

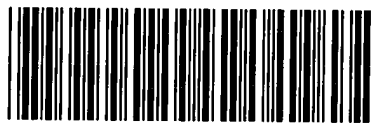
**Company Registration No. 07967865**

**PGI – Protection Group International Ltd**

**Annual Report**

**For the year ended 31 December 2021**

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**Annual Report  
For the year ended 31 December 2021**

**CONTENTS**

	<b>Page</b>
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	18-37

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

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

Nexia Smith & Williamson  
Chartered Accountant & Statutory Auditor  
Portwall Place  
Portwall Lane  
Bristol  
BS1 6NA

## **Strategic report**

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

### ***Business and financial review***

At the beginning of 2020, we took the strategic decision to focus all PGI's specialism on the core growth areas of digital resilience and risk – covering both digital security (aka Cyber Security) and exploitation and analysis of the exploding digital information environment (Digital intelligence).. We divested all the remaining entities providing peripheral security-related products and services, entities that had comprised PGI's formative journey from 2012. Now one single entity, PGI solely applies our unique expertise to the challenges and risks that are most relevant and most in demand in the 21st Century commercial and public service environment.

We are delighted to be able to report that, despite the challenging trade environment – particularly overseas – created by the Covid pandemic of the last two years, that the strategic decision in 2020 continues to serve us in good stead. Revenue has grown by 23% over the two-year period; with 2021 showing a 10% revenue increase from £6.1m to £6.6m. Gross margin decreased from 44.2% to 42.2% due to a change in the mix of projects delivered. Most significantly, the 2021 EBITDA figure of £0.54m shows an EBITDA increase of 71% from 2020, mainly as a result of increasingly mature overhead controls.

At the end of the year the major shareholder converted existing shareholder loans to equity via a rights issue, demonstrating confidence in PGI, which has significantly improved the balance sheet of the company.

### ***Service Line Development***

PGI continues to operate a dual delivery model across the increasingly integrated Cyber Security and Digital Intelligence lines of business:

- Managed service delivery of products and services for those clients who require third party support – both contracted and integrated - in managing their own 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.

Looking at the managed service client base: this comprises a full spectrum of national and multi-national commercial and UK Government clients and agencies. During 2021, we have continued to build resilience into our revenue streams and have now grown our client base to over 350 different clients. Of particular importance, we continue to systemically add highly significant global corporate clients alongside significant expansion of business with our existing multi-national clients with whom we have developed regular, repeatable revenue streams of increasing contractual lengths and size. It is PGI's continued ability to adjust and adapt to a perpetually changing risk environment; our considerable expertise at identifying and uncovering the unknown – where other organisations simply cannot - and our expert application of exactly the right blend of human and technical innovation that sustains and grows these strong relationships.

Throughout 2021, PGI has supported those clients not just to protect their businesses and reputation from both cyber attacks and from highly damaging digital information proliferation and manipulation, but we have identified risks and supported subsequent client counter-measures that have prevented real-world harm to both government and commercial institutions and individuals. PGI continues to service small and medium businesses alongside the global giants. This blended-sized client base supports our own capability and skill growth; optimises staff utilisation and augments regular and repeatable revenue flow. It also is a major contributor to the value based corporate ethos upon which PGI is increasingly becoming well-known.

**Strategic report (continued)**

***Business and financial review (continued)***

Our Capacity Building client base continues to be dominated by overseas governments who continue to need to develop their indigenous capacity and capability at scale. With Covid-19 continuing to distract governments' attention and expenditure, this has generated a lumpier revenue stream than would have been preferred, although it was expected. Nonetheless, despite a disruptive 2021, PGI has met our contracted delivery and continued to grow our strong reputation with our Gulf and African client base. We have invested additional BD effort into this area and 2021 has seen success in winning the necessary initial seed contracts within Asia, Caribbean and Europe that will facilitate significant growth and expansion in those geographies over the coming years. Equally significant, PGI's international capacity building practice has traditionally been built on the development of our clients' national Cyber Security needs – one which has developed PGI's very high reputation. During 2021, we have translated our extraordinary expertise in identifying strategic national threats emerging from the proliferation and manipulation of the global on-line information environment into helping government clients develop their own capability and capacity to understand and manage this emerging challenge themselves.

***Values and Ethos***

PGI continues to build its value-based ethos in a way that attracts and retains clients and staff alike. Our commitment to total integrity, social justice and commitment to protect those least able to protect themselves sits at the heart of our values. All delivered within an increasingly profitable business model.

We continue to dedicate a target proportion of our trade to serve small businesses who otherwise would struggle to negotiate these contemporary risks that that could be terminal for them.

We have developed product lines to help counter the risks emerging from social justice issues: on-line harm; hate speech, democratic exclusion and inhibition and helping clients secure the safety of LGBTQ+ employees in less-accommodating geographic environments.

We are particularly proud of our UK Gulf Women in Cyber Security Fellowship Programme – funded by the UK FCDO and UK NCSC. This is a programme that has developed a community and raised the profile of 36 women working in the Cybersecurity roles in the Gulf region as well as delivering tangible outcomes to improve cybersecurity in the region. This programme is now entering its third year and was specifically cited by the Prime Minister in the 2021 Strategic Review of Security, Defence, Development and Foreign Policy as a demonstration of the UK as a global responsible Cyber power.

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 is this integrity and values-based approach – as well as our extremely high levels of expertise and innovation – that leads to the UK FCDO and other international donors to continue to use PGI as one of the chosen implementers of their funded programmes.

***Shareholder Confidence***

PGI's journey, that started in 2012 was funded through a series of major Shareholder loans into the evolution of multiple inter-locking PGI entities between 2014 and 2017. The final consolidation of PGI into one single entity with the specific focus on digital resilience and risk combined with successful performance in recent years led to the decision by the shareholders in 2021 to convert all of those loans into equity – indicating a level of shareholder confidence that PGI's performance and model demonstrated and indicated the level of growth and success necessary to assure such a transaction.

**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

	2021	2020
Revenue	£6.6m	£6.1m
Gross profit margin	42.2%	44.2%
EBITDA	£0.5m	£0.3m

The group finances its operations through a mixture of operational cash generation, bank facilities with Santander plc and loans from United Engineering Services LLC. Interest rates on the Santander facility were 3% above SONIA (previously LIBOR). The shareholder loan from United Engineering Services LLC attracts interest at 6%.

***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 and providing both an environment and structure for advancement. In 2021 we introduced a significantly enhanced benefits package for all staff in addition to highly competitive remuneration packages, appropriate tools and good, 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 2022 to mitigate yet further.

**Suppliers:** The group relies on contractors to provide many of its services. By maintaining a significant pool of available contractors, offering a competitive market rate of pay and unique and interesting work this mitigates the associated supplier risk 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 this closely to ensure it has sufficient liquidity to meet future needs through regular cash flow forecasting to ensure existing borrowing facilities are sufficient and through group support.

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.

**COVID19:** PGI has assessed the risks and mitigations related to Covid-19 as follows:

- Business Continuity – all employees and contractors are set up to be able to work from home and do not need to be in the office. All IT systems can be maintained remotely or via data centre employees;
- Employee health – all employees have one or more backups to be able to cover each element of their role. There is, of course risk, that if a significant proportion of employees get ill at once then either delivery or operations could be stalled. By ensuring that all employees adhere to government guidance on social distancing in and out of work this risk is minimized; and
- Impact on customers and revenue – the impact of Covid-19 on our customers has been varied but, given a mix of corporate and government clients in the portfolio, there hasn't been a significant impact.

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



**Lisa Cranston**  
**Chief Finance Officer**

**Date: 16<sup>th</sup> May 2022**

## **Directors' report**

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

### **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 (2020: £nil) and the directors do not propose to recommend the payment of a final dividend (2020: £nil).

### **Directors**

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

B R Lord  
L J Cranston  
B M Roche\*  
S Al Jabri \*

\*denotes non-executive directors

### **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 in conformity with the requirements of the Companies Act 2006. 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.



**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**

Nexia Smith and 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**  
**Chief Finance Officer**

**Date: 16<sup>th</sup> May 2022**

**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 2021 which comprise the consolidated statement of comprehensive income, the consolidated and parent company statement of financial position, the consolidated statement of changes in equity, the parent company statement of changes in equity, the consolidated and parent 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 conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK 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.

**Material uncertainty related to going concern**

We draw attention to note 3.1 in the financial statements, which indicates that, as at 31 December 2021, the Group's liabilities exceed its assets by £2,865,019 and the continuing ability of the group and parent company to meet their financial obligations is dependent on the continuing support of its ultimate parent company, Mohammed Al Barwani LLC ("MB"). However, MB's group accounts for the year ended 31 December 2021 are expected to disclose a material uncertainty regarding the MB group's ability to continue as a going concern.

As stated in note 3.1, these conditions indicate that a material uncertainty exists that may cast significant doubt on the group and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Notwithstanding the above, 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.

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

**Emphasis of matter – recoverability of trade receivables**

We draw attention to Note 15 of the financial statements, which describes the uncertainties regarding the recoverability of £545,245 of trade receivables which are overdue, against which an expected credit loss provision of £78,687 is held for known disputed amounts.

As described in Note 15, the directors are confident that the unprovided trade receivables balance will be paid in full, but acknowledge that as no remittances or amounts have been received since the year end, uncertainty remains in respect of this matter. The financial statements do not reflect any additional provision that may be required if the unprovided balance is not fully recovered. Our opinion is not modified in respect of this matter.

**Other information**

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

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PGI – PROTECTION GROUP INTERNATIONAL LTD (CONTINUED)**

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether 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.

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PGI – PROTECTION GROUP  
INTERNATIONAL LTD (CONTINUED)**

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](http://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.

*Nexia Smith & Williamson*

Kelly Jones (Senior Statutory Auditor)  
for and on behalf of  
**Nexia Smith & Williamson**

Chartered Accountants  
Statutory Auditor

Portwall Place  
Portwall Lane  
Bristol  
BS1 6NA

Date: 16 May 2022

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**PGI - Protection Group International Ltd****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**Year ended 31 December 2021**

		2021	2020
	Note	£	£
<b>Continuing operations</b>			
Revenue	4	6,630,073	6,052,768
Cost of sales		(3,831,008)	(3,375,332)
<b>Gross profit</b>		<b>2,799,065</b>	<b>2,677,436</b>
Administration expenses		(2,336,537)	(2,407,376)
<b>Operating profit</b>	5	<b>462,528</b>	<b>270,060</b>
Finance costs	6	(893,910)	(983,360)
Finance income	6	-	796
<b>Loss before tax</b>		<b>(431,382)</b>	<b>(712,504)</b>
Income tax credit	10	-	-
<b>Loss after tax and total comprehensive expense for the year attributable to owners of the parent</b>		<b>(431,382)</b>	<b>(712,504)</b>

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 2021

	Note	Group		Company	
		2021 £	2020 £	2021 £	2020 £
<b>Assets</b>					
<i>Non-current assets</i>					
Goodwill	13	3,353,523	3,353,523	3,214,397	3,214,397
Property, plant & equipment	12	268,236	342,590	268,236	342,590
Investments	11	-	-	-	-
Deferred tax assets	17	-	-	-	-
<b>Non-current assets</b>		<b>3,621,759</b>	<b>3,696,113</b>	<b>3,482,633</b>	<b>3,556,987</b>
<i>Current</i>					
Inventories	14	37,757	265,341	37,757	265,341
Trade and other receivables	15	1,625,872	1,392,623	1,578,141	1,344,892
Cash and cash equivalents	16	30,257	25,092	30,257	25,092
<b>Current assets</b>		<b>1,693,886</b>	<b>1,683,056</b>	<b>1,646,155</b>	<b>1,635,325</b>
<b>Total assets</b>		<b>5,315,645</b>	<b>5,379,169</b>	<b>5,128,788</b>	<b>5,192,312</b>
<b>Equity and liabilities</b>					
<b>Equity</b>					
Share capital	21	7,080,000	281	7,080,000	281
Share premium	22	17,085,851	5,475,113	17,085,851	5,475,113
Other reserves	22	-	-	(2,000,000)	(2,000,000)
Retained earnings	22	(27,030,870)	(26,599,488)	(25,144,483)	(24,713,101)
<b>Deficit attributable to owners of the parent</b>		<b>(2,865,019)</b>	<b>(21,124,094)</b>	<b>(2,978,632)</b>	<b>(21,237,707)</b>
<b>Liabilities</b>					
<i>Non-current</i>					
Borrowings	19	-	16,498,408	-	16,498,408
Lease liabilities	12	165,771	234,755	165,771	234,755
<b>Non-current liabilities</b>		<b>165,771</b>	<b>16,733,163</b>	<b>165,771</b>	<b>16,733,163</b>
<i>Current</i>					
Trade and other payables	18	3,113,649	3,674,424	3,040,405	3,601,180
Lease liabilities	12	68,985	64,977	68,985	64,977
Borrowings	19	4,832,259	6,030,699	4,832,259	6,030,699
<b>Current liabilities</b>		<b>8,014,893</b>	<b>9,770,100</b>	<b>7,941,649</b>	<b>9,696,856</b>
<b>Total liabilities</b>		<b>8,180,664</b>	<b>26,503,263</b>	<b>8,107,420</b>	<b>26,430,019</b>
<b>Total equity and liabilities</b>		<b>5,315,645</b>	<b>5,379,169</b>	<b>5,128,788</b>	<b>5,192,312</b>

During the year ended 31 December 2021, the parent company generated a loss of £431,382 (2020: loss of £1,072,581).

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



Lisa Cranston  
Director

**Date: 16<sup>th</sup> May 2022**

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 2021**

All attributable to the owners of the parent

	Note	Share Capital £	Share Premium £	Other components of equity £	Retained Earnings £	Total £
<b>Balance at 1 January 2021</b>		<b>281</b>	<b>5,475,113</b>	<b>-</b>	<b>(26,599,488)</b>	<b>(21,124,094)</b>
Loss for the year from continuing operations		-	-	-	(431,382)	(431,382)
Total comprehensive expense for the year		-	-	-	(431,382)	(431,382)
Issue of Shares	21	7,079,719	11,610,738	-	-	18,690,457
<b>Balance at 31 December 2021</b>		<b>7,080,000</b>	<b>17,085,851</b>	<b>-</b>	<b>(27,030,870)</b>	<b>(2,865,019)</b>
Balance at 1 January 2020		281	5,475,113	-	(25,886,984)	(20,411,590)
Loss for the year from continuing operations		-	-	-	(712,504)	(712,504)
Total comprehensive expense for the year		-	-	-	(712,504)	(712,504)
<b>Balance at 31 December 2020</b>		<b>281</b>	<b>5,475,113</b>	<b>-</b>	<b>(26,599,488)</b>	<b>(21,124,094)</b>

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.

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**PGI - Protection Group International Ltd****COMPANY STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2021**

	Note	Share Capital	Share Premium	Other Reserve	Retained Earnings	Total
		£	£	£	£	£
<b>Balance at 1 January 2021</b>		<b>281</b>	<b>5,475,113</b>	<b>(2,000,000)</b>	<b>(24,713,101)</b>	<b>(21,237,707)</b>
Loss for the year		-	-	-	(431,382)	(431,382)
<b>Total comprehensive expense for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(431,382)</b>	<b>(431,382)</b>
Issue of Shares	21	7,079,719	11,610,738	-	-	18,690,457
<b>Balance at 31 December 2021</b>		<b>7,080,000</b>	<b>17,085,851</b>	<b>(2,000,000)</b>	<b>(25,144,483)</b>	<b>(2,978,632)</b>
<b>Balance at 1 January 2020</b>		<b>281</b>	<b>5,475,113</b>	<b>(2,000,000)</b>	<b>(23,640,520)</b>	<b>(20,165,126)</b>
Profit for the year		-	-	-	(1,072,581)	(1,072,581)
<b>Total comprehensive expense for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,072,581)</b>	<b>(1,072,581)</b>
<b>Balance at 31 December 2020</b>		<b>281</b>	<b>5,475,113</b>	<b>(2,000,000)</b>	<b>(24,713,101)</b>	<b>(21,237,707)</b>

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



**CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2021**

	Note	Group		Company	
		2021	2020	2021	2020
		£	£	£	£
<b>Cash flows from operating activities</b>					
Loss before tax from continuing operations		(431,382)	(712,504)	(431,382)	(1,072,581)
Adjustments for:					
Depreciation	12	80,733	48,260	80,733	45,544
Finance income	6	-	(796)	-	(471,890)
Finance costs	6	893,910	983,360	893,910	983,360
Changes in working capital:					
Decrease/(increase) in inventories		227,584	19,551	227,584	(265,341)
Increase in trade and other receivables		(233,249)	(412,376)	(233,249)	(1,285,528)
(Decrease)/increase in trade and other payables		(389,125)	146,254	(389,125)	2,145,474
<b>Cash generated by operations</b>		<b>148,471</b>	<b>71,749</b>	<b>148,471</b>	<b>79,038</b>
Income tax paid		-	-	-	-
<b>Net cash from operating activities</b>		<b>148,471</b>	<b>71,749</b>	<b>148,471</b>	<b>79,038</b>
<b>Cash flows from investing activities</b>					
Capital expenditure	12	(6,379)	(51,301)	(6,379)	(51,301)
Finance income received	6	-	796	-	607
<b>Net cash used in investing activities</b>		<b>(6,379)</b>	<b>(50,505)</b>	<b>(6,379)</b>	<b>(50,694)</b>
<b>Cash flows from financing activities</b>					
Finance costs paid		(68,650)	(199,201)	(68,650)	(199,201)
Principal element of lease payments		(64,977)	(34,311)	(64,977)	(34,311)
Proceeds from borrowings		446,700	967,556	446,700	967,556
Repayment of borrowings		(450,000)	(759,937)	(450,000)	(759,937)
<b>Net cash used in financing activities</b>		<b>(136,927)</b>	<b>(25,893)</b>	<b>(136,927)</b>	<b>(25,893)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(5,165)</b>	<b>(4,649)</b>	<b>(5,165)</b>	<b>2,451</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>25,092</b>	<b>29,741</b>	<b>25,092</b>	<b>22,641</b>
<b>Cash and cash equivalents at end of year</b>		<b>30,257</b>	<b>25,092</b>	<b>30,257</b>	<b>25,092</b>

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 detailed in Note 21, during the year, the company issued 707,971,891 shares to its immediate parent company, to extinguish intra-group debt and accrued interest of £18,690,457. 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 2021**

**1. Nature of operations**

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

- corporate intelligence services;
- technology solutions for monitoring and reporting risks;
- 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*

In the current year, the Phase 2 amendments Interest Rate Benchmark Reform—Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 were potentially applicable to the Group and Company.

The directors are satisfied that these new standards have no material impact on the Group and Company.

*(b) New and amended Standards and Interpretations issued but not effective for the financial year beginning 1 January 2021*

IFRS 17 (including the June 2020  
Amendments to IFRS 17)

Amendments to IFRS 10 and IAS 28  
Amendments to IAS 1

Amendments to IAS 16  
Amendments to IAS 37  
Annual Improvements to IFRS Standards  
2018-2020 Cycle

Amendments to IAS 1 and IFRS Practice  
Statement 2  
Amendments to IAS 8  
Amendments to IAS 12

Insurance Contracts  
Sale or Contribution of Assets between an Investor  
and its Associate or Joint Venture  
Classification of Liabilities as Current or Non-current  
Property, Plant and Equipment—Proceeds before  
Intended Use  
Onerous Contracts – Cost of Fulfilling a Contract  
Amendments to IFRS 1 First-time Adoption of  
International Financial Reporting Standards, IFRS 9  
Financial Instruments, IFRS 16 Leases, and IAS 41  
Agriculture  
Disclosure of Accounting Policies  
  
Definition of Accounting Estimates  
Deferred Tax related to Assets and Liabilities arising  
from a Single Transaction

**Notes to the consolidated financial statements (continued)**  
**Year ended 31 December 2021**

**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.

Given that the group has generated a loss of £0.4 million for the year ended 31 December 2021 and has net liabilities at that date of £2.9 million, the directors acknowledge that the continuing ability of the group to meet its financial obligations and continue as a going concern is dependent on the support of its ultimate parent company, Mohamed Al Barwani LLC (“MB”).

MB have confirmed that they will continue to provide financial support to the group for at least 12 months from the date these financial statements are authorised. However, the group financial statements of MB for the year ended 31 December 2021 are expected to include a material uncertainty regarding the MB group’s ability to continue as a going concern.

The directors of the group have satisfied themselves that MB has the continued support of MB’s shareholder, to enable the MB group to continue its operations and to meet its obligations as they fall due and continue as a going concern.

These circumstances, therefore, give rise to a material uncertainty which may cast significant doubt on the group’s ability to continue as a going concern.

Given the confirmation of financial support received from MB, the directors have a reasonable expectation that the group will be able to continue in operational existence for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing 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 2021. 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 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 2021**

**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 Risk Portal and retained contracts is recognised over the time-period spanned by the contract, as this is considered to best depict the customer's consumption of the benefit of this arrangement.

Revenue from training is recognised at a point in time, on completion of the training delivery, as this is considered when the performance obligation has been met.

Revenue from other contracts, including those for the delivery of assessments and reporting, is recognised at a point in time, generally when approval has been received for the reports provided, this being deemed the performance obligation under such 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 2021**

**3. Summary of accounting policies (continued)**

**3.6 Interest and dividends**

Interest income and 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 3.11 for a description of impairment testing procedures.

**3.8 Other intangible assets**

All intangible assets, including capitalised internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in Note 3.11. The following useful lives are applied:

- Software: 3 years

**3.9 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.

Notes to the consolidated financial statements (continued)  
Year ended 31 December 2021

3. Summary of accounting policies (continued)

**3.10 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.

**3.11 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.

**3.12 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.

Notes to the consolidated financial statements (continued)  
Year ended 31 December 2021

3. Summary of accounting policies (Continued)

**3.13 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.

**3.14 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.

Notes to the consolidated financial statements (continued)  
Year ended 31 December 2021

**3. Summary of accounting policies (Continued)**

**3.15 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.

**3.16 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.

**3.17 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.

**3.18 Provisions, contingent assets and contingent liabilities**

Provisions 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.



Notes to the consolidated financial statements (continued)  
Year ended 31 December 2021

3. Summary of accounting policies (Continued)

3.19 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 13). 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 £78,687 (2020: £68,872) materially reflects their assessment of the year end exposure associated with trade receivables.

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**PGI – Protection Group International Ltd****Notes to the consolidated financial statements (continued)**  
**Year ended 31 December 2021****4. Turnover**

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

	2021	2020
	£	£
United Kingdom	2,882,400	3,526,429
Rest of Europe	45,050	-
Rest of the world	3,702,623	2,526,339
	<b>6,630,073</b>	<b>6,052,768</b>

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 £3,609,894 (2020: £4,831,934). This revenue will be recognised in the next accounting period.

**5. Operating profit**

	2021	2020
	£	£
<b>Operating profit is stated after charging/(crediting)</b>		
Depreciation of property, plant and equipment	80,733	48,260
Fees payable to the company's auditor and its associates		
- Statutory audit	48,000	55,700
Tax services		
- Compliance	5,725	11,050
Other services	-	1,295
(Profit)/Loss on foreign exchange transactions	(15,419)	24,230

**6. Net finance cost**

	2021	2020
	£	£
<b>Finance income</b>		
Bank interest receivable	-	221
Other finance income	-	575
	<b>-</b>	<b>796</b>
<b>Finance costs</b>		
Interest payable on bank borrowings and other financing	(51,174)	(187,250)
Interest payable on loan from parent company	(825,259)	(784,159)
Interest payable on lease liabilities	(16,623)	(11,293)
Other finance costs	(854)	(658)
	<b>(893,910)</b>	<b>(983,360)</b>
	<b>(893,910)</b>	<b>(982,564)</b>

**PGI – Protection Group International Ltd**

**Notes to the consolidated financial statements (continued)**  
**Year ended 31 December 2021**

**7. Employee benefits expense and staff numbers**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Staff costs incurred during the period</b>				
Wages and salaries	3,039,545	2,858,130	3,039,545	1,345,032
Social security costs	294,926	285,695	294,926	142,068
Pension costs – defined contribution plans	127,845	98,953	127,845	48,752
	<b>3,462,316</b>	<b>3,242,779</b>	<b>3,462,316</b>	<b>1,535,852</b>

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Average number of employees, including directors</b>				
Operations	30	30	30	15
Management and administration	27	24	27	13
	<b>57</b>	<b>54</b>	<b>57</b>	<b>28</b>

**8. Key management personnel compensation**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Salaries and short-term employee benefits	362,000	326,119
Remuneration to non-executive directors	18,000	150,000
Pension costs – defined contribution plans	18,100	13,667
Employer national insurance	45,149	41,620
	<b>443,249</b>	<b>531,406</b>

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

**9. Directors emoluments**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Aggregate amounts payable</b>		
Remuneration to executive directors	362,000	290,000
Remuneration to non-executive directors	18,000	150,000
Pension costs – defined contribution plans	18,100	13,667
	<b>398,100</b>	<b>453,667</b>
Remuneration due to executive directors but unpaid at the year end	27,000	-
<b>Amount payable to highest paid director</b>		
Remuneration	200,000	200,000
Pension costs – defined contribution plans	10,000	9,167
	<b>300,000</b>	<b>209,167</b>
Remuneration due to the highest paid director but unpaid at the year end	-	-

Retirement benefits are accruing to 2 (2020: 2) directors under the Company's money purchase pension scheme.

Notes to the consolidated financial statements (continued)  
Year ended 31 December 2021

10. Income tax credit

	Note	2021 £	2020 £
<b>Analysis of tax charge in the year</b>			
Current tax		-	-
Deferred tax:			
Origination and reversal of temporary differences	17	-	-
Tax on loss of ordinary activities		-	-

UK tax is calculated at 19% (2020: 19%) of taxable profit. The tax charge is explained as follows:

	2021 £	2020 £
<b>Loss on ordinary activities before tax</b>	<b>(431,382)</b>	<b>(712,504)</b>
Tax on loss on ordinary activities at standard CT rate of 19.00% (PY: 19.00%)	<b>(81,963)</b>	<b>(135,375)</b>
Effect of:		
Fixed asset differences	<b>(364)</b>	-
Expenses not deductible for tax purposes	<b>4,656</b>	34,399
Remeasurement of deferred tax for changes in tax rates	<b>(610,324)</b>	-
Deferred tax not recognised	<b>687,995</b>	(2,594,782)
Losses eliminated on group restructure	-	2,695,787
Other tax adjustments, reliefs and transfers	-	(31)
Other adjustments	-	2
<b>Tax charge/(credit) for the period</b>	<b>-</b>	<b>-</b>

**Losses carried forward**

The losses available for carry forward at 31 December 2021 comprise those of the company and its subsidiaries and amounted to £9,757,345 at 31 December 2021 (2020: £10,427,462). No deferred tax asset has been recognised in respect of the losses as recoverability is uncertain.

**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. These changes were included in the Finance Bill 2021 which was substantively enacted by the year end but corporation tax continues to be calculated at 19%. However, unrecognised deferred tax assets and liabilities have been calculated at the tax rate of 25% (2020: 19%).

11. Investments

**COMPANY**

	£
<b>Cost</b>	
At 1 January 2020	4,121,451
Recategorised as goodwill on hive up of subsidiaries	(4,121,451)
At 31 December 2020	-
At 31 December 2021	-
<b>Impairment provision</b>	
At 1 January 2020	907,054
Recategorised as goodwill on hive up of subsidiaries	(907,054)
At 31 December 2020	-
At 31 December 2021	-
<b>Carrying amount</b>	
At 31 December 2021	-
At 31 December 2020	-
At 31 December 2019	3,214,397

**PGI – Protection Group International Ltd**

**Notes to the consolidated financial statements (continued)**  
**Year ended 31 December 2021**

**11. Investments (continued)**

A list of wholly owned unlisted subsidiary companies at 31 December 2021 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	Dormant	Ordinary	100
PGI Trustees Limited	England	Employee benefit trust	Ordinary	100

**12. Property, plant and equipment**

**COMPANY AND GROUP**

	Leasehold improvements £	Right of Use Property £	Fixtures and fittings £	Office equipment £	Total £
<b>Cost</b>					
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)
<b>At 31 December 2021</b>	<b>24,649</b>	<b>334,043</b>	<b>6,048</b>	<b>41,271</b>	<b>406,011</b>
<b>Depreciation and impairment</b>					
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)
<b>At 31 December 2021</b>	<b>6,984</b>	<b>105,780</b>	<b>957</b>	<b>24,054</b>	<b>137,775</b>
<b>Net book amount</b>					
<b>At 31 December 2021</b>	<b>17,665</b>	<b>228,263</b>	<b>5,091</b>	<b>17,217</b>	<b>268,236</b>
<b>At 31 December 2020</b>	<b>22,595</b>	<b>295,071</b>	<b>5,696</b>	<b>19,228</b>	<b>342,590</b>

	Leasehold improvements £	Right of Use Property £	Fixtures and fittings £	Office equipment £	Total £
<b>Cost</b>					
At 1 January 2020	-	-	41,832	528,173	570,005
Additions	24,649	334,043	6,048	20,604	385,344
Disposals and retirements	-	-	(41,832)	(499,031)	(540,863)
<b>At 31 December 2020</b>	<b>24,649</b>	<b>334,043</b>	<b>6,048</b>	<b>49,746</b>	<b>414,486</b>
<b>Depreciation and impairment</b>					
At 1 January 2020	-	-	39,692	524,807	564,499
Charge for the year	2,054	38,972	2,492	4,742	48,260
Disposal of subsidiary	-	-	(41,832)	(499,031)	(540,863)
<b>At 31 December 2020</b>	<b>2,054</b>	<b>38,972</b>	<b>352</b>	<b>30,518</b>	<b>71,896</b>
<b>Net book amount</b>					
<b>At 31 December 2020</b>	<b>22,595</b>	<b>295,071</b>	<b>5,696</b>	<b>19,228</b>	<b>342,590</b>
<b>At 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>2,140</b>	<b>3,366</b>	<b>5,506</b>

Notes to the consolidated financial statements (continued)  
Year ended 31 December 2021

12. Property, plant and equipment (continued)

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

	Group 2021 £	2020 £	Company 2021 £	2020 £
Property	228,263	295,071	228,263	295,071
<b>Total right of use assets</b>	<b>228,263</b>	<b>295,071</b>	<b>228,263</b>	<b>295,071</b>
Current lease liabilities	68,985	64,977	68,985	64,977
Non-current lease liabilities	165,771	234,755	165,771	234,755
<b>Total lease liabilities</b>	<b>234,756</b>	<b>299,732</b>	<b>234,756</b>	<b>299,732</b>
Lease charge	16,623	11,293	16,623	11,293
<b>Total lease charge</b>	<b>16,623</b>	<b>11,293</b>	<b>16,623</b>	<b>11,293</b>

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 as at 1 January 2021. 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%.

13. Intangible assets

GROUP

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

	Goodwill £	Other software £	Total £
<b>Cost</b>			
At 1 January 2020	4,260,577	161,516	4,422,093
Disposals	-	(161,516)	(161,516)
<b>At 31 December 2020</b>	<b>4,260,577</b>	<b>-</b>	<b>4,260,577</b>
<b>Amortisation charge</b>			
At 1 January 2020	907,054	161,516	1,068,570
Disposals	-	(161,516)	(161,516)
<b>At 31 December 2020</b>	<b>907,054</b>	<b>-</b>	<b>907,054</b>
<b>Net book values</b>			
<b>At 31 December 2020</b>	<b>3,353,523</b>	<b>-</b>	<b>3,353,523</b>
<b>At 31 December 2019</b>	<b>3,353,523</b>	<b>-</b>	<b>3,353,523</b>

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**PGI – Protection Group International Ltd****Notes to the consolidated financial statements (continued)**  
**Year ended 31 December 2021****13. Intangible assets (continued)****COMPANY**

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

	Goodwill £	Total £
<b>Cost</b>		
At 1 January 2020	-	-
Recategorised as goodwill on hive up of subsidiaries	4,121,451	4,121,451
<b>At 31 December 2020</b>	<b>4,121,451</b>	<b>4,121,451</b>
<b>Amortisation charge</b>		
At 1 January 2020	907,054	907,054
<b>At 31 December 2020</b>	<b>907,054</b>	<b>907,054</b>
<b>Net book values</b>		
<b>At 31 December 2020</b>	<b>3,214,397</b>	<b>3,214,397</b>
At 31 December 2019	-	-

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 £
<b>Cost</b>	
At 1 January 2021	4,260,577
Disposals	-
<b>At 31 December 2021</b>	<b>4,260,577</b>
<b>Impairment and amortisation</b>	
At 1 January 2021	907,054
Amortisation	-
Amortisation on disposals	-
<b>At 31 December 2021</b>	<b>907,054</b>
<b>Carrying amount:</b>	
<b>At 31 December 2021</b>	<b>3,353,523</b>
At 31 December 2020	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 2021

13. 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 pre-tax discount rate of 15% 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 2021 the recoverable amount of the goodwill relating to the CGU was in excess of its carrying amount by £12.6m. If revenue growth fell from the assumed level of 41.4% to 0%, after incorporating the consequential changes on other variables used to measure recoverable amount the recoverable amount of the goodwill would reduce to £11.0m and headroom of £7.0m over the carrying value would still remain. If gross margin fell from the assumed level of 59% to 29%, 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 53.8%, 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 level 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 £11.1m and headroom of £7.0m 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.

14. Inventories

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Work in progress	37,757	265,341	37,757	265,341
	37,757	265,341	37,757	265,341



Notes to the consolidated financial statements (continued)  
Year ended 31 December 2021

15. Trade and other receivables

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Trade receivables	1,423,018	1,098,535	1,423,018	1,098,535
Other receivables	101,650	101,455	53,919	53,724
Prepayments and accrued income	101,204	192,633	101,204	192,633
	1,625,872	1,392,623	1,578,141	1,344,892

Trade receivables and amounts owed by subsidiary companies at the statement of financial position date are shown above net of provisions. See note 25 for details of impairment relating to amounts owed by subsidiary companies.

Trade receivables are stated net of impairment for estimated irrecoverable amounts of £78,687 (2020: £68,872). 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.

Included in trade receivables is an amount of £545,245 due from a customer which is overdue, against which an expected credit loss provision of £78,687 is held for known disputed amounts. No remittances or amounts have been received since the year end. Based on information provided by the customer and their assessment of the customer's ability to pay this outstanding sum, the directors are confident that the unprovided balance will be paid in full, but acknowledge that uncertainty remains in respect of this matter. The financial statements do not reflect any additional provision that may be required if the unprovided balance is not fully recovered.

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

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
At 1 January	68,872	-	68,872	-
Provision for bad debts	9,815	68,872	9,815	68,872
Receivables written off	-	-	-	-
At 31 December	78,687	68,872	78,687	68,872

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
	£	£	£	£	£
<b>COMPANY AND GROUP</b>					
2021	1,423,018	511,608	404,023	255,261	252,126
2020	1,098,535	354,162	540,189	195,758	8,426

16. Cash and cash equivalents

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Cash at bank and on hand	30,257	25,092	30,257	25,092

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 2021

17. Deferred tax

Unprovided deferred taxation

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Fixed asset timing differences	128,590	95,322	95,848	70,439
Short term timing differences	7,839	1,688	7,839	1,688
Tax losses	2,439,336	1,981,218	2,439,336	1,782,935
	<b>2,575,765</b>	<b>2,078,228</b>	<b>2,543,023</b>	<b>1,855,062</b>

18. Trade and other payables

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Trade payables	492,036	503,959	418,985	430,908
Amounts owed to parent company	-	181,923	-	181,923
Due to related undertaking	975,760	-	975,760	-
Other creditors	623,075	652,463	622,882	652,270
Accruals and deferred income	1,022,778	2,336,079	1,022,778	2,336,079
	<b>3,113,649</b>	<b>3,674,424</b>	<b>3,040,405</b>	<b>3,601,180</b>

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

19. Borrowings

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
<b>Amounts falling due more than one year</b>				
Unsecured loans from immediate parent company	-	16,498,408	-	16,498,408
	-	16,498,408	-	16,498,408
<b>Amounts falling due within one year</b>				
Secured bank loans	4,590,064	5,040,064	4,590,064	5,040,064
Unsecured loans from immediate parent company	242,195	990,635	242,195	990,635
	<b>4,832,259</b>	<b>6,030,699</b>	<b>4,832,259</b>	<b>6,030,699</b>

The bank loans bear interest at 3% above SONIA (previously LIBOR) and are secured by a fixed and floating charge over the assets of the group and a cross guarantee between the group companies.

The fair values of the group's and parent company's secured bank borrowings are considered to be equal to their carrying amount.

The facilities agreement with Santander is in breach and therefore the debt has been shown as current within the financial statements. However, Mohammed Al Barwani LLC has agreed to guarantee the bank debt and provide support to the group for a period of at least 12 months from the date of the signing of these financial statements.

The loans from the immediate parent company bear interest at 6%, are unsecured and are repayable on demand. The long terms loans recorded in 2020 were converted to equity in 2021 as noted in the directors report.

20. 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.

Notes to the consolidated financial statements (continued)  
Year ended 31 December 2021

20. Financial instruments (continued)

**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 19) 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 (2020: £796) during the year. Interest payable on the loans at a variable rate amounted to £877,287 (2020: £972,067) 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 £1,507,194 (2020: £1,177,351) represents the maximum credit exposure.

The Company's financial liabilities, which are all non-derivatives, comprise trade payables, bank borrowings, 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 £7,161,879 (2020: £24,919,341) and the company of £7,088,634 (2020: £24,846,097) are materially the same as the gross contractual cash flows, with the maturity of these items being as disclosed in notes 12 and 19.

**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 Santander. 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 2021****21. Called up share capital**

	31 December 2021		31 December 2020	
	No. of shares	£	No. of shares	£
<b>Called up, authorised and fully paid</b>				
Ordinary shares of 1p each.	10,267	103	10,267	103
Ordinary A shares of 1p each	707,989,733	7,079,897	17,842	178
<b>Total</b>	<b>708,000,000</b>	<b>7,080,000</b>	<b>28,109</b>	<b>281</b>

All shares rank pari passu.

During the year there were 707,971,891 Ordinary A shares at 0.01 value issued to United Engineering Services LLC (the immediate parent company) at a total value of £7,079,718.91.

**22. 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.

**23. 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 £127,845 for the year (2020: £98,953).

An amount of £22,834 (2020: £19,381) is included in creditors being outstanding contributions at the balance sheet date.

**24. Contingent liabilities**

At 31 December 2021 the group and parent company had no contingent liabilities (2020: £Nil).

**25. Related party transactions**

During the year the company received £446,700 (2020: £967,556) in loans from its immediate parent company, United Engineering Services LLC. The balance on these loans was £242,195 (2020: £13,617,556). The loans bear interest at 6% per annum and the amount charged in the accounts is £825,259 (2020: £784,159). All cumulative interest was written off as part of the rights issue (see note 21).

Amounts owed by subsidiary companies are stated net of impairment for estimated irrecoverable amounts of £20,344,555 (2020: £20,344,555). The company has recorded no impairment of receivables relating to amounts owed by subsidiary undertakings during the year (2020: £797,593).

During the year the company received an advance of £nil (2020: £nil) for future services to be performed from Oceanco Limited, a company in which Dr M 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 (2020: deferred income of £975,760).

On 31<sup>st</sup> December 2021 the immediate parent company, United Engineering Services LLC, purchased 707,971,891 Ordinary A shares as part of a Rights Issue releasing shareholder loans and interest of £18,690,457.

During the year the company invoiced management charges of £nil (2020: £364,653). The company also received interest on loans to other group companies of £nil (2019: £471,283).

**Notes to the consolidated financial statements (continued)**  
**Year ended 31 December 2021**

**26. 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.