

Company Registration No. 07967865

PGI – Protection Group International Ltd

Annual Report

For the year ended 31 December 2022

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**Annual Report
For the year ended 31 December 2022**

CONTENTS

	Page
Officers and professional advisors	3
Strategic report	4-7
Directors' report	8-9
Independent auditor's report	10-12
Consolidated statement of comprehensive income	13
Consolidated and parent company statement of financial position	14
Consolidated statement of changes in equity	15
Parent company statement of changes in equity	16
Consolidated and parent company statement of cash flows	17
Notes to the financial statements	18-36

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

B Lord (Chief Executive Officer)
S Al Jabri (Non-Executive Director)
L Cranston (Non-Executive Director)

REGISTERED OFFICE

13-14 Angel Gate
London
EC1V 2PT

REGISTERED NUMBER

07967865

BANKERS

Santander plc
Corporate Banking
Bridle Road
Bootle
Merseyside
L30 4GB

INDEPENDENT AUDITOR

CLA Evelyn Partners Limited
Chartered Accountants & Statutory Auditor
Portwall Place
Portwall Lane
Bristol
BS1 6NA

Strategic report

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

Business and financial review

During 2022, PGI has continued to focus on the areas of countering the risk faced by our client base in the digital/online environment – a strategy adopted in, and continued from, 2020. In headline terms:

- *For our governmental and donor/non-aligned clients:* PGI supports them in ensuring that public services, democratic processes and societal behaviours in a digital-enabled world are protected from malign actions that seek to undermine the advantages, freedoms, finances and social well-being of those whom our clients seek to serve and protect.
- *For our corporate clients:* PGI supports our clients' delivery of their commercial services to their respective markets by ensuring that the quality, integrity and reliability of those services are not maliciously undermined by hostile actions which seek to damage, distort or disrupt the standards of service to which our clients strive.

PGI is able to do this through its ability to identify emerging threats in the digital world and support our commercial and government client base in resolving and managing them. We do this either through direct provision of managed services/advice to our clients, or by supporting them in building own capability and capacity to do so themselves.

This year has been challenging for our marketplace, where the global economic downturn has inevitably seen our clients prioritise their spending. We are delighted to be able to report that, despite this challenging economic environment - both in the commercial and government marketplace - PGI's expertise and value to its client base has not only allowed us to survive client spending parsimony, but has seen us continue to grow. Revenue has grown by another 12% over the year from £6.6m in 2021 to £7.4m this year. Most significantly our adjusted EBITDA figure highlights a considerable increase of 138%; growing from £0.5m to £1.3m. This has been possible by ensuring that the responsible precautionary measures we introduced ourselves in anticipation of the global economic downturn were preserved throughout the year. This on-going very tight control was necessary as a combination of the global economy, the Ukrainian war and the UK political turmoil (and exacerbating pressures on the UK market) created client challenges and disruption throughout the year. Our adjusted EBITDA as a % of revenue of 17% represents an extremely strong performance for a service-based company of our type.

PGI closed the year with a strong EBITDA performance and a positive net asset position. The balance sheet was strengthened by a long period of negotiated debt restructure that has allowed the write off of £2.75m of long-standing debt.

Service Line Development

The dual delivery service lines that PGI continues to operate across the increasingly integrated Cyber Security and Digital Information Risk product lines continues to hold us in good stead. Namely:

- **Managed service delivery** of products and services for those clients who require third-party support – both contracted and integrated – to manage their digital risk
- **Capacity Building** for those clients who wish to build their own capability to manage the risk themselves – this is particularly the case for many of our overseas government clients. This comprises consultancy, operating model design and human skill development at a large scale.

Strategic report (continued)

Business and financial review (continued)

Our managed service client base continues to diversify, adding several international non-aligned organisations to our national and multi-national commercial and UK Government agency client base. This adds yet further to the resilience of our revenue streams. PGI's security of revenue has been enhanced yet further by our two largest commercial clients moving from annual contracts to multi-year contracts; a demonstration of considerable client confidence in PGI, during economically challenging times. This clearly illustrates PGI's continued ability to adjust and adapt to a perpetually changing risk environment; cited by our clients as our considerable expertise at identifying and uncovering novel threats in a way that other organisations are unable to match; particularly through our strong combination of human and technical innovation and engagement that successfully challenges the concept of tech-only solutions.

Within our Capacity Building client base, we have placed our strong independent overseas government client base alongside international government clients who require the valued funding of UK Government and UK Government allies to help support their national capability development in a digitally hostile world. 2022 has been a time of international economic and geo-political turmoil, which has placed many competing demands on governments' public purses. Despite this, PGI has continued to service our well-established Gulf and African client base and the 2021 business development effort we put into growing our reach into in Asia and the Caribbean has led to the award of five initial contracts across those regions. As reported last year, our Capacity Building offering has continued to increasingly include the ability to build national units to counter the spread of mis/disinformation and information manipulation that threatens the integrity and success of client digital economies and social cohesion.

Values and Ethos

PGI's values and ethos remains unchanged and strong. Our commitment to total integrity, social justice and commitment to protect those least able to protect themselves sits at the heart of our values.

As before, we continue to dedicate a target proportion of our trade to serve small businesses who have struggled hugely in the turbulent economic climate; preserving a highly competitive pricing structure to ensure affordability to a particularly vulnerable marketplace.

We continue to proudly lead delivery of the UK Gulf Women in Cyber Security Fellowship Programme – funded by the UK FCDO and UK NCSC. This has now been running for four years, with the renewed contract running until at least 2025. This programme; developed and led by PGI since its inception, was described by the UK Foreign Office as *'not simply a soft power flex but rather a load-bearing route to deliver impactful real-world resilience and cyber diplomacy outcomes in the Gulf'*.

PGI's workforce continues to reflect our values: 30% of our staff are non-white caucasian and, in a sector that averages 19% female employment, PGI has a female workforce of 40% across all layers of our business, including middle and senior management and the company's Executive Leadership.

It remains true that our contemporary values-based approach – as well as our extremely high levels of expertise and innovation – continues to attract not only the UK FCDO but also an increasing number of UK allies and other international donors to confidently use PGI as one of the chosen ethical implementers of their funded programmes – a client confidence that we value hugely.

Strategic report (continued)

Business and financial review (continued)

Key performance indicators

The key performance indicators used by the Board to measure the business during the year were:

1. Revenue, gross profit margin and EBITDA
2. Monitoring of division specific statistics

	2022	2021
Revenue	£7.4m	£6.6m
Gross profit margin	57.9%	42.2%
EBITDA	£1.3m	£0.5m

The group finances its operations through a mixture of operational cash generation and loans from United Engineering Services LLC and Mohammed Al Barvani. The shareholder loans from United Engineering Services LLC and Mohammed Al Barvani attract interest at 3.25%.

The group has taken an exceptional financing gain within the period of £2.75m. This is from the write off of debt with Santander as part of a settlement agreement.

Principal risks and uncertainties

The group's exposure to risks and uncertainties is not considered to be any more severe than for companies in similar or related sectors. Formal risk analysis, review and control are a Board level activity which also flows down to day to day operations through our quality processes. The principal risks have not changed during the year under review and have been analysed as:

Market: Market conditions are subject to long term trends and continuous disruptive changes in technology. PGI's blended approach across Cyber Security, Intelligence and related government capacity building, each of which are subject to different conditions and different factors, has been designed specifically to mitigate against fluctuations in one service line. Our plans are designed to respond to these changes whilst having the flexibility to take advantage of opportunities created by disruptive events. There is a risk, that the economic climate following Covid-19, during a period when we seek to invest in the business for future growth, we will not be able to achieve growth as quickly as forecast, particularly in the Capacity Building arena. We continuously minimise the impact of this by careful measurement against budgets and appropriate action on the cost base should that prove necessary.

Staff: The group is a services business and relies heavily on having a skilled and experienced workforce at all levels matched to our clients' needs. We have invested more in career planning, career appraisal, development and training to keep our staff skills relevant. PGI provides both an environment and structure for advancement. In 2022 we reviewed the benefits package for all staff, uplifting many in response to changing market conditions. Staff are continuously provided with appropriate tools to be successful in their roles and flexible working conditions and models.

Clients: The group has a large client base, however historically there have been more significant clients making up a larger proportion of sales. Growth during the last two years has alleviated this risk to a point and we are well positioned in 2023 to mitigate yet further.

Suppliers: The group relies on contractors to provide some of its services. By maintaining a significant pool of available contractors, offering a competitive market rate of pay and unique and interesting work, the supplier risk is mitigated considerably.

Business continuity: The group's offices, IT and communications infrastructure has contingent location plans as well as offsite IT data storage and recovery.

Strategic report (continued)

Principal risks and uncertainties (continued)

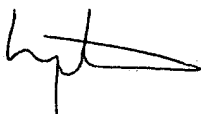
Financial: PGI has some exposure to credit risk, liquidity risk as well as interest and exchange rate fluctuation.

Credit checks are carried out before bidding for work with new clients and where possible, up front deposits are taken. Furthermore, outstanding debt is checked before taking significant additional business from existing clients. We also employ experienced credit control staff.

In respect of liquidity risk, the group monitors cash flow closely to ensure it has sufficient liquidity to meet future needs. The group now funds all debt repayment and investment through cash generated from operational activity.

Interest and exchange rate risk is not deemed significant; changes in interest rates will not have significant impact on the financial statements, whilst there is largely a natural hedge in the case of foreign currency transactions.

Approved by the Board of Directors
and signed on its behalf by:



Lisa Cranston
Director

Date: 31 March 2023

PGI - Protection Group International Ltd
Year ended 31 December 2022

Directors' report

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

Results and dividends

The results and position of the group for the year are set out in detail in the Consolidated Statement of Comprehensive Income and Consolidated and Parent Company Statement of Financial Position on pages 13 and 14.

There were no dividend payments this year (2021: £nil) and the directors do not propose to recommend the payment of a final dividend (2021: £nil).

Directors

The directors who served during the period are set out below:

B R Lord
L J Cranston
S Al Jabri *
B Roche* (resigned 14th Nov 2022)

*denotes non-executive directors

On 31 December 2022, Lisa Cranston became a Non-Executive Director.

Future developments

The group will continue to develop the delivery models of the key offerings, focussed particularly on automation, to ensure that it can adapt to client requirements.

Political donations

No donations were made to political organisations.

Research and development activities

The group carries out development on its own intellectual property rights ("IPR"). Research and development is not a significant proportion of the group's staff utilisation.

Statement of directors' responsibilities

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 group and parent company financial statements in accordance with UK adopted international accounting standards. 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 group and profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and 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 parent company and group 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 parent company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PGI - Protection Group International Ltd
Year ended 31 December 2022

Directors' report (continued)

Statement of disclosure to Auditor

The directors confirm that:

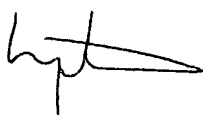
- so far as each director is aware, there is no relevant audit information of which the parent company and the group's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to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

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditors

CLA Evelyn Partners Limited (formerly Nexia Smith & Williamson) offer themselves for reappointment as auditors in accordance with section 485 of the Companies Act 2006.

Approved by the Board of Directors
and signed by order of the Board



Lisa Cranston
Director

Date: 31 March 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PGI – PROTECTION GROUP INTERNATIONAL LTD

Opinion

We have audited the financial statements of PGI - Protection Group International Ltd (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the consolidated statement of comprehensive income, the consolidated and company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated and company statement of cash flows and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

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 2022 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of 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 group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

We obtained a general understanding of the group's legal and regulatory framework through enquiry of management in respect of their understanding of the relevant laws and regulations. We also drew on our existing understanding of the group's industry and regulation.

We understand that the group complies with requirements of the framework through:

- Outsourcing tax compliance to external experts;
- Subscribing to relevant updates from external experts to ensure internal procedures and controls are up to date and making changes as necessary; and
- The Directors' close involvement in the day-to-day running of the business, meaning that any litigation or claims would come to their attention directly.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the group's ability to conduct its business and/or where there is a risk that failure to comply could result in material penalties. We have identified the following laws and regulations as being of significance in the context of the group:

- The Companies Act 2006 and IFRS in respect of the preparation and presentation of the financial statements.
- The Bribery Act, as the group relies on tendering to win contracts

We performed the following specific procedures to gain evidence about compliance with the significant laws and regulations identified above:

- Review of the procedures management has implemented over compliance with the Bribery Act

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the group's financial statements to material misstatement, including how fraud might occur. The key areas identified as part of the discussion were:

- Manipulation of the financial statements through the use of manual journal entries; and
- Key areas of judgement and estimation required in relation to the revenue recognition and the key assumptions for impairment reviews.

The procedures we carried out to gain evidence in the above areas included:

- Testing a sample of journal entries, selected through applying specific risk assessments based on the processes and controls surrounding journal entries;
- Testing a sample of revenue transactions to underlying documentation; and
- Challenging management regarding the assumptions used in the estimates identified above, with consultation with internal specialists, as appropriate.

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

Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

CLA Evelyn Partners Limited

Kelly Jones
Senior Statutory Auditor, for and on behalf of

CLA Evelyn Partners Limited

Statutory Auditor
Chartered Accountants
Portwall Place
Portwall Lane
Bristol
BS1 6NA

Date: 5 April 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	Note	2022 £	2021 £
Continuing operations			
Revenue	4	7,409,430	6,630,073
Cost of sales		(3,121,697)	(3,831,008)
Gross profit		4,287,733	2,799,065
Administration expenses		(3,089,885)	(2,336,537)
Operating profit	5	1,197,848	462,528
Finance costs	6	(95,489)	(893,910)
Exceptional income	7	2,750,000	-
Profit/(loss) before tax		3,852,359	(431,382)
Income tax credit	11	235,250	-
Profit/(loss) after tax and total comprehensive income/(expense) for the year attributable to owners of the parent		4,087,609	(431,382)

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

PGI - Protection Group International Ltd

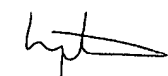
CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	Group		Company	
		2022 £	2021 £	2022 £	2021 £
Assets					
<i>Non-current assets</i>					
Goodwill	14	3,353,523	3,353,523	3,214,397	3,214,397
Property, plant & equipment	13	286,432	268,236	286,432	268,236
Investments	12	-	-	-	-
Non-current assets		3,639,955	3,621,759	3,500,829	3,482,633
<i>Current</i>					
Inventories	15	127,874	37,757	127,874	37,757
Trade and other receivables	16	1,322,395	1,625,872	1,322,395	1,578,141
Deferred tax assets	18	235,250	-	235,250	-
Cash and cash equivalents	17	81,680	30,257	81,680	30,257
Current assets		1,767,199	1,693,886	1,767,199	1,646,155
Total assets		5,407,154	5,315,645	5,268,028	5,128,788
Equity and liabilities					
Equity					
Share capital	22	7,080,000	7,080,000	7,080,000	7,080,000
Share premium	23	17,085,851	17,085,851	17,085,851	17,085,851
Other reserves	23	-	-	(2,000,000)	(2,000,000)
Retained earnings	23	(22,943,261)	(27,030,870)	(21,009,143)	(25,144,483)
Surplus/(deficit) attributable to owners of the parent		1,222,590	(2,865,019)	1,156,708	(2,978,632)
Liabilities					
<i>Non-current</i>					
Borrowings	20	1,280,073	-	1,280,073	-
Lease liabilities	13	92,531	165,771	92,531	165,771
Non-current liabilities		1,372,604	165,771	1,372,604	165,771
<i>Current</i>					
Trade and other payables	19	2,194,965	3,113,649	2,121,721	3,040,405
Lease liabilities	13	73,239	68,985	73,239	68,985
Borrowings	20	543,756	4,832,259	543,756	4,832,259
Current liabilities		2,811,960	8,014,893	2,738,716	7,941,649
Total liabilities		4,184,564	8,180,664	4,111,320	8,107,420
Total equity and liabilities		5,407,154	5,315,645	5,268,028	5,128,788

During the year ended 31 December 2022, the parent company generated a profit of £4,135,340 (2021: loss of £431,382).

These financial statements were approved by the Board of Directors and signed on its behalf by:



Lisa Cranston
Director

Date: 31 March 2023

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.
Company Registration No. 07967865

PGI - Protection Group International Ltd**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****For the year ended 31 December 2022**

All attributable to the owners of the parent

	Share Capital £	Share Premium £	Retained Earnings £	Total £
Balance at 1 January 2022	7,080,000	17,085,851	(27,030,870)	(2,865,019)
Profit for the year	-	-	4,087,609	4,087,609
Total comprehensive income for the year	-	-	4,087,609	4,087,609
Balance at 31 December 2022	7,080,000	17,085,851	(22,943,261)	1,222,590
Balance at 1 January 2021	281	5,475,113	(26,599,488)	(21,124,094)
Loss for the year	-	-	(431,382)	(431,382)
Total comprehensive expense for the year	-	-	(431,382)	(431,382)
Issue of Shares	7,079,719	11,610,738	-	18,690,457
Balance at 31 December 2021	7,080,000	17,085,851	(27,030,870)	(2,865,019)

Included within retained earnings is £(2,000,000) which arises from the purchase of own shares as part of the process for establishing an Employee Benefit Trust to facilitate the provision of share-based benefits for management and senior staff. No share schemes have been established to date.

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

PGI - Protection Group International Ltd**COMPANY STATEMENT OF CHANGES IN EQUITY**
For the year ended 31 December 2022

	Share Capital £	Share Premium £	Other Reserve £	Retained Earnings £	Total £
Balance at 1 January 2022	7,080,000	17,085,851	(2,000,000)	(25,144,483)	(2,978,632)
Profit for the year	-	-	-	4,135,340	4,135,340
Total comprehensive income for the year	-	-	-	4,135,340	4,135,340
Balance at 31 December 2022	7,080,000	17,085,851	(2,000,000)	(21,009,143)	1,156,708
Balance at 1 January 2021	281	5,475,113	(2,000,000)	(24,713,101)	(21,237,707)
Loss for the year	-	-	-	(431,382)	(431,382)
Total comprehensive expense for the year	-	-	-	(431,382)	(431,382)
Issue of Shares	7,079,719	11,610,738	-	-	18,690,457
Balance at 31 December 2021	7,080,000	17,085,851	(2,000,000)	(25,144,483)	(2,978,632)

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

PGI - Protection Group International Ltd

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	Group		Company	
		2022	2021	2022	2021
		£	£	£	£
Cash flows from operating activities					
Profit/(loss) before tax		3,852,359	(431,382)	3,900,090	(431,382)
Adjustments for:					
Loan write off		(2,750,000)	-	(2,750,000)	-
Depreciation	13	97,013	80,733	97,013	80,733
Finance costs	6	95,489	893,910	95,489	893,910
Changes in working capital:					
(Increase)/decrease in inventories		(90,117)	227,584	(90,117)	227,584
Decrease/(increase) in trade and other receivables		303,477	(233,249)	255,746	(233,249)
(Decrease)/increase in trade and other payables		(918,684)	(389,125)	(918,684)	(389,125)
Cash generated by operations		589,537	148,471	589,537	148,471
Income tax paid		-	-	-	-
Net cash from operating activities		589,537	148,471	589,537	148,471
Cash flows from investing activities					
Capital expenditure	13	(115,210)	(6,379)	(115,210)	(6,379)
Net cash used in investing activities		(115,210)	(6,379)	(115,210)	(6,379)
Cash flows used in financing activities					
Finance costs paid		(48,802)	(68,650)	(48,804)	(68,650)
Principal element of lease payments		(68,986)	(64,977)	(68,985)	(64,977)
Proceeds from borrowings		1,812,584	446,700	1,812,585	446,700
Repayment of borrowings		(2,117,700)	(450,000)	(2,117,700)	(450,000)
Net cash used in financing activities		(422,904)	(136,927)	(422,904)	(136,927)
Increase/(decrease) in cash and cash equivalents		51,423	(5,165)	51,423	(5,165)
Cash and cash equivalents at beginning of year		30,257	25,092	30,257	25,092
Cash and cash equivalents at end of year		81,680	30,257	81,680	30,257

Reconciliation of liabilities arising from financing activities – Company and Group

	As at 1 January 2022	Cash inflow	Cash outflow	Loan write off	Interest accrued	Other adjustments	As at 31 December 2022
	£	£	£	£	£	£	£
Bank loans	4,590,064	-	(1,873,980)	(2,750,000)	33,916	-	-
Loan from immediate parent company	242,195	375,000	(135,000)	-	24,737	(2,416)	504,516
Loan from ultimate controlling party	-	1,440,000	(142,636)	-	21,949	-	1,319,313
Lease liabilities	234,756	-	(81,601)	-	12,615	-	165,770
	5,067,015	1,815,000	(2,233,217)	(2,750,000)	93,217	(2,416)	1,989,599

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

Non-cash transactions and changes in liabilities arising from financing activities

As part of the structured repayment plan with Santander, Santander agreed to a write off of £2,750,000. This non-cash transaction has therefore had the effect of reducing the company's and group's financial liabilities by this amount.

Notes to the consolidated financial statements
Year ended 31 December 2022

1. Nature of operations

The principal activities of PGI – Protection Group International Ltd include the provision of:

- corporate intelligence services;
- cyber security testing and solutions, and
- specialist training.

2. General information and statement of compliance with IFRSs

PGI – Protection Group International Ltd is a private company limited by shares. It is incorporated in England and Wales under the Companies Act 2006. The address of its registered office is 13-14 Angel Gate, London EC1V 2PT.

The financial statements have been prepared in accordance with UK adopted international accounting standards.

The financial statements have been prepared on a historical cost basis.

Changes in accounting policies and disclosures

a) New and amended Standards and Interpretations adopted by the Group and Company

There are no new or amended Standards or Interpretations adopted by the Group of Company that have had a material impact in the year.

(b) New and amended Standards and Interpretations issued but not effective for the financial year beginning 1 January 2022

Standard/amendment	IASB endorsement date	UK effective date
IFRS 17 Insurance contracts	1 January 2023	1 January 2023
Amendments to IFRS 17 Insurance contracts – Initial application of IFRS 17 and IFRS 9 – Comparative information	1 January 2023	1 January 2023 (on initial application of IFRS 17)
IAS 8 – Addition of a definition of Accounting Estimates	1 January 2023	1 January 2023
IAS 1 and Practice Statement 2 – Disclosure of accounting policies	1 January 2023	1 January 2023
Amendments to IAS 12 -Deferred Tax related to Assets and Liabilities arising from a single transaction	1 January 2023	1 January 2023
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback	1 January 2024	Not yet endorsed
Amendments to IAS 1 – Classification of liabilities as Current or Non-current	1 January 2024	Not yet endorsed
Amendments to IAS 1 – Non-current liabilities with covenants	1 January 2024	Not yet endorsed

The directors do not consider that any of these new standards or amendments will have a material impact on the company or group.

Notes to the consolidated financial statements (continued)
Year ended 31 December 2022

3. Summary of accounting policies

3.1 Accounting convention and going concern

The financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

The group has generated a profit of £4.1 million (2021: £0.4m loss) for the year ended 31 December 2022 and has net assets at that date of £1.2 million. Operational cashflow generation supports repayment of the parent company debt and cash requirements of the business.

The net asset position and forecast profitability of the group support the directors' assessment that the group and company will continue to operate as a going concern and they continue to adopt the going concern basis in preparation of the financial statements.

3.2 Basis of consolidation

The group financial statements consolidate those of the parent company and all its subsidiaries as of 31 December 2022. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 December.

All transactions and balances between group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

The parent company has taken advantage of the exemption granted by Section 408 of the Companies Act 2006 from presenting its own Income Statement.

3.3 Business combinations

The group applies the acquisition method of accounting for business combinations. The consideration transferred by the group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (i) fair value of consideration transferred, (ii) the recognised amount of any non-controlling interest in the acquiree and (iii) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

Notes to the consolidated financial statements (continued)
Year ended 31 December 2022

Summary of accounting policies (continued)

3.4 Foreign currencies

The financial statements are presented in Pounds sterling, which is also the functional currency of the group.

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. 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 translated at foreign exchange rates ruling at the dates the fair value was determined.

3.5 Revenue and revenue recognition

Revenue is recognised in accordance with the transfer of promised services to customers (i.e. when the customer gains control of the service) and is measured as the consideration which the group expects to be entitled to in exchange for those services. Consideration is typically fixed on the agreement of a contract. Payment terms are agreed on a contract by contract basis.

Contracts include promises to transfer services to a customer (i.e. “performance obligations”). Where multiple performance obligations exist within one contract, the transaction price is allocated between each performance obligation on the basis of the contract, with reference to stand-alone selling prices of each component.

A service is distinct if the customer can benefit from the service on its own or together with other resources that are readily available to the customer and the entity's promise to transfer the service to the customer is separately identifiable from other promises in the contract.

The group recognises revenue when (or as) it satisfies a performance obligation by transferring a promised service to the customer.

Contracts with customers do not contain a financing component but certain contracts include an element of variable consideration.

Revenue from the group's Cyber and Intelligence contracts is recognised over time, as services and deliverables are provided to customers, with the transaction price determined by the value attributable to meeting the milestones stated within the contracts.

If revenue is recognised over a period of time, the company presents as an asset the gross amount due from customers for work in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers are included within ‘trade and other receivables’.

Deferred income arises where services are invoiced in advance of performance. The amount is released to the income statement in subsequent periods with reference to the stage of completion of the transaction at the statement of financial position date.

Notes to the consolidated financial statements (continued)

Year ended 31 December 2022

3. Summary of accounting policies (continued)

3.6 Interest and dividends

Interest expenses are reported on an accrual basis using the effective interest method. Dividends, other than those from investments and joint ventures, are recognised at the time the right to receive payment is established.

3.7 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See Note 3.3 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to Note 3.10 for a description of impairment testing procedures.

3.8 Property, plant & equipment

Property, plant and equipment are initially recognised at acquisition cost or manufactured cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the group's management. These assets are subsequently measured using the cost model, at cost less accumulated depreciation and impairment losses.

Depreciation is provided at rates calculated to write down the cost of assets, less estimated residual value, over their expected useful lives on the following basis:

Leasehold improvements	over the period of the lease
Fixtures and fittings	10 years straight line
Office equipment	3-5 years straight line

Material residual value estimates and estimates of useful lives are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

3.9 Leased assets

A right of use asset and a lease liability has been recognised for all leases except leases of low value assets, which are considered to be those with a fair value below £5,000, and those with a duration of 12 months or less. The right-of-use asset has been measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date.

The Group will depreciate the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Where impairment indicators exist, the right of use asset will be assessed for impairment.

The lease liabilities are measured at the present value of the lease payments due to the lessor over the lease term, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

After initial measurement, any payments made will reduce the liability and the interest accrued will increase it. Any reassessment or modification will lead to a remeasurement of the liability. In such case, the corresponding adjustment will be reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment.

Notes to the consolidated financial statements (continued)
Year ended 31 December 2022

3. Summary of accounting policies (continued)

3.10 Impairment testing of goodwill and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine value in use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro-rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

3.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct labour costs and other costs directly related to the project. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

3.12 Financial instruments

Financial assets and financial liabilities are recognised in the Consolidated Statement of Financial Position when the group becomes a party to the contractual provisions of the instrument.

Trade receivables and contract assets

Trade receivables and contract assets do not carry any interest and are initially measured at their fair value, and subsequently at their amortised cost, as reduced by appropriate allowances for estimated irrecoverable amounts. Trade receivables are impaired when the asset meets one of the following criteria:

- a) The financial asset is credit-impaired; or
- b) Credit losses are expected on the asset. Any loss allowance relating to trade receivables has been calculated with reference to historical experience in the recoverability of such receivables, taking into consideration current conditions and forecasts of future economic conditions.

The provision for bad and doubtful debts includes estimated potential credit losses.

Borrowings

Interest-bearing loans and overdrafts are recorded initially when the proceeds are received. Finance charges are accounted for at amortised cost using the effective interest rate method.

Trade payables

Trade payables are non-interest bearing and are initially measured at their fair value and subsequently at their amortised cost.

Notes to the consolidated financial statements (continued)

Year ended 31 December 2022

3. Summary of accounting policies (Continued)

3.13 Income taxes

Tax expense recognised in the statement of comprehensive income comprises the sum of deferred tax and current tax not recognised directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries, associates and joint ventures is not provided if reversal of these temporary differences can be controlled by the group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided those rates are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary differences will be utilised against future taxable income. This is assessed based on the group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax liabilities are always provided in full.

Changes in deferred tax assets and liabilities are recognised as a component of tax income or expense on profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

3.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.15 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Other components of equity include the merger reserve.

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

All transactions with owners of the parent are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

3.16 Post-employment benefits and short-term employee benefits

Post-employment benefit plans

The group provides post-employment benefits through a defined contribution benefit plan. The group pays fixed contributions into independent entities in relation to state plans and insurances for individual employees. The group has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that relevant employee services are received.

The group has no defined benefit plans.

Short-term employee benefits

Short-term employee benefits, including holiday entitlement, are current liabilities included in pension and other employee obligations, measured at the undiscounted amount that the group expects to pay as a result of the unused entitlement.

Notes to the consolidated financial statements (continued)
Year ended 31 December 2022

3. Summary of accounting policies (Continued)

3.17 Provisions, contingent assets and contingent liabilities

Provisions for legal disputes, onerous contracts or other claims are recognised when the group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the group, and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

3.18 Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgements

The following are significant management judgements in applying the accounting policies of the company and the group that have the most significant effect on the financial statements.

Determination of cash generating units

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The Directors consider that the Intelligence division is a separate cash generating unit as it operates as an independent, integrated business.

Determination of performance obligations and satisfaction thereof

For the purposes of recognising revenue, the Directors are required to identify distinct services in contracts and allocate the transaction price to the performance obligations. Where different services are provided together as a bundle each service is considered a separate performance obligation and is recognised dependent on the type of services it is, as this is considered the best indicator of when the customer receives and consumes the benefit of the service.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units (CGU) to which goodwill has been allocated (note 14). The value in use calculation requires the group to estimate the future cash flows expected to arise from the CGU and apply a suitable discount rate in order to calculate the present value. The directors have considered the impact of the current market on the assumptions used in the calculation of the impairment test of the goodwill's carrying value of £3.4m in the group and £3.2m in the company and concluded that no impairment charge is required.

Useful lives of depreciable assets

Useful lives are based on management's estimates of the period that the assets will generate economic benefits to the group, which are periodically reviewed for appropriateness. Changes in estimates could result in significant variations in the carrying value.

Trade receivables

An estimate is required to determine the expected credit loss associated with the company's and group's receivables, based on management's assessment of the risk of non-collection. The directors consider, based on the contractual arrangements and the financial position of the customers, that the expected credit loss provided of £609,514 (2021: £78,687) materially reflects their assessment of the year end exposure associated with trade receivables.

PGI – Protection Group International Ltd**Notes to the consolidated financial statements (continued)**
Year ended 31 December 2022**4. Turnover**

The whole of the turnover is attributable to the group's principal activity.

	2022	2021
	£	£
United Kingdom	1,550,054	2,882,400
Rest of Europe	2,433,073	45,050
Rest of the world	3,426,303	3,702,623
	7,409,430	6,630,073

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, as of the end of the reporting period is £1,773,962 (2021: £3,609,894). This revenue will be recognised in the next accounting period.

5. Operating profit

	2022	2021
	£	£
Operating profit is stated after charging/(crediting)		
Depreciation of property, plant and equipment	97,014	80,733
Fees payable to the company's auditor and its associates		
- Statutory audit	60,700	48,000
Tax services		
- Compliance	6,000	5,725
Loss/(profit) on foreign exchange transactions	6,655	(15,419)

6. Net finance cost

	2022	2021
	£	£
Finance costs		
Interest payable on bank borrowings and other financing	(36,189)	(51,174)
Interest payable on loan from parent company and controlling party	(46,685)	(825,259)
Interest payable on lease liabilities	(12,615)	(16,623)
Other finance costs	-	(854)
	(95,489)	(893,910)

7. Exceptional income/(costs)

	2022	2021
	£	£
Exceptional income		
Write off of bank loan	2,750,000	-
	2,750,000	-

Notes to the consolidated financial statements (continued)
Year ended 31 December 2022

8. Employee benefits expense and staff numbers

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Staff costs incurred during the period				
Wages and salaries	3,132,437	3,039,545	3,132,437	3,039,545
Social security costs	332,990	294,926	332,990	294,926
Pension costs – defined contribution plans	134,739	127,845	134,739	127,845
	3,600,166	3,462,316	3,600,166	3,462,316

	Group		Company	
	2022	2021	2022	2021
Average number of employees, including directors				
Operations	32	30	32	30
Management and administration	28	27	28	27
	60	57	60	57

9. Key management personnel compensation

	2022	2021
	£	£
Salaries and short-term employee benefits	477,848	362,000
Remuneration to non-executive directors	-	18,000
Pension costs – defined contribution plans	20,116	18,100
Employer national insurance	63,215	45,149
	561,179	443,249

All of the above key management personnel compensation relates to the Directors.

10. Directors emoluments

	2022	2021
	£	£
Aggregate amounts payable		
Remuneration to executive directors	477,848	362,000
Remuneration to non-executive directors	-	18,000
Pension costs – defined contribution plans	20,116	18,100
	497,964	398,100
 Remuneration due to executive directors but unpaid at the year end	 97,078	 27,000
Amount payable to highest paid director		
Emoluments	302,626	200,000
Pension costs – defined contribution plans	12,500	10,000
	315,126	210,000

Retirement benefits are accruing to 2 (2021: 2) directors under the Company's money purchase pension scheme.

Notes to the consolidated financial statements (continued)
Year ended 31 December 2022

11. Income tax credit

	Note	2022 £	2021 £
Analysis of tax charge in the year			
Current tax		-	-
Deferred tax:			
Origination and reversal of temporary differences	18	(235,250)	-
Tax credit on loss for the year		(235,250)	-

UK tax is calculated at 19% (2021: 19%) of taxable profit. The tax credit is explained as follows:

	2022 £	2021 £
Profit/(loss) before tax	3,852,359	(431,382)
Tax on profit/(loss) before tax at standard CT rate of 19.00% (PY: 19.00%)	731,948	(81,963)
Effect of:		
Fixed asset differences	(6,338)	(364)
Expenses not deductible for tax purposes	620	4,656
Income not taxable for tax purposes	(531,588)	-
Other permanent differences	6	-
Remeasurement of deferred tax for changes in tax rates	-	(610,324)
Deferred tax not recognised	(429,898)	687,995
Tax credit for the period	(235,250)	-

Losses carried forward

The losses available for carry forward comprise those of the company and its subsidiaries and amounted to £8,746,195 at 31 December 2022 (2021: £9,757,345). A deferred tax asset of £235,250 has been recognised in respect of the losses recoverable in the period to 31 December 2023.

Change in Corporation Tax rate

The Finance Bill 2021 includes legislation to increase the main rate of corporation tax from 19% to 25% from 1 April 2023. Recognised and unrecognised deferred tax assets and liabilities have been calculated at the tax rate of 25% (2021: 25%).

12. Investments

A list of wholly owned unlisted subsidiary companies at 31 December 2022 is provided below. All of the subsidiaries listed below have a registered office at 13-14 Angel Gate, London, EC1V 2PT.

Company	Country	Nature of business	Class of share capital	Percentage shareholding
Olton Limited	England	Dormant	Ordinary	100
PGI Strontium Limited	England	Dormant	Ordinary	100
PGI Intelligence Limited	England	Dormant	Ordinary	100
JT International Partnership Limited	England	Non-trading	Ordinary	100
PGI Trustees Limited	England	Employee benefit trust	Ordinary	100

Notes to the consolidated financial statements (continued)
Year ended 31 December 2022

13. Property, plant and equipment

COMPANY AND GROUP

	Leasehold improvements £	Right of Use Property £	Fixtures and fittings £	Office equipment £	Total £
Cost					
At 1 January 2022	24,649	334,043	6,048	41,271	406,011
Additions	3,110	-	18,350	93,750	115,210
At 31 December 2022	27,759	334,043	24,398	135,021	521,221
Depreciation and impairment					
At 1 January 2022	6,984	105,780	957	24,054	137,775
Charge for the year	5,008	66,808	732	24,466	97,014
At 31 December 2022	11,992	172,588	1,689	48,520	234,789
Net book amount					
At 31 December 2022	15,767	161,455	22,709	86,501	286,432
At 31 December 2021	17,665	228,263	5,091	17,217	268,236

	Leasehold improvements £	Right of Use Property £	Fixtures and fittings £	Office equipment £	Total £
Cost					
At 1 January 2021	24,649	334,043	6,048	49,746	414,486
Additions	-	-	-	6,379	6,379
Disposals and retirements	-	-	-	(14,854)	(14,854)
At 31 December 2021	24,649	334,043	6,048	41,271	406,011
Depreciation and impairment					
At 1 January 2021	2,054	38,972	352	30,518	71,896
Charge for the year	4,930	66,808	605	8,390	80,733
Disposals and retirements	-	-	-	(14,854)	(14,854)
At 31 December 2021	6,984	105,780	957	24,054	137,775
Net book amount					
At 31 December 2021	17,665	228,263	5,091	17,217	268,236
At 31 December 2020	22,595	295,071	5,696	19,228	342,590

Notes to the consolidated financial statements (continued)
Year ended 31 December 2022

13. Property, plant and equipment (continued)

Included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	Group 2022 £	2021 £	Company 2022 £	2021 £
Property	161,455	228,263	161,455	228,263
Total right of use assets	161,455	228,263	161,455	228,263
Current lease liabilities	73,239	68,985	73,239	68,985
Non-current lease liabilities	92,531	165,771	92,531	165,771
Total lease liabilities	165,770	234,756	165,770	234,756
Lease charge	12,615	16,623	12,615	16,623
Total lease charge	12,615	16,623	12,615	16,623

The non-current lease liabilities are all 2-5 years.

The group has a lease contract for a property of 5 years. The lease term begins at the commencement date and includes any rent-free periods provided by the lessor. Lease liabilities are measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate. The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The rate applied was 6%.

14. Intangible assets

GROUP

	Goodwill £
Cost	
At 1 January 2022	4,260,577
At 31 December 2022	4,260,577
Amortisation charge	
At 1 January 2022	907,054
At 31 December 2022	907,054
Net book values	
At 31 December 2022	3,353,523
At 31 December 2021	3,353,523

	Goodwill £
Cost	
At 1 January 2021	4,260,577
At 31 December 2021	4,260,577
Amortisation charge	
At 1 January 2021	907,054
At 31 December 2021	907,054
Net book values	
At 31 December 2021	3,353,523
At 31 December 2020	3,353,523

Notes to the consolidated financial statements (continued)
Year ended 31 December 2022

14. Intangible assets (continued)

COMPANY

	Goodwill £	Total £
Cost		
At 1 January 2022	4,121,451	4,121,451
At 31 December 2022	4,121,451	4,121,451
Amortisation charge		
At 1 January 2022	907,054	907,054
At 31 December 2022	907,054	907,054
Net book values		
At 31 December 2022	3,214,397	3,214,397
At 31 December 2021	3,214,397	3,214,397

	Goodwill £	Total £
Cost		
At 1 January 2021	4,121,451	4,121,451
At 31 December 2021	4,121,451	4,121,451
Amortisation charge		
At 1 January 2021	907,054	907,054
At 31 December 2021	907,054	907,054
Net book values		
At 31 December 2021	3,214,397	3,214,397
At 31 December 2020	3,214,397	3,214,397

The goodwill is as a result of transferring the operations of the subsidiary companies to the parent company.

The carrying amount of goodwill has been assigned to the following cash-generating unit:

	PGI Intelligence £
Cost	
At 1 January 2022	4,260,577
At 31 December 2022	4,260,577
Impairment and amortisation	
At 1 January 2022	907,054
At 31 December 2022	907,054
Carrying amount:	
At 31 December 2022	3,353,523
At 31 December 2021	3,353,523

The carrying amount of goodwill allocated to each cash-generating unit is £3,353,523 for PGI Intelligence.

Management's assumptions on which the cash flow projections have been completed have been based on the group's five-year projections.

Notes to the consolidated financial statements (continued)
Year ended 31 December 2022

14. Intangible assets (continued)

Impairment tests for goodwill

In accordance with the group's accounting policy, the carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The carrying value is assessed for impairment purposes by calculating the net present value (NPV) of future cash flows arising from the original acquired businesses. The goodwill impairment review assessed whether the carrying value of goodwill was supported by the NPV of future cash flows based on management forecasts for 5 years from 2022 with varying growth rates. A post-tax discount rate of 15% (equivalent pre-tax rate of 18.5%) based on the group's estimated weighted average cost of capital was used. Cash flows beyond this 5-year period were extrapolated using terminal value at a 2% growth rate. Management have made the judgement that this long-term growth rate does not exceed the long-term average growth rate for the industry. Following the annual review, management believe that no further impairment is required to the carrying value of the investment and resulting goodwill.

At 31 December 2022 the recoverable amount of the goodwill relating to the CGU was in excess of its carrying amount by £8.7m. 2023 revenue is projected to fall by 15.2%. If 2023 revenue fell by 30%, after incorporating the consequential changes on other variables used to measure recoverable amount, the recoverable amount of the goodwill would reduce to £6.6m and headroom of £3.2m over the carrying value would still remain. If gross margin fell from the assumed level of 61.5% to 43.9%, after incorporating the consequential changes on other variables used to measure recoverable amount, the recoverable amount of the goodwill would be equal to the carrying value. If the discount rate grew from the assumed level of 15% to 65%, after incorporating the consequential changes on other variables used to measure recoverable amount, the recoverable amount of the goodwill would be equal to the carrying value. If the long term growth rate reduced from the assumed levels of 2% to -10%, after incorporating the consequential changes on other variables used to measure recoverable amount, the recoverable amount of the goodwill would reduce to £4.0m and headroom of £0.7m over the carrying value would still remain.

Whilst the future growth and profitability plans are ambitious, the directors are confident of meeting these objectives. In particular, the increase in retained revenue provides a more predictable income. This, alongside growth with new clients, gives the directors confidence that the ambitious plans will be met but acknowledge they are uncertain. If the future plans are not met, it may indicate that the goodwill and investment carrying value is impaired.

15. Inventories

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Work in progress	127,874	37,757	127,874	37,757
	127,874	37,757	127,874	37,757

Notes to the consolidated financial statements (continued)
Year ended 31 December 2022

16. Trade and other receivables

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Trade receivables	1,108,190	1,423,018	1,108,190	1,423,018
Other receivables	53,075	101,650	53,075	53,919
Prepayments and accrued income	161,130	101,204	161,130	101,204
	1,322,395	1,625,872	1,322,395	1,578,141

Trade receivables and amounts owed by subsidiary companies at the statement of financial position date are shown above net of provisions. See note 26 for details of impairment relating to amounts owed by subsidiary companies.

Trade receivables are stated net of impairment for estimated irrecoverable amounts of £609,514 (2021: £78,687). This impairment has been determined by reference to past default experience, known issues and by using the expected loss model, which is calculated from a provision matrix based on the expected lifetime default rates and estimates of loss on default. Write offs are made when the irrecoverable amount becomes certain. The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Movements on the allowance for irrecoverable amounts on trade receivables are as follows:

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
At 1 January	78,687	68,872	78,687	68,872
Provision for bad debts	530,827	9,815	530,827	9,815
At 31 December	609,514	78,687	609,514	78,687

Trade receivables below are shown after provisions.

	Total	Neither past due nor impaired	Less than 60 days	60 to 120 days	More than 120 days
	£	£	£	£	£
COMPANY AND GROUP					
2022	1,108,190	929,501	169,206	5,454	4,029
2021	1,423,018	511,608	404,023	255,261	252,126

17. Cash and cash equivalents

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Cash at bank and on hand	81,680	30,257	81,680	30,257

The directors consider that the carrying amount of these assets approximates to their fair value.

Notes to the consolidated financial statements (continued)
Year ended 31 December 2022

18. Deferred tax

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Fixed asset timing differences	76,389	128,590	76,389	95,848
Short term timing differences	12,011	7,839	12,011	7,839
Tax losses	1,951,299	2,439,336	1,951,299	2,439,336
	2,039,699	2,575,765	2,039,699	2,543,023
Deferred Tax Asset	235,250	-	235,250	-
Unprovided Deferred Tax	2,039,699	2,575,765	2,039,699	2,543,023
	2,274,949	2,575,765	2,274,949	2,543,023

Movements on the deferred tax asset is as follows:

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
At 1 January	-	-	-	-
Credit to profit and loss	235,250	-	235,250	-
At 31 December	235,250	-	235,250	-

In the period, a deferred tax asset of £235,250 (2021: £nil) was recognised. The value of the asset is the expected value of the group's future profits for the period to 31 December 2023 at the applicable UK corporation tax rate.

19. Trade and other payables

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Trade payables	268,513	492,036	195,269	418,985
Due to related undertaking	975,760	975,760	975,760	975,760
Other creditors	274,642	623,075	274,642	622,882
Accruals and deferred income	676,050	1,022,778	676,050	1,022,778
	2,194,965	3,113,649	2,121,721	3,040,405

All amounts are short term. The directors consider that the carrying amount of trade and other payables approximates to their fair value.

20. Borrowings

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Amounts falling due within 1-2 years				
Unsecured loans from immediate parent company	504,516	-	504,516	-
Unsecured loans from ultimate controlling party	775,557	-	775,557	-
	1,280,073	-	1,280,073	-
Amounts falling due within one year				
Secured bank loans	-	4,590,064	-	4,590,064
Unsecured loans from immediate parent company	-	242,195	-	242,195
Unsecured loans from ultimate controlling party	543,756	-	543,756	-
	543,756	4,832,259	543,756	4,832,259

The loans from the immediate parent company and ultimate controlling party are unsecured and bear interest at 3.25%. The directors are satisfied that the fair value of these loans on initial recognition equated materially to the value recognised.

Notes to the consolidated financial statements (continued)
Year ended 31 December 2022

21. Financial instruments

Classification

All financial assets have been classified as loans and receivables, and all financial liabilities have been classified as basic financial liabilities measured at amortised cost. The main risks arising from the group's financial instruments are liquidity risk, credit risk and interest rate risk.

Liquidity risk

Liquidity risk is the risk that the group may encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or other financial assets.

The group seeks to manage its liquidity risk by ensuring that sufficient liquidity is available to meet its foreseeable needs through existing facilities and group borrowings.

Interest rate risk

The group and parent company have interest bearing assets and liabilities which comprise of cash and cash equivalents and loans (see note 20) which earn or incur interest at a variable rate. The group and parent company have not entered into any derivative transactions during the period under review. The group and parent company's cash and cash equivalents earned interest at a variable rate totalling £nil (2021: £nil) during the year. Interest payable on the loans and bank at a variable rate amounted to £82,874 (2021: £877,287) for the group and parent company.

Credit risk

The group trades only with recognised, creditworthy third parties. It is the group's policy that all customers who wish to trade on credit terms are subject to verification procedures. Trade receivables are considered in default and subject to additional credit control procedures when they are more than 30 days past due in line with industry practice. Trade receivables are only written off when there is no reasonable expectation of recovery due to insolvency of the debtor. In addition, receivable balances are monitored on an ongoing basis with the result that the group's exposure to bad debt is not significant.

Where appropriate, 12 month and lifetime expected credit losses are estimated based on historical loss rates, adjusted where evidence is available that different rates are likely to apply in the future.

The Group's and Company's financial assets principally comprise trade receivables, other receivables and cash and cash equivalents, all held at amortised cost. The carrying amount of financial assets in the group and the company of £1,242,945 (2021: £1,507,194) represents the maximum credit exposure.

The Company's financial liabilities, which are all non-derivatives, comprise trade payables, amounts owed to group and related undertakings, other creditors and accruals, and lease liabilities, which are all recorded at amortised cost. The carrying amounts of these financial liabilities in the group of £2,668,553 (2021: £7,161,879) and the company of £2,595,308 (2021: £7,088,634) are materially the same as the gross contractual cash flows, with the maturity of these items being as disclosed in notes 16 and 20.

Capital management

The group's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The group sets the amount of capital in proportion to risk. The group monitors capital on the basis of the carrying value of senior debt which is defined as all amounts due under loan facilities from parent companies. The group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The group is not subject to any externally imposed capital requirements.

The group considers its capital to comprise its ordinary share capital, share premium, other components of equity and accumulated retained earnings.

Notes to the consolidated financial statements (continued)
Year ended 31 December 2022

22. Called up share capital

	31 December 2022		31 December 2021	
	No. of shares	£	No. of shares	£
Called up, authorised and fully paid				
Ordinary shares of 1p each	10,267	103	10,267	103
Ordinary A shares of 1p each	707,989,733	7,079,897	707,989,733	7,079,897
Total	708,000,000	7,080,000	708,000,000	7,080,000

All shares rank pari passu.

23. Reserves

Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Other reserve

The other reserve arises from the purchase of own shares, as part of the process for establishing an Employee Benefit Trust to facilitate the provision of share-based benefits for management and senior staff. No share schemes have been established to date.

Retained earnings

Retained earnings represent cumulative profits or losses, net of dividends paid and other adjustments.

24. Pension scheme

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in independently administered funds. The pension cost charge represents contributions payable by the group to the funds and this amounted to £134,739 for the year (2021: £127,845).

An amount of £27,180 (2021: £22,834) is included in trade and other payables being outstanding contributions at the balance sheet date.

25. Contingent liabilities

At 31 December 2022 the group and parent company had no contingent liabilities (2021: £nil).

26. Related party transactions

During the year the company received £375,000 (2021: £446,700) of additional funding from its immediate parent company, United Engineering Services LLC, which was consolidated with the pre-existing loan balance into a new loan agreement for £629,818. The balance on this loan at 31 December 2022 was £504,516 (2021: £242,195). The loan bears interest at 3.25% per annum and the amount charged in the accounts is £24,737 (2021: £825,259). The loan is repayable in full on or before the 30 June 2024.

During the year the company received £1,440,000 (2021: £nil) in loans from Mohammed Al Barwani, the ultimate controlling party. The balance on these loans at 31 December 2022 was £1,319,313 (2021: £nil). The loans bear interest at 3.25% per annum and the amount charged in the accounts is £21,949 (2021: £nil). The loan is repayable in monthly instalments of £45,000 over the term of the loan.

Amounts owed by subsidiary companies are stated net of impairment for estimated irrecoverable amounts of £20,296,724 (2021: £20,344,555). The company has recorded no impairment of receivables relating to amounts owed by subsidiary undertakings during the year (2021: £nil).

During the year the company received an advance of £nil (2021: £nil) for future services to be performed from Oceanco Limited, a company in which Mohammed Al Barwani is a director and shareholder. At the year end, an amount of £975,760 was held in amounts due to related undertaking in respect of this (2021: £975,760).

Notes to the consolidated financial statements (continued)
Year ended 31 December 2022

27. Ultimate parent undertaking

The immediate parent undertaking of the group is United Engineering Services LLC, an Omani company. The ultimate parent undertaking is Mohammed Al Barwani LLC, also an Omani company. The ultimate controlling party is Mohammed Al Barwani.