Registered number: 07157877

POCKIT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

POCKIT LIMITED

COMPANY INFORMATION

Directors	V B Jatania M Newton-Jones D Shafranik G Shankland
Company secretary	V B Jatania
Registered number	07157877
Registered office	Suite 19 45 Salisbury Road Cardiff CF24 4AB
Independent auditors	Haysmacintyre LLP 10 Queen Street Place London EC4R 1AG

POCKIT LIMITED

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

Principal activity

The principal activity of Pockit is to offer payment account services to users in the UK who are typically excluded and underserved by other financial institutions. Pockit's suite of product offerings include mobile accessible accounts, debit cards, cash deposit services, cashback and foreign transfers.

Business review

Pockit launched its award winning payment account services in 2014 with a focus on the underserved segment within the UK. Pockit's core target market is the 12 million financially underserved in the UK. Pockit provides them with an e money account to receive their salary, customers can deposit cash in 28,000 locations and make daily purchases via Point of Sale or e commerce using their Pockit prepaid card. A number of additional products serve to enhance the customer experience:

- Cashback, which allows customers to save money through offers negotiated with leading retailers in the UK
- Introduction of real time faster payments
- Broadband and mobile cost saving switching service
- Getting salary paid a day early for those customers who receive their income via BACS
- Credit builder product to help to improve the credit score of customers
- Remittance partnership with Wise allowing customers to send over 33 different currencies to over 56 countries around the world
- Virtual cards offering better security and convenience for e-commerce
- Apple and GooglePay for digital wallets

Pockit has a targeted mission of financial inclusion for those that need it the most, supporting vulnerable customers and reducing the poverty premium with a product developed around the customer.

Pockit continues to make investments into its technology, risk, compliance and customer service functions.

Key metrics have continued to improve from the strong performance in 2020, revenue growth accelerated during 2021 resulting in an annualised run rate of £4.98m at the end of 2021 and circa £6m run rate revenue in 2022. Revenue grew by over 50% compared to 2020 at £4,092,292 (2020: £2,684,493) and a reduction in losses after taxation of over 31%, with losses at £2,293,999 (2020: £3,490,480). At 31 December 2021, the company had net liabilities of £2,020,633 (2020: £664,479), which includes a convertible loan of £1.26m, which was converted into equity in Q1 2022.

Principal risks and uncertainties

The principal risks and uncertainties that Pockit faces include those associated with systems interruptions of its own platform or of its partners. The company has taken significant steps to mitigate against such risks and uncertainties from impacting the operations of the business, investing in internal systems and regular monitoring of outsourced services.

Pockit is registered with the FCA as an electronic money agent of PayrNet Limited and as such undertakes responsibilities relating to the risks of criminal activities and money laundering. In order to mitigate these risks Pockit has robust know your client (KYC) and anti money laundering (AML) procedures in place, including ongoing transactions monitoring, and has invested heavily to address these risks from its inception.

The company is in advanced discussions for a new funding round and has signed terms. Management is confident in securing the necessary funding for the business from existing and new investors in 2023 but there is always a risk that fundraising is delayed or postponed.

Key performance indicators

The directors monitor revenues and operating costs as the KPI indicators of the company. Whilst the company incurred a loss this was anticipated and in line with the financial planning agreed by the board.

The acquisition and retention of customers, number of active customers and volumes of customer transactions are regarded as the other key performance indicators.

The directors are committed to promoting the health, safety and welfare of staff members and ensure appropriate measures are undertaken in this regard.

The directors are mindful of environmental issues and have sought to minimise the impact of the company's activities on the environment.

Directors' statement of compliance with duty to promote the success of the Company

When making business decisions, the Board acknowledges its responsibilities under s172(1) of the Companies Act 2006 to promote the long-term success of the company having regard to its range of stakeholders.

Likely consequences of any decision in the long term
The Board is provided with regular reports, which include key decisions taken, material risks and business performance updates, which provide the Board with assurance that the likely consequences of any decision in the long term are considered appropriately.

Investors
The company provides regular updates on financial performance, strategy and business developments. The investors are acknowledged as important partners and offer guidance to Pockit.

Employees
The company places a high value on attracting, retaining and developing talented people and promoting a culture of diversity and inclusion. The company works hard to develop skills and talents and to improve the experience of employees in the workplace. The company recently reduced working hours for employees.

Impact of operations on the community and the environment
Pockit's aim is to serve those people financially underserved in the UK, providing banking services to those that need it the most. The company works hard to understand and support the issues and causes that concern the communities within which it works and is planning to offer donation capability through the app. The company has no physical branches offering low environmental impact solution to banking.

The need to foster business relationships with suppliers, customers and other stakeholders
Pockit acknowledges the importance of its relationships with partners and suppliers, many of which provide key services, aiding product development and protecting customers, whilst offering partnership opportunities in a highly innovative space.

Maintain a reputation for high standards of business conduct
The company is committed to delivering fair customer outcomes and always looks for ways to better support and protect customers, especially the most vulnerable. Pockit is committed to a robust compliance framework to ensure all regulatory obligations are met. Continuous training is provided and technological improvement to support the high standards of business conduct.

Act fairly between members of company
Pockit is committed to acting fairly with its members and being transparent in its activities and directions.

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

This report was approved by the board and signed on its behalf.

Viraj Jatania

V B Jatania
Director

Date: 13 January 2023

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

Directors

The directors who served during the year were:

V B Jatania
M Newton-Jones
D Shafranik
G Shankland

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 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 for the Company's financial statements and then apply them consistently;
- make judgments 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;
- 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 to 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.

Results and dividends

The loss for the year, after taxation, amounted to £2,293,999 *(2020 - loss £3,490,480)*.

The directors do not propose a dividend for the year (2020: none).

Future developments

The directors expect that future developments will include continued investment in the technological infrastructure of the business with further integrations with innovative financial partners.

Going concern

The Company's business activities, together with the factors likely to affect its future development and its financial position are described in the Strategic report.

After making enquiries, preparing and reviewing the cashflow projections and having assessed that sufficient future funding is available to the business to meet its future financial obligations, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

The projections indicate that the business will break-even from an EBITDA perspective from Q2 2023 onwards. They are based on a number of assumptions including improving revenues and reducings costs.

The company has signed terms with a Private Equity Investor, which is expected to close in Q1 2023. Management is confident in securing the necessary funding for the business from existing and new investors in 2023. The business continues to enjoy the support of its existing shareholders which is evidenced by the conversion of the convertible loan notes into equity in February 2022. Management has a successful track record of raising funds from existing and new shareholders.

The company has agreed a reduction in its overdraft facility of £50,000 per quarter with its bankers and since the status of the company as a going concern is dependent upon a fundraising in Q2 2023, the directors recognise that a material uncertainty exists in respect of the going concern status of the company. If required, the company has various additional levers it could pull, including reducing marketing and direct costs to reduce cash burn and extend runway into the latter part of 2023.

As disclosed above, the company has terms agreed for an investment, which the directors believe should close before the end of Q1 2023.

The Company is a fast growing and developing business and until the point it becomes cash generative in its own right, it requires shareholder support, this support has been historically demonstrated by ongoing investment from existing shareholders and the ability to attract new shareholders to support the long term ambitions of the company.

See Going Concern accounting policy within note 2.2 for further detail.

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

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

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

Events after the reporting date

See note 24 for details of events which have taken place between the reporting date and the approval of the financial statements.

Auditors

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

This report was approved by the board and signed on its behalf.

Virraj Jatania

V B Jatania
Director

Date: 13 January 2023

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF POCKIT LIMITED

Opinion

We have audited the financial statements of Pockit Limited (the 'Company') for the year ended 31 December 2021, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 2021 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 Auditors' 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 United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2.2 in the financial statements, which indicates that the company is currently in the process of securing additional funds from investors. As stated in note 2.2, these events or conditions, along with the other matters as set forth in note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 Auditors' 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.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and 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.

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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF POCKIT LIMITED (CONTINUED)

Auditors' 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 Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to FCA regulatory requirements and trade 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, income tax, payroll tax and VAT.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to revenue and management bias in accounting estimates. Audit procedures performed by the engagement team included:

• inspecting correspondence with the FCA;
• discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
• evaluating management's controls designed to prevent and detect irregularities;
• identifying and testing journals, in particular journal entries posted with unusual account combinations, or with unusual descriptions; and
• challenging assumptions and judgements made by management in their critical accounting estimates.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF POCKIT LIMITED (CONTINUED)

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' 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.

S Wilks

Simon Wilks (Senior Statutory Auditor)
for and on behalf of
Haysmacintyre LLP
Statutory Auditors
10 Queen Street Place
London
EC4R 1AG

13 January 2023

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £	2020 £
Turnover		4,092,292	*2,684,493*
Cost of sales		(1,748,885)	*(1,283,426)*
Gross profit		2,343,407	*1,401,067*
Administrative expenses		(4,115,847)	*(4,933,864)*
Other operating income	5	-	*278,327*
Operating loss	6	(1,772,440)	*(3,254,470)*
Interest payable and expenses	10	(581,534)	*(447,391)*
Loss before tax		(2,353,974)	*(3,701,861)*
Tax on loss	11	59,975	*211,381*
Loss for the financial year		(2,293,999)	*(3,490,480)*

There were no recognised gains and losses for 2021 or 2020 other than those included in the statement of comprehensive income.

The notes on pages 16 to 30 form part of these financial statements.

POCKIT LIMITED
REGISTERED NUMBER: 07157877

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note		2021 £		*2020 £*
Fixed assets					
Intangible assets	12		955,638		*1,083,425*
Tangible assets	13		65,022		*85,761*
			1,020,660		*1,169,186*
Current assets					
Debtors: amounts falling due within one year	14	792,674		*899,799*	
Cash at bank and in hand	15	435		*300,239*	
		793,109		*1,200,038*	
Creditors: amounts falling due within one year	16	(3,540,446)		*(2,983,703)*	
Net current liabilities			(2,747,337)		*(1,783,665)*
Total assets less current liabilities			(1,726,677)		*(614,479)*
Creditors: amounts falling due after more than one year	17		(293,956)		*(50,000)*
Net liabilities			(2,020,633)		*(664,479)*
Capital and reserves					
Called up share capital	18		1,488,425		*1,458,708*
Share premium account	19		23,867,195		*22,959,067*
Profit and loss account	19		(27,376,253)		*(25,082,254)*
			(2,020,633)		*(664,479)*

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Viraj Jatania

V B Jatania
Director

Date: 13 January 2023

The notes on pages 16 to 30 form part of these financial statements.

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

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2021	1,458,708	22,959,067	(25,082,254)	(664,479)
Loss for the year	-	-	(2,293,999)	(2,293,999)
Fundraising costs	-	(95,155)	-	(95,155)
Shares issued during the year	29,717	1,003,283	-	1,033,000
At 31 December 2021	1,488,425	23,867,195	(27,376,253)	(2,020,633)

The notes on pages 16 to 30 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2020	1,039,766	10,174,645	(21,591,774)	(10,377,363)
Comprehensive income for the year				
Loss for the year	-	-	(3,490,480)	(3,490,480)
Fundraising costs	-	(33,000)	-	(33,000)
Shares issued during the year	418,942	12,817,422	-	13,236,364
At 31 December 2020	1,458,708	22,959,067	(25,082,254)	(664,479)

The notes on pages 16 to 30 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £	2020 £
Cash flows from operating activities		
Loss for the financial year	(2,293,999)	*(3,490,480)*
Adjustments for:		
Amortisation of intangible assets	602,998	*768,869*
Depreciation of tangible assets	32,462	*34,827*
Interest payable	159,424	-
Taxation credit	(59,975)	-
Decrease in debtors	107,125	*441,248*
Decrease in creditors	(843,653)	*(69,310)*
Net cash absorbed by operating activities	(2,295,618)	*(2,314,846)*
Cash flows from investing activities		
Software development expenditure	(477,011)	*(613,546)*
Purchase of tangible fixed assets	(9,923)	*(18,083)*
Net cash from investing activities	(486,934)	*(631,629)*

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £	2020 £
Cash flows from financing activities		
Issue of ordinary shares	1,033,000	*3,614,316*
New secured loans	-	*50,000*
Repayment of loans	(6,044)	-
New convertible debt	1,263,263	-
Other new loans	500,000	-
Loans from group companies repaid	-	*(455,871)*
Interest paid	(159,424)	-
Net cash used in financing activities	2,630,795	*3,208,445*
Net (decrease)/increase in cash and cash equivalents	(151,757)	*261,970*
Cash and cash equivalents at beginning of year	(177,355)	*(439,324)*
Cash and cash equivalents at the end of year	(329,112)	*(177,354)*
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	435	*300,239*
Bank overdrafts	(329,547)	*(477,593)*
	(329,112)	*(177,354)*

1. General information

Pockit Limited is a private company limited by shares and registered in England and Wales. Registered number 07157877. Its registered office is Suite 19, 45 Salisbury Road, Cardiff, Wales, CF24 4AB. The company's principal place of business is Clearwater Yard, 35 Inverness Street, London.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The following principal accounting policies have been applied:

2.2 Going concern

During 2021, the business made further progress, growing revenues by over 50% from 2020, achieving a revenue run rate of almost £5m by the end of the year. The business has substantially reduced its operating loss, driven by continuing revenue growth throughout 2021 and 2022. However, the operating loss for 2021 was £2.3m (2020: £3.49m) and the company had net liabilities at 31 December 2021 of £2,034,991. Liabilities included a convertible loan of £1.26m which was converted into equity in February 2022

The business continued to be loss making throughout 2022 and has made use of its overdraft facility of £500,000 at various points during the year. For working capital purposes, it also negotiated a Time to Pay payment plan with HM Revenue and Customs to repay certain tax liabilities over a longer period. The agreed monthly payments are being made on time along with the payment of ongoing tax liabilities.

The directors have reviewed cash flow projections for the period covering twelve months from the date of approval of these financial statements.

The projections indicate that the business will break-even from an EBITDA perspective from Q2 2023 onwards. They are based on a number of assumptions including the launch of new product lines.

The company is in advanced discussions for a new funding round and has a signed terms with a Private Equity Investor. Management is confident in securing the necessary funding for the business from existing and new investors in 2023. The business continues to enjoy the support of its existing shareholders which is evidenced by the conversion of the convertible loan notes into equity in February 2022. Management had shown a track record of raising funds from existing and new shareholders and expect to complete a fundraise in 2023.

The company has agreed a reduction in its overdraft facility of £50,000 per quarter with its bankers and since the status of the company as a going concern is dependent upon a fundraising in Q2 2023, the directors recognise that a material uncertainty exists in respect of the going concern status of the company. If required, the company has various additional levers it could pull, including reducing marketing and direct costs to reduce cash burn and extend runway into the latter part of 2023.

As disclosed above, the company has terms agreed for an investment, which the directors believe should close before the end of Q1 2023.

2. Accounting policies (continued)

2.2 Going concern (continued)

The directors have a reasonable expectation that the company will continue to operate and meet its ongoing liabilities when they fall due for a period of at least twelve months from the approval of these financial statements. Therefore, the Company's financial statements are prepared on the going concern basis.

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2. Accounting policies (continued)

2.4 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Software development & design	-	3	years

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate that the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives estimated to be 3 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were incurred in the research phase only.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures and fittings	-	20% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2. Accounting policies (continued)

2.6 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.7 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Corporation tax debtors (including those arising from claims for Research and development tax credits) are recognised when it is deemed highly probable that HMRC will settle these balances.

2.8 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

2.9 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Investments in non-derivative instruments that are equity to the issuer are measured:

- at fair value with changes recognised in the Statement of Comprehensive Income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each

2. Accounting policies (continued)

2.9 Financial instruments (continued)

reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an 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.

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 income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2.10 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.11 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.12 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2. Accounting policies (continued)

2.13 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.14 Taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. Significant judgement was involved in assessing the valuation of the intangible assets relating to software design and development.

4. Turnover

An analysis of turnover by class of business is as follows:

	2021	*2020*
	£	*£*
Payment account services	4,092,292	*2,684,493*
	4,092,292	*2,684,493*

Analysis of turnover by country of destination:

	2021	*2020*
	£	*£*
United Kingdom	4,092,292	*2,684,493*
	4,092,292	*2,684,493*

5. Other operating income

	2021 £	*2020 £*
CJRS grant income	-	*278,327*
	-	*278,327*

6. Operating loss

The operating loss is stated after charging:

	2021 £	*2020 £*
Depreciation of tangible fixed assets	32,462	*34,827*
Amortisation of intangible fixed assets	602,998	*768,869*
Other operating lease rentals	117,776	*440,313*

7. Auditors' remuneration

	2021 £	*2020 £*
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	41,550	*30,000*
Fees payable to the Company's auditor and its associates in respect of:		
All other services	-	*2,500*

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2021	*2020*
	£	*£*
Wages and salaries	901,336	*1,442,780*
Social security costs	103,362	*160,672*
Cost of defined contribution scheme	57,396	*33,770*
	1,062,094	*1,637,222*

The average monthly number of employees, including the directors, during the year was as follows:

	2021	*2020*
	No.	*No.*
Employees	37	*53*

9. Directors' remuneration

	2021	*2020*
	£	*£*
Directors' emoluments	71,360	*64,224*

10. Interest payable and similar expenses

	2021	*2020*
	£	*£*
Loan interest payable and bank charges	497,431	*447,391*
Other interest payable	84,103	-

11. Taxation

	2021 £	*2020 £*
Corporation tax		
Current tax on losses for the year	(59,975)	*(211,381)*
Total current tax	(59,975)	*(211,381)*
Taxation on loss on ordinary activities	(59,975)	*(211,381)*

Factors affecting tax credit for the year

The tax credit assessed for the year is lower than the standard rate of corporation tax in the UK of 19% *(2020 - 19%)*. The differences are explained below:

	2021 £	*2020 £*
Loss on ordinary activities before tax	(2,353,974)	*(3,729,568)*
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	(447,255)	*(708,618)*
Effects of:		
Unused tax losses for which no deferred tax asset has been recognised	447,255	*708,618*
Research and development tax credit	(59,975)	*(211,381)*
Total tax credit for the year	(59,975)	*(211,381)*

Factors that may affect future tax charges

The company has very significant tax losses for which no deferred tax asset has been recognised. If the company becomes profitable, it will be able to set those losses off against any future profits.

12. Intangible assets

	Software design & developmen t £
Cost	
At 1 January 2021	3,143,547
Additions	477,011
At 31 December 2021	3,620,558
Amortisation	
At 1 January 2021	2,060,122
Charge for the year on owned assets	604,798
At 31 December 2021	2,664,920
Net book value	
At 31 December 2021	955,638
At 31 December 2020	*1,083,425*

13. Tangible fixed assets

	Fixtures and fittings £
Cost or valuation	
At 1 January 2021	198,127
Additions	9,923
At 31 December 2021	208,050
Depreciation	
At 1 January 2021	112,366
Charge for the year on owned assets	30,662
At 31 December 2021	143,028
Net book value	
At 31 December 2021	65,022
At 31 December 2020	*85,761*

14. Debtors

	2021 £	*2020* £
Trade debtors	112,480	*44,357*
Other debtors	317,977	*131,490*
Prepayments and accrued income	152,217	*169,941*
VAT receivable	-	*92,630*
Corporation tax	210,000	*461,381*
	792,674	*899,799*

15. Cash and cash equivalents

	2021 £	2020 £
Cash at bank and in hand	435	*300,239*
Less: bank overdrafts	(329,547)	*(477,593)*
	(329,112)	*(177,354)*

16. Creditors: Amounts falling due within one year

	2021 £	2020 £
Convertible debt (see below)	1,263,263	-
Bank overdrafts	329,547	*477,593*
Other loans (see note 18)	250,000	-
Trade creditors	756,072	*1,191,401*
Director loans	-	*254,129*
Other taxation and social security	615,178	*472,330*
Other creditors	23,503	*206,636*
Accruals and deferred income	302,883	*381,614*
	3,540,446	*2,983,703*

As part of the Series B2 funding round referred to in Note 18, convertible debt was issued in February 2021. As part of the Series C funding round in February 2022 referred to in note 24, it was converted into equity through the issue of Series C shares.

17. Creditors: Amounts falling due after more than one year

	2021 £	2020 £
Bank loans	43,956	*50,000*
Debenture loans	250,000	-
	293,956	*50,000*

The company entered into a loan agreement with a third party in August 2021 for a float facility for the timing of customer cash deposits to the sum of £250,000, this is secured against a deposit balance held at PayrNet Limited. The loan is repayable by 31 August 2024.

18. Share capital

	2021 £	*2020 £*
Allotted, called up and fully paid		
656,939 *(2020 - 656,939)* Ordinary shares of £1.00 each	656,939	*656,939*
382,831 *(2020 - 382,831)* Series A shares of £1.00 each	382,831	*382,831*
297,124 *(2020 - 297,124)* Series B1 shares of £1.00 each	297,124	*297,124*
151,531 *(2020 - 121,814)* Series B2 shares of £1.00 each	151,531	*121,814*
	1,488,425	*1,458,708*

In February 2021, completed the final close of its Series B funding round raising £2.43m, issuing 29,717 Series B2 shares for consideration of £1.03m, as well as receiving a convertible loan of £1.18m and a further loan of £250,000.

19. Reserves

Share premium account

Share premium account includes any premiums received on issue of share capital. Any transaction costs associated with issuing the share are deducted from share premiums.

Profit and loss account

This reserve records the retained earnings of the company.

20. Analysis of net debt

	At 1 January 2021 £	Cash flows £	At 31 December 2021 £
Cash at bank and in hand	300,239	(299,804)	435
Bank overdrafts	(477,593)	148,046	(329,547)
Debt due after 1 year	(50,000)	(243,956)	(293,956)
Debt due within 1 year	-	(1,513,263)	(1,513,263)
	(227,354)	(1,908,977)	(2,136,331)

21. Commitments under operating leases

At 31 December 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £	2020 £
Not later than 1 year	209,299	*304,625*
Later than 1 year and not later than 5 years	22,350	*119,116*
	231,649	*423,741*

22. Related party transactions

Pockit Ltd had the following related party transactions:

Name	Relationship	Nature of Transaction
Virraj Jatania	Director	Loan to Company
Bharat Jatania	Father of Director	Convertible loan notes and loan
Concentric Ermak Co-Investment LLP	Common Shareholder*	Loan to Company
Ian Langley	Director	Loan to Company

* Denis Shafranik, a director of the company, is a member of Concentric Team LLP, the fund manager of Concentric Ermak Co-Investment LLP, which is a shareholder in the company.

Related party balances at year end:

	2021 £	2020 £
Virraj Jatania	-	4,129
Bharat Jatania	-	150,000
Concentric Ermak Co-Investment LLP	-	150,000
Ian Langley	-	100,000
	-	404,129

Bharat Jatania has also provided a guarantee in respect of the company's overdraft to the value of £500,000 (2020: £500,000).

Total remuneration paid to key management personnel in the year was £350,037 (2020: £299,443)

23. Events after the reporting date

During February 2022, the Company completed a Series C fundraising round for £1.18m by issuing 43,802 Series C shares. As a result of this fundraising, the convertible loan of £1.27m raised as part of the Series B fundraising in February 2021 was converted into equity through issuing 37,783 Series C shares as part of the Future Fund scheme.

In August 2022, a further 6,279 Series C shares were issued for ~£211,000 and a further 1,000 Ordinary shares for £1,000.

The company applied to relinquish its e-money permissions with the FCA in December 2021 since it continued to operate as an agent of PayrNet Limited. In October 2022, the FCA approved the Company's application.

24. Controlling party

In the opinion of the directors, there is no immediate or ultimate controlling party.