Following the year end, in June 2022 the Group closed a new senior financing facility of £150m, with a large European Commercial Bank and a £30m mezzanine facility, continuing its ongoing relationship with M&G (further increased to £50m in March 2023). The Group is currently working on syndicating the debt and increasing the limit further as well as launching their Series C equity fundraising which will enable the next stage of growth.

Currency risk

The Group transacts in US Dollar, Euro, Swedish krona and Danish krone currencies although the vast majority of business is in GB Pounds. In cases where the Group funds customers in foreign currency, the £150m facility with the large European Commercial Bank allows it to draw funds in matching currency which mitigates any potential currency risk.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Auditor

KPMG LLP was appointed as auditor during the period. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

Damon Chapple

D Chapple
Director

26 June 2023

4th Floor Golate House
101 St. Mary Street
Cardiff
CF10 1DX

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 parent Company and of the Group's profit or loss for that period. In preparing the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Independent auditors' report to the members of Sonovate International Holdings Limited

Opinion

We have audited the financial statements of Sonovate International Holdings Limited ("the Company") for the period ended 31 December 2021 which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cashflow Statement and related notes, including the accounting policies in note 1.

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 31 December 2021 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1.3 to the financial statements which indicates that the Group will require additional equity funding and/or commitment, within 12 months to meet its debt covenants. At the time of approving the financial statements, the process to raise additional equity has commenced but has not been secured, therefore, these events and conditions, along with the other matters explained in note 1.3, constitute a material uncertainty that may cast significant doubt on the group's and the parent company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Going concern basis of preparation

The directors have prepared the financial statements on the going concern basis. As stated above, they have concluded that a material uncertainty related to going concern exists.

Our conclusion based on our financial statements audit work: we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Independent auditor's report to the members of Sonovate International Holdings Limited *(continued)*

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Group's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is overstated or recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We performed procedures including:

- Agreeing sales transactions throughout the financial year to supporting documentation including contract, invoice, and the associated cash receipt.
- Year-end cut off and post year-end credit note testing to assess whether revenue has been recognized in the correct financial year.
- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Independent auditor's report to the members of Sonovate International Holdings Limited *(continued)*

Fraud and breaches of laws and regulations – ability to detect *(continued)*

Identifying and responding to risks of material misstatement related to compliance with laws and regulations (continued)

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: employment law, health and safety and data protection laws recognising the nature of the Company's activities.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Independent auditor's report to the members of Sonovate International Holdings Limited *(continued)*

Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Jeremy Thomas

Jeremy Thomas (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
3 Assembly Square,
Britannia Quay,
Cardiff,
CF10 4AX

26 June 2023

Consolidated profit and loss account

for the year ended 31 December 2021

	Note	**Year ended 31 December 2021**	Period ended 31 December 2020
		£	£
Turnover	*2*	**11,729,161**	13,776,811
Cost of sales		**(4,967,450)**	(7,366,715)
Gross profit		**6,761,711**	6,410,096
Administrative expenses		**(11,816,249)**	(13,016,374)
Operating loss		**(5,054,538)**	(6,606,278)
Interest payable and similar expenses	*6*	**(279,768)**	(2,167,142)
Loss before taxation		**(5,334,306)**	(8,773,420)
Taxation	*7*	**-**	-
Loss and total comprehensive income for the financial period		**(5,334,306)**	(8,773,420)

All items relate to continuing activities.

Consolidated Balance Sheet
at 31 December 2021

	Note		2021		2020
		£	£	£	£
Fixed assets					
Intangible assets	*8*		**3,413,091**		1,666,335
Tangible assets	*9*		**197,956**		152,830
			3,611,047		1,819,165
Current assets					
Debtors	*12*	**105,421,107**		57,376,887	
Cash at bank and in hand		**3,737,303**		9,898,634	
		109,158,410		67,275,521	
Creditors: amounts falling due within one year	*13*	**(16,622,653)**		(5,730,372)	
Net current assets			**92,535,757**		61,545,149
Total assets less current liabilities			**96,146,804**		63,364,314
Creditors: amounts falling due after more than one year	*14*		**(88,229,140)**		(66,158,543)
Net assets/(liabilities)			**7,917,664**		(2,794,229)
Capital and reserves					
Called up share capital	*15*		**20,620**		3,054
Share premium account	*15*		**11,926,526**		27,770,924
Shares to be issued	*15*		**3,000,000**		-
Merger reserve	*15*		**27,773,031**		-
Share option reserve	*15*		**1,100,000**		
Profit and loss account			**(35,902,513)**		(30,568,207)
Shareholders' fund/(deficit)			**7,917,664**		(2,794,229)

The notes on pages 20 to 32 are an integral part of these financial statements. These financial statements were authorised for issue by the board of directors on 26 June 2023 and were signed on its behalf by:

Damon Chapple

D Chapple
Director

Company registered number: 13178930

Company Balance Sheet
at 31 December 2021

	Note		**2021**
		£	**£**
Fixed assets			
Intangible assets	*8*		-
Tangible assets	*9*		-
Investments	*10*		11,947,194
			11,947,194
Current assets			
Debtors	*12*	**2,781,944**	
Cash at bank and in hand		-	
		2,781,944	
Creditors: amounts falling due within one year	*13*	**(27)**	
Net current assets			**2,781,917**
Total assets less current liabilities			**14,729,111**
Creditors: amounts falling due after more than one year	*14*		-
Net assets			**14,729,111**
Capital and reserves			
Called up share capital	*15*		**20,620**
Share premium account	*15*		**11,926,526**
Shares to be issued	*15*		**3,000,000**
Share option reserve	*15*		**1,100,000**
Profit and loss account			**(1,318,035)**
Shareholders' funds			**14,729,111**

These financial statements were authorised for issue by the board of directors on 26 June 2023 and were signed on its behalf by:

Damon Chapple

D Chapple
Director

Company registered number: 13178930

Consolidated statement of changes in equity

	Called up share capital £	Profit and loss account £	Share premium account £	Shares to be issued £	Share option reserve £	Merger reserve £	Total equity £
Balance at 1 July 2019	2,696	(21,794,787)	20,389,716	-	-	-	(1,402,375)
Loss for the period	-	(8,773,420)	-	-	-	-	(8,773,420)
Total comprehensive income for the period	-	(8,773,420)	-	-	-	-	(8,773,420)
Transactions with owners, recorded directly in equity:							
Issue of shares	358	-	7,381,208	-	-	-	7,381,566
Total contributions by and distributions to owners	358	-	7,381,208	-	-	-	7,381,566
Balance at 31 December 2020	**3,054**	**(30,568,207)**	**27,770,924**	-	-	-	**(2,794,229)**

	Called up share capital £	Profit and loss account £	Share premium account £	Shares to be issued £	Share option reserve £	Merger reserve £	Total equity £
Balance at 1 January 2021	3,054	(30,568,207)	27,770,924	-	-	-	(2,794,229)
Loss for the year	-	(5,334,306)	-	-	-	-	(5,334,306)
Total comprehensive loss for the period	-	(5,334,306)	-	-	-	-	(5,334,306)
Remove old shares as part of group reorganisation	(3,054)	-	(27,770,924)	-	-	-	(27,773,978)
Issue of ordinary shares	8,460	-	-	-	-	-	8,460
Issue of preference shares	12,160	-	11,926,526	-	-	-	11,938,686
Shares to be issued	-	-	-	3,000,000	-	-	3,000,000
Share based payment charge	-	-	-	-	1,100,000	-	1,100,000
Creation of merger reserve	-	-	-	-	-	27,773,031	27,773,031
Balance at 31 December 2021	**20,620**	**(35,902,513)**	**11,926,526**	**3,000,000**	**1,100,000**	**27,773,031**	**7,917,664**

Company statement of changes in equity

	Called up share capital £	Profit and loss account £	Share premium account £	Shares to be issued £	Share option reserve £	Total equity £
Balance at incorporation	-	-	-	-	-	-
Total comprehensive income for the period:						
Loss for the period	-	(1,318,035)	-	-	-	(1,318,035)
Total comprehensive loss for the period	-	(1,318,035)	-	-	-	(1,318,035)
Transactions with owners, recorded directly in equity:						
Issue of ordinary shares	8,460	-	-	-	-	8,460
Issue of preference shares	12,160	-	11,926,526	-	-	11,938,686
Share based payment charge	-	-	-	-	1,100,000	1,100,000
Shares to be issued	-	-	-	3,000,000	-	3,000,000
Balance at 31 December 2021	**20,620**	**(1,318,035)**	**11,926,526**	**3,000,000**	**1,100,000**	**14,729,111**

Consolidated cashflow statement

for the year ended 31 December 2021

	Year ended 31 December 2021	Period ended 31 December 2020
	£	£
Cashflows from operating activities		
Loss for the year/period	**(5,334,306)**	(8,773,420)
Adjustments for:		
Depreciation	**87,574**	186,928
Interest payable and similar expenses	**279,768**	2,167,142
Share based payment charge	**1,100,000**	-
	(3,866,964)	(6,419,350)
Increase in trade and other debtors	**(48,044,213)**	(5,168,049)
Increase in trade and other creditors	**10,892,281**	4,400,544
Net cash from operating activities	**(41,018,896)**	(7,186,855)
Cashflows from investing activities		
Acquisition of tangible fixed assets	**(132,700)**	(198,438)
Capitalised development expenditure	**(1,746,757)**	(1,666,335)
Net cash from investing activities	**(1,879,457)**	(1,864,773)
Cashflows from financing activities		
Proceeds from the issue of share capital	**11,946,193**	7,381,566
Proceeds from SAFE instrument – shares to be issued	**3,000,000**	-
Repayments of Directors' Loan	**-**	(241)
Repayment of Operational Loan	**(10,858,619)**	-
Net proceeds from the Senior Financing Facility	**34,649,448**	8,431,932
Net repayments to the Junior Financing Facility	**(2,000,000)**	-
		-
Net cash from financing activities	**36,737,022**	15,813,257
Net (decrease)/increase in cash and cash equivalents	**(6,161,331)**	6,761,629
Cash and cash equivalents at beginning of year/period	**9,898,634**	3,137,005
Cash and cash equivalents at 31 December	**3,737,303**	9,898,634

Notes to the financial statements

1 Accounting policies

Sonovate International Holdings Limited ('the Company') is a private company limited by shares and incorporated and domiciled in Wales, in the UK.

The Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (*"FRS 102"*). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

In the prior period the subsidiary extended its accounting reference period ending date to 29 December as is the accounting reference date used by the company. These accounts cover the year ended 31 December 2021 in order to be consistent and as is permissible under the Companies Act 2006 s392. The comparatives are for the 18-month period to 31 December 2020.

The Parent of the group changed during the accounting period due to a group reconstruction on 5 March 2021. The Company acquired the shares of Sonovate Limited on 5 March 2021. In accordance with FRS 102.19.8-10, and in order to give a true and fair view, Sonovate Limited has been identified as the acquirer. Sonovate International Holding Limited 's consolidated accounts have been presented as a continuation of Sonovate Limited 's accounts, using the book values previously recorded in Sonovate Limited's consolidated accounts. Sonovate International Holdings Limited's assets and liabilities have been remeasured to fair value at the date of the acquisition and its income and expenditure has been brought into the consolidated accounts only as from that date. This represents a departure from the statutory method, under which Sonovate International Holding Limited would have been identified as the acquirer and Sonovate Limited's assets and liabilities would have been remeasured to fair value at the date of the acquisition and its income and expenditure brought into the consolidated accounts only as from that date.

The statutory method would not give a true and fair view because it would result in the assets and liabilities of Sonovate Limited being revalued to fair value which is not appropriate where Sonovate International Holding Limited is not identified as an accounting acquirer and no shareholders have obtained control of the combined group. Applying the statutory method would result in the loss of the financial history of Sonovate Limited. It is not practicable to quantify the effect on the financial statements of this departure.

The parent company is included in the consolidated financial statements and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time.
- Certain disclosures required by FRS 102.26 Share Based Payments; and,
- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

Accounting estimates and judgements that have been required for the production of these financial statements are referred to within the relevant accounting policy note.

1.1 Measurement convention

These consolidated financial statements are prepared on a going concern basis, under the historical cost basis.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2021. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities.

The Group has taken advantage of the exemption in section 408 of the Companies Act from presenting its individual profit and loss account.

All intra-Group transactions, balances, income, and expenses are eliminated on consolidation.

1.3 Going concern

As at 31 December 2021, the group had net current assets of £92,535,757, net assets of £7,917,664, cash at bank of £3,737,303 and reported a loss of £5,334,306 for the year then ended.

In order to provide its services, the Group requires equity and debt funding to make working capital financing available to its customers. During the year ended 31 December 2021, and subsequently in June and August 2022 and May 2023, the Group completed significant equity and debt refinancing activity. This will provide the Group with the required financial resources to continue on its forecasted growth path and absorb future operating losses as the Group continues to scale and progresses to its planned profitability.

Previous refinancing activity, undertaken in 2020 and early 2021, resulted in a new Senior Financing Facility which had a limit of £109,500,000 at 31 December 2021 and an expiry of 30 June 2022. At 31 December 2021, £75,229,140 had been drawn down. Alongside this, is a new Junior Financing Facility of £20,000,000 was agreed in March 2021 (£13,000,000 drawn down as at 31 December 2021). An existing Operational Debt Facility of £10,578,851 at 31 December 2020, was fully repaid in March 2021. Finally, additional equity funding of £11,900,000 was raised in March 2021 and a further £3,000,000 via a SAFE instrument in September 2021.

Since the balance sheet date, the Senior Financing Facility was refinanced in June 2022 with a private securitisation facility for £150,000,000 of senior notes held by a large European Bank and £30,000,000 mezzanine notes issued to a UK asset manager (extended to £50,000,000 in March 2023) both running until 30 June 2024. In addition, on 29 June 2022, the group entered into a new 24-month junior loan facility of £20,000,000 (extended to £30,000,000 in May 2023).

Additional equity of £10,000,000 was raised from existing investors in June 2022 and a further subordinated commitment for an additional £10,000,000 was signed in January 2023.

The Group has recently launched a series C fundraising round which is expected to conclude by the end of 2023. Conversations are also ongoing in respect of the renewal and syndication of the Senior Financing Facility, with an increased limit, ahead of the expiry of the current facility on 30 June 2024.

As a provider of financing to customers, the funding requirements of the business is a key management activity as it is required to grow, and therefore be renewed, on a continual basis as the business scales. The group and its management team are therefore focused on continuing to monitor, forecast and discuss with lenders and investors, both existing and potential. Both the latest senior and junior debt facilities are aligned to the growth plans of the business and have been agreed in accordance with the terms being more favourable compared to the previous facilities and therefore allowing the business to continue to scale.

The directors have prepared detailed cash flow forecasts for the Group, for a period of at least 12 months from the date of approval of these financial statements, the going concern period, which indicate that, considering a severe but plausible downside scenario including a reduction in volume of invoices funded of 30% for 12 months and cost mitigations adopted, including headcount freezes, the Group and company will have sufficient funds to meet its obligations as they fall due for that period. However, that is dependent on the renewal of the debt facilities ahead of expiry at the end of June 2024 and raising additional equity to meet the covenants on the senior facility.

Notes to the financial statements *(continued)*

2 Accounting policies *(continued)*

1.4 Going concern (continued)

The existing Senior Financing Facility includes a minimum equity covenant which requires an increase in statutory equity in September 2023 and is to be maintained at this level for the remainder of the facility. The £10,000,000 subordinated commitment from existing investors is forecast to be increased by £5,000,000 in August 2023 ahead of the covenant change. A further equity injection from the series C fundraising round is forecast in January 2024. In the event that this is not successful, additional equity commitments from existing investors are expected. On this basis, the Directors are confident that the ongoing dialogue and negotiations with both existing and new investors will provide the equity needed during the next 12 months to ensure ongoing compliance with debt covenants.

As discussed above, all existing debt facilities are being renegotiated and expected to be completed well ahead of the June 2024 renewal date to ensure the business has the right sized debt portfolio to facilitate the next stage of growth.

However, at the date of the approval of these financial statements, the agreement with current equity investors have not yet been formally signed and therefore this represents a material uncertainty related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. However, the financial statements continue to be prepared on the going concern basis and do not include any adjustments that would result from the basis of preparation being inappropriate.

1.5 Foreign currency

Transactions in foreign currencies are translated to the Group's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss.

1.6 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

1.7 Share-based payments

Share-based payment arrangements in which the entity receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the entity.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.7 Share-based payments (continued)

When an employee or director is unconditionally entitled to a share-based payment without completing a period of service, the share-based payment vests immediately. The related share-based payment charge is recognised in full as an employee expense and equity is increased accordingly.

The fair value of the awards granted is measured based on an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

1.8 Intangible fixed assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

- Software 5 years

As at 31 December 2021 no amortisation has been made as no part of the software is currently being used.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Costs associated with maintaining the software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of the software are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development
- and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be
- reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.9 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets. The Group assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired. Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives are as follows:

Computer equipment	- 33.33% straight line
Fixtures and fittings	- 25% and 33.33% straight line

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Group expects to consume an asset's future economic benefits.

1.10 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

1.11 Turnover

Turnover comprises the fee charged to customers for the solution provided and is measured as the value of the consideration received or receivable net of discounts and value added tax. A fixed fee, based on a percentage of the value of the funded invoice value, is charged to the customer at the point that the underlying work is complete, and the Group has delivered the solution which can include the processing and approval of a timesheet. An invoice is raised, and revenue is recognised in full immediately.

1.12 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest payable

Interest payable and similar charges include interest payable, notional interest recognised on financing transactions using the effective interest method. To the extent that interest payable relates to the provision of the solution to customers it is presented in cost of sales in the profit and loss account.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.13 Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Listed investments are measured at fair value with changes in fair value being recognised in profit or loss.

1.14 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2 Turnover

The Group's turnover relates to its principal activity with 1% originating from outside the UK (*2020: 1%).*

The Group's business model is providing a tech-enabled solution to customers to enable them to process and fund their temporary contractors and other contingent workers directly with their end customers and contractors.

Under the business model the Group's turnover comprises only the fixed fee charged to recruitment agencies.

The total sales invoices (inclusive of VAT) raised to end user customers and revenue recognised thereon (net of VAT) can be analysed for the year ended 31 December 2021 (2020: 18-month period ended 31 December 2020), as follows:

	Invoices raised	**31 December 2021 Revenue**	Invoices raised	31 December 2020 Revenue
	£	**£**	£	£
Total sales invoices/revenue	**697,341,996**	**11,729,161**	711,378,597	13,776,811

Notes to the financial statements *(continued)*

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2021 £	2020 £
Research and development expensed as incurred	-	829,308
Depreciation of owned fixed assets	87,574	186,928
Operating lease rentals	203,093	429,665
Impairment of trade debtors	37,093	165,171
Net (gain)/loss on foreign currency translation	7,400	15,525

Auditor's remuneration:	2021 £	2020 £
Audit of these financial statements	47,000	-
Audit of financial statements of subsidiaries of the Company	46,000	37,402
Amounts receivable by the Group's auditor and its associates in respect of:		
Taxation compliance services	3,750	3,750
Other tax related services	500	500

4 Staff numbers and costs

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

	2021	2020
Management and administrative services	113	102
	113	102

The aggregate payroll costs of these persons were as follows:

	2021 £	2020 £
Wages and salaries	5,743,555	7,788,326
Social security costs	705,204	872,937
Pension contributions	131,614	171,429
Share based payment charge	1,100,000	-
	7,680,373	8,832,692

Notes to the financial statements *(continued)*

5 Directors' remuneration

	2021	2020
	£	£
Directors' emoluments	**530,000**	967,333

The remuneration of the highest paid director was £265,000 *(2020: £483,666)*.

A share-based payment charge of £1,100,000 *(2020: £nil)* was recognised in Sonovate International Holdings Limited following the group restructure representing an increased shareholding provided to the founders who are also directors of the company.

6 Interest payable and similar expenses

	2021	2020
	£	£
Interest on operational loan	**279,768**	2,167,142

7 Taxation

Total tax expense recognised in the profit and loss account

	2021	2020
	£	£
Current tax	-	-
Deferred tax	-	-
Total tax	-	-

Reconciliation of effective tax rate

	2021	2020
	£	£
Loss for the year/period	**(5,334,306)**	(8,773,420)
Total tax expense	-	-
Loss excluding taxation	**(5,334,306)**	(8,773,420)
Tax using the UK corporation tax rate of 19.00% *(2020: 19.00%)*	**(1,013,518)**	(1,666,950)
Non-deductible expenses	**209,330**	5,899
Non-taxable R&D tax credit	-	(160,927)
Current year losses and other items for which no deferred tax asset was recognised	**804,188**	1,821,978
Total tax included in profit or loss	-	-

In the 3 March 2021 Budget, it was announced that the UK corporation tax rate will increase from 19% to 25% from 1 April 2023. This will increase the company's future current tax charge accordingly. No deferred tax has been recognised in the financial statements. A deferred tax asset has not been recognised in relation to tax losses available due to uncertainty over the timing of future available profits and its recoverability in the short term. Tax losses available on which no deferred tax has been recognised in the financial statements amounts to £33,860,708 *(2020: £27,330,799)* including unrecognised R&D tax credits of £500,914. A deferred tax liability has not been recognised in relation to fixed asset temporary timing differences of £2,603,310 (*2020: £1,470,645*) as are offset by the tax losses available.

Notes to the financial statements *(continued)*

8 Intangible assets

	Group **Software (under construction)**	Group **Total**	Company **Software (under construction)**	Company **Total**
Cost	**£**	**£**	**£**	**£**
At beginning of period	1,666,335	1,666,335	-	-
Additions	1,746,756	1,746,756	-	-
At end of period	**3,413,091**	**3,413,091**	-	-
Amortisation				
At beginning of period	-	-	-	-
Charge for the period	-	-	-	-
At end of period	-	-	-	-
Net book value				
At 31 December 2021	**3,413,091**	**3,413,091**	-	-
At 31 December 2020	1,666,335	1,666,335	-	-

9 Tangible fixed assets

	Group **Computer equipment**	Group **Fixtures and fittings**	Group **Total**	Company **Computer equipment**	Company **Fixtures and fittings**	Company **Total**
	£	**£**	**£**	**£**	**£**	**£**
Cost						
At beginning of period	394,297	427,340	821,637	-	-	-
Additions	130,685	2,015	132,700	-	-	-
Disposals	(234,884)	(343,054)	(577,938)	-	-	-
At end of period	**290,098**	**86,301**	**376,399**	-	-	-
Depreciation						
At beginning of period	299,967	368,840	668,807	-	-	-
On disposals	(234,884)	(343,054)	(577,938)	-	-	-
Charge for the period	67,455	20,119	87,574	-	-	-
At end of period	**132,538**	**45,905**	**178,443**	-	-	-
Net book value						
At 31 December 2021	**157,560**	**40,396**	**197,956**	-	-	-
At 31 December 2020	94,330	58,500	152,830	-	-	-

Notes to the financial statements *(continued)*

10 Investments

	Group	Company
Investments in subsidiaries	-	**11,947,194**

On 5 March 2021, the Company acquired 100% of the shares of Sonovate Limited. On 5 March 2021 Sonovate International Holdings Limited acquired 100% of Sonovate Limited for £1,000. On the same date, Sonovate Limited issued 119,461,935,300 ordinary £0.0001 shares to Sonovate International Holdings Limited for a consideration of £11,946,194, settled in cash.

11 Subsidiaries

Name	**Registered Office**	**Nature of business**	**Interest**
Sonovate Limited	4th Floor Golate House, 101 St Mary St, Cardiff CF10 1DX	Financial Services & Technology	100%
Sonovate Business Services Limited	4th Floor Golate House, 101 St Mary St, Cardiff CF10 1DX	Dissolved 6 September 2022	100% (indirect)
Sonovate US, LLC	C/o 251 Little Falls Drive, Wilmington, DE USA 19808	Financial Services & Technology	100% (indirect)
Sonovate US Servicing, LLC	C/o 251 Little Falls Drive, Wilmington, DE USA 19808	Dormant	100% (indirect)

Sonovate US Servicing, LLC is currently dormant and was dormant throughout the current and previous periods. Sonovate Business Services Limited did not trade during the current year or previous period and has since been dissolved as of 6 September 2022.

12 Debtors

	Group 2021 £	**Company 2021 £**	Group 2020 £	Company 2020 £
Trade debtors	**104,633,327**	-	56,342,899	-
Prepayments and accrued income	**776,112**	-	978,831	-
Amounts owed by group undertakings	-	**2,781,944**	-	-
Other debtors	**11,668**	-	55,157	-
	105,421,107	**2,781,944**	57,376,887	-

All trade debtors are due within one year. As at 31 December 2021 £25,515,805 were past due but not impaired *(2020: £10,041,935)*. Past due amounts from period end debtors are those beyond their agreed due date. The majority of this is less than 60 days overdue and therefore is not assessed to be a risk. This is closely monitored. The allowance for doubtful debts in 2021 is £41,297 *(2020: £245,467)*. No debtors were written off during the period *(2020: £nil)*. Amounts owed by group undertakings, Sonovate Limited, are repayable on demand and expected to be settled in cash.

Notes to the financial statements *(continued)*

13 Creditors: amounts falling due within one year

	Group 2021 £	***Company 2021 £***	Group 2020 £	Company 2020 £
Trade creditors	**15,079,891**	**-**	4,685,386	-
Other creditors	**(27)**	**(27)**	148,542	-
Taxation and social security	**680,257**	**-**	467,496	-
Accruals and deferred income	**797,889**	**-**	364,305	-
Directors' loan (note 18)	**64,643**	**-**	64,643	-
	16,622,653	**(27)**	5,730,372	-

With the exception of certain balances that may be measured in line with specific tax legislation, all financial liabilities are measured at amortised cost.

14 Creditors: amounts falling after more than one year

	Group 2021 £	**Company 2021**	Group 2020 £	Company 2020 £
Senior Financing Facility	**75,229,140**	**-**	40,579,692	-
Junior Financing Facility	**13,000,000**	**-**	15,000,000	-
Operational Debt Facility	**-**		10,578,851	-
	88,229,140	**-**	66,158,543	-

The Senior Financing Facility of £75,229,140 (2020: £40,579,692) represents the amounts drawn down on a receivables financing facility from M&G Investments structured as back-to-back receivables purchase facility which revolves. This Facility was increased to £109.5m during the year with the expiry date extended to 30 June 2022. After the year-end, in June 2022, the Group replaced this with a new senior financing facility of £150m, with a large European Commercial Bank and which has a renewal date of 30 June 2024.

On 23 February 2021, £2m was paid off the Junior Financing Facility and the term on the remaining £13m was extended to 30 June 2022 with an interest rate of 11.5% above BoE base rate. After the year-end, in June 2022, along with the new senior facility, the Group replaced this with a new £30m mezzanine facility, continuing its ongoing relationship with M&G (further increased to £50m in March 2023). This facility has a renewal date of 30 June 2024.

On 23 February 2021, the Operational Debt Facility was repaid in full and cancelled. After the year end, in May 2022, the Group entered into a new Operational Debt Facility of £20m which has subsequently been increased to £30m in May 2023. This facility has a renewal date of 29 June 2024.

In addition to the debt funding and facilities discussed above, the Group also raised £12m through the issue of preference shares in March 2021 and a further £3m equity via a SAFE instrument in September 2021. Additional equity of £10m was raised from existing investors in June 2022 and a further subordinated commitment for a further £10m was signed in January 2023. More detail can be found in notes 15 and 19.

Notes to the financial statements *(continued)*

15 Share capital

	2021	2020
	£	£
Allotted and called up share capital		
8,284,442 ordinary shares (*2020: 10,406,186*) of £0.001 each (*2020: £0.0001*)	**8,285**	1,041
Nil (*2020: 5,077,418*) ordinary "A" shares of £0.0001 each	**-**	508
Nil (*2020: 5,551,854*) ordinary "B1" shares of £0.0001 each	**-**	555
Nil (*2020: 9,500,584*) ordinary "B2" shares of £0.0001 each	**-**	950
12,159,998 (2020: Nil) preferred shares of £0.001 each	**12,160**	-
175,398 (2020: Nil) options shares of £0.0001 each	**175**	-
	20,620	3,054

The Company was incorporated on 4 February 2021 as part of a group restructure and issued 1 Ordinary share of £0.001 at nominal value. The share capital and share premium shown in the consolidated balance sheet and consolidated statement of changes in equity is that of Sonovate Limited up until the date of the acquisition, at which point it was replaced with the share capital of Sonovate International Holdings Limited.

On 2 March 2021 the Company issued a further 8,284,442 Ordinary £0.001 shares for a cash consideration as above and no share premium arising and 12,159,998 Preferred £0.001 shares for a cash consideration of £11,938,686, resulting in share premium of £11,926,526.

The holders of ordinary shares and preference shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group.

The preference shares include no rights of redemption. On distribution of assets on a liquidation or return of capital (other than a conversation or purchase of shares), the surplus of assets of the company remaining after payment of its liabilities shall be distributed first to the preferred shareholders in priority to any other classes of shares.

Shares to be issued

In September 2021, the Group raised an additional £3m equity from existing investors via a SAFE structure. The terms and conditions of the shares to be issued have been assessed with reference to FRS 102.22.3b and has been classified as equity.

Merger reserve

The merger reserve arises from the group restructuring exercise undertaken during the year, as described in note 1, being the difference between the capital structure of Sonovate International Holdings Limited and the capital structure of Sonovate Limited.

Share options reserve

A share-based payment charge of £1,100,000 (2020: £nil) was recognised in Sonovate International Holdings representing an increased shareholding provided to the founders as part of the group restructuring exercise.

Option shares were also issued during the period. The fair value of the 175,398 options issued in 2021 is not assessed to be material to the financial statements and therefore no additional share-based payment charge has been recognised in respect of these.

Notes to the financial statements *(continued)*

16 Operating leases

Non-cancellable operating lease rentals, relating to land & buildings are payable as follows:

	Group 2021 £	Group 2020 £
Less than one year	**182,451**	203,093
Between one and five years	**-**	182,451
	182,451	385,544

During the period £203,093 was recognised as an expense in the profit and loss account in respect of operating leases *(2020: £429,665).* The company had no operating leases.

17 Analysis of changes in net debt (Group)

Group	Borrowings due within one year £	Borrowings due after one year £	**Subtotal £**	Cash and cash equivalents £	**Net debt £**
Net debt analysis					
Balance at 31 December 2020	(64,643)	(66,158,543)	**(66,223,186)**	9,898,634	**(56,324,552)**
Cash flows	-	(22,070,597)	**(22,070,597)**	(6,161,331)	**(28,231,928)**
Balance at 31 December 2021	**(64,643)**	**(88,229,140)**	**(88,293,783)**	**3,737,303**	**(84,556,480)**

18 Related parties

At the year end, the Group owed £32,322 *(2020: £32,442)* to D Chapple and £32,322 *(2020: £32,442)* to R Prime, directors of the Group. The loans are unsecured, interest free and have no fixed terms of repayment.

At the year-end, an amount of £2,781,944 is owed to the company by its subsidiary undertaking, Sonovate Limited, and is repayable on demand and expected to be settled in cash.

Transactions with key management personnel

Key management personnel are the Group directors, see note 5 for Directors' remuneration.

19 Events after the end of the reporting period

Since the balance sheet date, the Senior Financing Facility was refinanced in June 2022 with a private securitisation facility for £150,000,000 of senior notes held by a large European Bank and £30,000,000 mezzanine notes issued to a UK asset manager (extended to £50,000,000 in March 2023) both running until 30 June 2024. In addition, on 29 June 2022, the group entered into a new 24-month junior loan facility of £20,000,000 (extended to £30,000,000 in May 2023).

Additional equity of £10,000,000 was raised from existing investors in June 2022 and a further subordinated commitment for an additional £10,000,000 was signed in January 2023.