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26 April 2023

Skillcast Group PLC
("Skillcast", the "Group" or the "Company")

Results for the twelve months ended 31 December 2022

Skillcast (AIM: SKL), the provider of content and technology for digital compliance transformation, is pleased to announce its audited results for the twelve months ended 31 December 2022.

Highlights

	2022	2021	Change (2022 v 2021)
Revenue	£9.8m	8.4m	+17%
Gross margin (%)	70.1%	70.5%	-0.4pps
Annualised recurring revenue (ARR)*	£6.8m	£5.8m	+16%
Adjusted (LBITDA)/EBITDA*	-£0.3m	+£1.1m	n/a
Basic (loss)/EPS (pence)	-0.460p	+0.467p	n/a
Total dividend per share (pence)	0.447p	0.447p	0%
Cash in bank	£7.7m	£7.9m	-2%
Free cash flow	£0.3m	+£1.1m	-76%

- Total revenues up 17% at £9.8 million (2021: £8.4 million)
 - Revenue increase was driven by strong growth in recurring subscription revenues, up 28% at £6.7 million (2021: £5.2 million)
 - Annualised recurring revenue (ARR)* up 16% to £6.8 million (December 2021: £5.8 million) predominantly from new client acquisitions
 - Recurring subscriptions contributed to 68% of total revenues (2021: 62%)
 - Professional services revenues steady at £3.1 million (2021: £3.2 million)
- Gross margin remained strong at 70.1% (2021: 70.5%)
- Adjusted LBITDA of £0.3 million (2021: Adjusted EBITDA £1.1 million)
 - Investment in product development, commercial and organisational structure to support ambitious growth plans led to a small loss in profit as intended at IPO
 - All research and development is expensed
 - New Chief Financial Officer and Chief People Officer appointed
 - Headcount increased by 26% in the year to 111 (2021: 88)
- Strong net cash position at 31 December 2022: £7.7 million (31 December 2021 net cash: £7.9 million), representing c. 8.6 pence per ordinary share in the Company
 - Improved working capital helped to offset the planned accelerated investment
 - Free cash flow of £0.3 million (2021: £1.1 million) despite EBITDA loss
- Basic EPS -0.460 pence per share (2021: EPS +0.467 pence)
- Total dividend of 0.447 pence per share (2021: 0.447 pence)
 - Final dividend proposed: 0.279 pence
 - Interim dividend paid: 0.168 pence
- Operational highlights:
 - Total client numbers grew to over 1,000
 - Significant progress in headcount growth to support growth strategy
 - Maintained excellent customer service records (Feefo Platinum Service Award 4.9/5.0) while achieving growth targets
 - Expanded marketing activity with face-to-face events and launched Skillcast Connect in November 2022
 - Successfully migrated all client hosting to the cloud (completed March 2023) as intended and outlined at IPO
 - ESG progress: achieved carbon neutral status

Current trading and outlook

We have entered the new financial year with a strong sales and product pipeline. We are well prepared to capitalise on the demand for digital compliance transformation and drive sustainable growth of our subscriber base.

We are starting to see the fruits of our post-IPO investments. We are attracting new customers with higher annual contract values, and our ARR at the end of Q1 2023 was 22% up year on year at £7.2 million (March 2022 ARR: £5.9 million).

We expect further improvements this year, led by the launch of our multi-lingual Global Risk and Compliance libraries in March and other content and SaaS product launches later this year. We have migrated all our clients to our new cloud-hosting platform, giving us a more scalable infrastructure for further growth.

Whilst not immune to the recent banking and wider economic concerns, we remain well diversified with over 1,000 clients and 45% of revenues coming from non-financial services customers.

Trading since the period end has continued to increase on the prior year, driven by growing subscription revenues, and remains consistent with achieving market expectations.

Vivek Dodd, Chief Executive Officer of Skillcast, said:

"Skillcast enables companies to digitise and consolidate their compliance processes, thereby reducing costs, improving their employee experience and helping build more ethical, inclusive and resilient workplaces. With companies facing inflationary pressures as well as regulatory demands, the need for this compliance transformation is greater than ever."

"We are pleased with the 28% growth in our subscription revenue in 2022, which raised the total revenue growth to 17% and meant that subscription revenue as a proportion of total revenue increased to 68% (2022: 62%).

"Since our IPO in December 2021, we have made substantial improvements to our content and technology products and have maintained our 4.9/5.0 customer service rating. We have successfully attracted and retained top talent in key roles.

"Trading in the first half of the year has started well, and the pipeline of new prospective customers is strong. Despite the macroeconomic uncertainties in our markets in the UK and the EU, we remain on track to meet market expectations by offering cost-saving, risk-reducing compliance solutions to our customers."

*Further details on the calculation of adjusted EBITDA and ARR are set out in the Financial Review below

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Chairman's Statement

Introduction

I am pleased to introduce this Annual Report to shareholders, which reviews the first full financial year since our admission to trading on AIM. I am delighted to report that we have achieved considerable success over that year, with progress on all the strategic, financial and operational challenges we set ourselves.

Results and Dividend

We achieved a strong set of financial results for the year ended 31 December 2022, with all key financial metrics either ahead of or in line with our expectations at our IPO in December 2021. Revenue of £9.8 million was some 17% up on the prior year overall (2021: £8.4 million), and within that, the strategically important subscription-as-a-service (SaaS) revenue was up 28%. As anticipated, profitability has been impacted by the investment program we committed to at the time of the fund-raise to provide the workforce capacity and technology to drive sustainable growth. As such, adjusted EBITDA has reduced, as expected, to a loss of £0.3 million in the year (2021: adjusted EBITDA £1.1 million). Importantly, through proactive working capital management, the cash balance at the year-end decreased by only £0.2 million to £7.7 million (31 December 2021: £7.9 million).

The Board's stated policy is to maintain the full-year dividend at least at the recent historical level for the foreseeable future. We see that as an important financial discipline for a business with repeatable revenues that provide strong cash generation. Accordingly, at the AGM on 20 June, the Board will propose a final dividend per share of 0.279 pence. Combined with an interim dividend per share of 0.168 pence that was paid in November, this will take the full-year dividend to £400,000 (2021: £400,000) with the full-year dividend per share to 0.447 pence (2021: 0.447 pence).

Strategy

Skillcast's strategy remains as set out when we came to the AIM market in 2021. Our purpose is to enable companies to build ethical and resilient workplaces, and our vision is to be the leading provider of digital training and technology for staff compliance. We provide an integrated platform with engaging, customisable e-learning content, policy attestation hubs, registers for recording activities like CPD undertaken or gifts and hospitality received and the tools to monitor and administer all of the above.

Companies face an ever-increasing burden of compliance and, at the same time, are facing a real need to find efficiencies in the current cost-pressured environment. We believe these conditions provide a strong driver for growth in the digital compliance transformation market, which offers companies a genuine solution to these challenges. With Skillcast's experience in developing content and technology, we are uniquely placed to offer companies an easy-to-adopt, low-cost, high-value solution to the considerable challenges that businesses face.

We remain focused primarily on growing recurring subscription-based revenues by supporting existing clients with a range of products, and by acquiring similar new customers. We mainly target new clients in regulated industries where the burden of compliance is at its highest, although our services are equally applicable to all companies that have a need for efficient workplace compliance solutions. And whilst we can support companies of all sizes, our 'sweet spot' is medium-sized enterprises whose compliance requirements are increasingly complex but not large enough to warrant full bespoke solutions.

People and Organisation

The last twelve months have seen significant growth in headcount as we expanded the Skillcast team to drive the sustainable growth we delivered - our headcount increased from 88 to 111. I want to take this opportunity to welcome all of our new joiners and thank them and our existing staff for their hard work and success over the last year.

That increase in staff numbers has coincided with a very tight labour market and, of course, challenges and pressures all employees feel given the current economic climate. I want to pay tribute to Vivek and the executive team for how they handled the challenges that this presented and for the caring and compassionate solutions they have put in place to support the staff over the last year.

Shareholder Engagement

The one dark shadow over the year has been the share-price performance since flotation, which has been disappointing, particularly given the positive progress made on strategic, operational and financial targets. We recognise that the drivers of the reduction are much more related to market sentiment for SaaS-based technology businesses than for Skillcast specifically and are grateful for the support we have received from shareholders in this regard. We are following their advice to focus on driving the business and not reacting to the share price.

However, we recognise our responsibility to actively manage shareholder engagement activities to ensure that we communicate effectively with as wide a range of investors as possible. We have already instigated a plan to present the company more widely at investor events and plan a more active communication campaign over the next year. We welcome the opportunity to speak with existing and prospective investors and look forward to welcoming shareholders to our AGM on 20 June.

Current Trading and Outlook

We have entered the new financial year with a strong sales and product pipeline. We are well prepared to capitalise on the demand for digital compliance transformation and drive sustainable growth of our subscriber base.

We are starting to see the fruits of our post-IPO investments. We are attracting new customers with higher annual contract

values, and our ARR at the end of Q1 2023 was 22% up year on year at £7.2 million (March 2022 ARR: £5.9 million).

We expect further improvements this year, led by the launch of our multi-lingual Global Risk and Compliance libraries in March and other content and SaaS product launches later this year. We have migrated all our clients to our new cloud-hosting platform, giving us a more scalable infrastructure for further growth.

Whilst not immune to the recent banking and wider economic concerns, we remain well diversified with over 1000 clients and 45% of revenues coming from non-financial services customers.

Trading since the period end has continued to increase on the prior year, driven by growing subscription revenues, and remains consistent with achieving market expectations.

Richard Amos
Non-Executive Chairman
25 April 2023

CEO's Review

I am pleased to present Skillcast's Annual Report for 2022, our first full year since the IPO in December 2021. It was a transformational year in which we recruited talent in key roles and shaped our strategy and organisational structure to position us for the next phase of revenue growth.

We strengthened our leadership team by appointing our full-time Chief Financial Officer, Richard Steele, and our Chief People Officer, Sharon Mulligan. We also used funds raised at the IPO to accelerate hiring talent in other key growth roles and for the move to cloud computing on Microsoft Azure. These initiatives led our overheads to grow faster than our revenues in 2022. We expect the gap between growth rates of revenue and overheads to narrow in 2023.

Purpose and vision

We run Skillcast with the purpose of enabling our customers to build ethical and resilient workplaces. Our vision is to become the leading provider of digital training and technology for staff compliance. Our strategic objectives reflect this vision. We are developing significant additional revenue streams with new products that widen our market in the UK and improve our product fit with the needs of companies in the EU. We are driving our brand awareness with our SkillcastConnect community and enhancing our RegTech tools with market research and insights.

We have implemented an organisational structure required to deliver our growth goals with clear roles and responsibilities. Our growth strategy for 2023 prioritises developing our existing talent, bringing in expertise in key areas and driving organic performance by focusing on customer success and experience.

Business model

Skillcast provides technology and content for companies to digitise their staff compliance training, record-keeping and monitoring to reduce costs and improve employee compliance experience. Further, by integrating these processes on a single platform, Skillcast helps customers make further efficiency gains and reduce the risk of compliance gaps.

The Skillcast off-the-shelf ("OTS") course libraries include Global Compliance and Global Risk libraries, available in multiple languages for multinational companies and Essential Compliance, FCA and Insurance Compliance libraries for companies in the UK.

The Skillcast technology includes a Learning Management System ("LMS"), a Policy Hub for authoring policies and obtaining employee attestations, Anonymous Surveys for obtaining honest and unreserved employee feedback, Staff Declarations for collecting disclosures and self-assessments from employees, Compliance Registers for recording activities such as gifts, hospitality, personal account dealing, whistleblowing, Training 360 for recording in-person training, mentoring, and consultations, Events Management for managing live training events, and SMCR 360 to help financial firms manage all aspects of Senior Managers and Certification Regime ("SM&CR") compliance. These technology tools are provided on a single integrated platform that helps companies to simplify their process, provide a consistent user experience and reduce the risk of compliance gaps.

The course libraries and the technology are provided on annual subscriptions to simplify the procurement process and enable customers to provide training and compliance tools to their staff with minimal effort and on short notice. The OTS courses and certain technology elements can be customised to fit each company's unique requirements.

Skillcast enables customers to manage their staff compliance burden efficiently by assigning them a designated Customer Success Manager ("CSM"). In 2022, for the fifth year in a row, Skillcast received a Feefo Platinum Trusted Service Award based on verified ratings and reviews by current customers.

High-quality revenues

Staff compliance is a non-discretionary cost for companies we serve, and 68% of our revenues came from content and technology subscriptions (2021: 62%), with the rest from professional services.

Subscriptions provide us with high-quality annual recurring revenues (ARR), which grew organically at 16% to £6.7 million in December 2022 (December 2021: £5.8 million).

Revenue from professional services, mainly from bespoke e-learning development for customers and customisation of OTS courses, was steady at £3.1 million (2021: £3.2 million).

Our total revenue increased by 17% to £9.8 million (2021: £8.4 million), and an adjusted EBITDA loss of £0.3 million (2021: £1.1 million). The Adjusted EBITDA loss was expected as we accelerated investment in talent and technology.

We typically contract with clients annually and invoice for the subscriptions upfront. This gives us high revenue visibility over the coming twelve months, and healthy cash flows from operations. Our free cash flow was +£0.3 million (2020: £1.1 million).

Growth initiatives

Our focus in 2023, as in previous years, is on growing the size of our ARR book. We believe Skillcast has a tremendous growth opportunity by helping companies digitise their staff compliance to reduce costs, improve employee experience and reduce the risk of breaches in the face of ever-growing regulations.

Our business model of recurring annual subscriptions provides a stable base we can build upon with product upsells and new customer acquisitions. Our investments over the past year enabled us to start 2023 with a flurry of new product launches.

On 1 February 2023, we launched our FastTrack product, which, when added to our OTS courses, enables experienced employees to demonstrate their compliance understanding with a pre-assessment and opt for a shorter version of the course. This improves employee acceptance of compliance training and saves staff time while ensuring full compliance.

On 1 March 2023, we launched our Global Compliance and Global Risk courses, which open up the market for multinational companies, particularly in Europe, that need their courses to be based on global best practices and be available in multiple languages.

In the coming months, we will launch other content and technology products that help with upsells and new customer acquisitions.

We will also launch a new self-service plan in 2023 to supply compliance training to small UK businesses. We already serve this market segment, but we believe that we can substantially increase our penetration of this segment with the new service plan that is more affordable, easy to manage and customised for industry sectors.

Migration of our application to Microsoft Azure has enhanced our service's speed, reliability and security, helping us maintain our reputation as trustworthy custodians of our customers' data. It also provides the scalability we need to support future growth in the customer base.

We have created Microsoft Azure AD gallery apps to help customers implement single sign-on and user provisioning. We have also added integrations with other applications, including Slack, HiBob, Workday, PeopleHR, BambooHR, Degreed, Skillsoft, and Harvard ManageMentor.

ESG

Our business and products exist to support the ESG goals of our corporate customers. We help them build inclusivity, integrity and compliance in the workplace, and by digitising many activities that previously required travel, we help them reduce energy consumption and carbon emissions. In doing so, we are also conscious of our own environmental and social performance.

We are proud to have achieved Carbon Neutral status in 2022 by measuring and offsetting our emissions and are committed to reducing our carbon emissions further. We have operated as a Living Wage employer since 2019. We are investing in developing skills and decision-making in our diverse workplace.

We believe that our employees' innovation, customer focus, teamwork and aspiration are the key to achieving our corporate vision.

Vivek Dodd
Chief Executive Officer
25 April 2023

Financial Review

Revenues for the year ended 31 December 2022 increased by 17% to £9.8 million (2021: £8.4 million), driven by new subscription customers, with ARR** climbing 16% on the year to £6.7 million (2021: £5.8 million). As a consequence of our planned investment programme, adjusted LBITDA* was a loss of £0.3 million (2021: EBITDA +£1.1 million). Improved working capital helped maintain net cash at year-end of £7.7 million, 2% below last year (2021: £7.9 million), and generate positive free cash flow of £0.3 million (2021: £1.1 million).

Key Performance Indicators

Key performance indicators (KPIs) are tracked through monthly reviews against targets approved by the Board.

	2022 £'000	2021 £'000	% change
Revenue	9,830	8,408	+17%
Software-as-a-service revenue (SaaS revenue)	6,690	5,227	+28%
Gross Margin	70.1%	70.5%	-0.4 pts
**Adjusted (LBITDA)/EBITDA	-316	1,055	n/a
*Annual recurring (SaaS) revenue (ARR) as at 31.12	6,751	5,818	+16%
Churn (as a percentage of ARR)	12%	8%	+4pts
Deferred revenue from subscriptions	3,213	2,695	+19%
Cash at 31 December	7,704	7,856	-2%
Free cash flow	271	1,117	-76%
Number of employees at 31 December	111	88	+26%

*and **defined later in the financial report in Alternative Performance Measures section

Revenue

Total revenues of £9.8 million were 17% up on the comparable period last year (2022: £8.4 million), driven by software-as-a-service ("SaaS") subscription revenues, predominantly from new clients. Subscription revenues typically accrue from twelve-month contracts, invoiced up front, for our compliance e-learning libraries and compliance technology. During 2022, subscription revenue growth helped grow the proportion of revenues from subscriptions to 68% (2021: 62%) of total revenues. 91% of subscription revenues were derived from our core e-learning products, with the remaining 9% of subscription revenues delivered from our suite of "Regtech" products (2021: 7%).

Subscription ("SaaS") revenues grew 28% to £6.7 million (2021: £5.2 million). The growth in subscription revenues was driven by a combination of new clients and product upsells/more users.

*Annual recurring revenue (ARR), our key performance indicator to measure subscription sales progress, grew by 16% to £6.8 million over the past 12 months (2022: £5.8 million). New sales lifted ARR by 25% from December 21, offset by a net retention rate of 90%, which included 12% churn. 2022 churn was elevated due to the loss of three EU-based clients. Underlying churn, excluding these clients, remained below 10%, in line with prior years. The Group launched two global libraries that improve the product fit with our remaining EU clients and reduce their churn risk.

Revenue from professional services was £3.1 million, which was 1% below the same period last year (2021: £3.2m), in line with our strategy to maintain these lower margin revenues at consistent absolute levels.

Total client numbers grew to over 1000 in 2022 with 45% of revenues coming from sectors other than financial services.

Gross profit

Gross Margin fell 0.4 percentage points to 70.1% (2021: 70.5%). Transitional costs impacted the fall while clients were migrated from server-hosted sites to more resilient cloud-hosted sites.

Investing for growth

Total overheads before exceptional IPO-related costs in the prior year of £0.9 million grew by £2.4 million to £7.4 million (2021: £5.0 million) as the Group invested in driving future growth as intended. Most of this investment was in people as the Group accelerated hiring to improve future growth. On 31 December 2022, the total headcount had increased to 111 (31 December 2021: 88). Total average headcount increased in 2022 by 27% to 100 (2021: 78). The largest area of growth was in the sales and marketing function with an average of 12 more heads during the period.

****Adjusted EBITDA/LBITDA**

As anticipated, and due to the increased investment, the Group delivered an adjusted loss of earnings before interest, tax, depreciation and amortisation (LBITDA) of £0.3 million in 2022 (2021: +£1.1 million). This profit performance reflects the intended investment programme, supported by the fundraising in December 2021.

Tax

The Group reported a loss before tax of £0.6 million in the year and consequently was not liable for any corporation tax in its UK or Malta jurisdictions.

The Group had unutilised tax losses carried forward of approximately £1.3 million as of 31 December 2022 (2021: £0.7 million) due predominantly to research and development credits. These are expected to increase in 2023 through trading losses and further research and development claims. Given the varying degrees of uncertainty as to the timescale of the utilisation of these losses, the Group has not recognised the potential deferred tax assets associated with these losses.

In Malta, a withholding tax rebate of £136,983, due to Inmarkets Group Ltd regarding dividends declared by Inmarkets International Ltd for 2021, is reflected as a tax credit in 2022. The rebate is based upon dividends declared by Inmarkets International Ltd and paid to Inmarkets Group Ltd during 2022. Its settlement depends upon all necessary tax returns filed and accepted by the relevant authorities.

No rebate was received in 2022 by Inmarkets Group Ltd (2021: £355,178) in relation to dividends declared by Inmarkets International Ltd. The balance due to the Inmarkets Group Ltd for all Maltese tax rebates as at 31 December 2022 was £854,903.

Earnings per share (EPS)

Following the share issue in December 2021 at the time of the IPO, no ordinary shares were issued in 2022, and the basic loss per share was -0.460 pence on 89.5m shares (2021 EPS: +0.467 pence).

Dividends

With a business backed by recurring revenues that provide strong cash generation, the Board is committed to paying dividends. The Board is recommending a final dividend of 0.279 pence per share which, together with the 0.168 pence interim dividend paid in October 2022, gives a total dividend of 0.447 pence. The final dividend will be paid on 21 July 2023 to shareholders on the register on 30 June 2023.

The Board's policy is to at least maintain the total aggregate annual dividend of £400,000, consistent with previous years, for the foreseeable future.

Balance sheet and cash flow

Net assets at 31 December 2022 were £6.6 million (31 December 2021: £7.2 million). The £0.6 million reduction in the year was due to the £0.4 million reduction in comprehensive income in the year from planned investments and £0.4 million of dividend payments, partly offset by £0.2 million increase in the share option reserve.

Non-current assets of £0.9 million at 31 December 2022 represented no material change on the prior year. The Group does not capitalise any intellectual property additions to its products' content or technology, opting to expense them as they are incurred. The Group expenses all product and technology development. Non-current assets reflect computer hardware and software and office furniture and fittings, and the right of use value of its office leases in London and Malta in accordance with IFRS 16. During the year, the Group extended the lease on its Malta office to September 2028.

Current assets, excluding cash, were £3.3 million at 31 December 2022 (31 December 2021: £3.8 million). This predominantly includes trade receivables which, despite the 17% growth in revenue during the year, fell 17% to £2.1 million at 31 December 2022 (31 December 2021: £2.6 million) due to improved credit control. Debtor days at 31 December 2022 were 48 (31 December 2021: 66) as a result of a significant reduction in overdue debt. Debtors more than 60 days overdue represented 20% of trade receivables at 31 December 2022 (31 December 2021: 41%). A further £0.9m of trade receivables is due from the Maltese tax authorities relating to withholding tax rebates on dividends declared from Inmarkets International Ltd and payable to Inmarkets Group Ltd.

Total liabilities at 31 December 2022 of £5.3 million showed no net movement during the year, mainly comprising trade payables, deferred revenue and the liability on the London and Malta office leases. Deferred revenue reflects the unrecognised revenue of signed contracts. The majority of this balance relates to subscription revenues which, at 31 December 2022, were £3.2 million, 19% higher than at the same time in the previous year (31 December 2021: £2.7 million).

The Group has no bank debt and at 31 December 2022, held cash of £7.7 million (31 December 2021: £7.9 million). Free cash flow during the year remained positive at £0.3m (2021: £1.1m) despite the Group generating a loss, after the planned

Cash flow during the year remained positive at £0.5m (2021: £1.1m) despite the Group generating a loss, after the planned accelerated investment, primarily due to reduced trade receivables.

Alternative Performance Measures

The Group elects to report certain financial measures not defined or recognised under IFRS, including adjusted EBITDA and EPS and Annual Recurring Revenue (ARR) defined below.

**Adjusted EBITDA/LBITDA

The Group elected to adjust its EBITDA from continuing operations for non-recurring costs in connection with its IPO in December 2021. It also elected to adjust EBITDA by reversing the IFRS treatment of depreciation of property leases and the share-based payment charges included in adjustments in the 2021 report. The Group now accepts these are recurring items, and no longer elects to adjust. There were no adjusting items in the twelve months ended 31 December 2022.

	2022	2021	2021
	£'000	£'000	£'000
	Audited	Re-stated	Audited
LBITDA/EBITDA from continuing operations	(316)	360	360
IPO costs	0	876	876
Reversal of IFRS treatment of depreciation of property lease			(198)
Share-based payment			17
Adjusted LBITDA/EBITDA	(316)	1,237	1,056

*Annual Recurring Revenue (ARR)

ARR is also used to assess the performance and the trend of subscription revenue. ARR is calculated by multiplying the Monthly Recurring Revenue ("MRR") by twelve. MRR is defined as the subscription revenue recognised in a month, excluding any retrospective upward adjustments arising at the end of the contract where there have been more subscribers than a client originally contracted for, less any contract losses (Churn) or downward adjustments arising on contract renewal. The Directors consider that the ARR, derived from software-as-a-service (SaaS) sales, is a key measure of the performance of the business. The ARR increased 16% in the year to £6.8 million at 31 December 2022.

Richard Steele
Chief Financial Officer
25 April 2023

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2022

	Note	2022	2021
		£	£
Revenue	4	9,830,431	8,408,056
Cost of sales		(2,942,092)	(2,476,708)
Gross profit		6,888,339	5,931,348
Administrative expenses		(7,442,068)	(5,853,792)
Operating profit		(553,729)	77,556
EBITDA	3	(316,314)	360,345
Adjustment items	3	-	695,472
Adjusted EBITDA	3	(316,314)	1,055,817
Other Income		3,013	1,650
Finance income		15,996	393
Finance expense		(21,307)	(18,953)
Profit before tax	5	(556,027)	60,646
Income tax rebate	7	144,237	316,984

Profit after tax and total comprehensive income	<u>(411,790)</u>	<u>377,630</u>
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Earnings per share:

Basic	17	-0.460p	0.467p
Diluted	17	N/A	0.465p
EPS Basic Adjusted	17	-0.460p	1.328p

Consolidated statement of financial position

As at 31 December

	Note	2022 £	2021 £
Assets			
Non-current assets			
Property, plant and equipment	10	254,288	276,697
Right-of-use assets	11	616,024	582,517
Deferred tax assets	15	<u>11,999</u>	<u>4,745</u>
		882,311	863,959
Current assets			
Trade and other receivables	8	3,330,574	3,798,823
Cash and cash equivalents	9	<u>7,704,003</u>	<u>7,856,126</u>
		11,034,577	11,654,949
TOTAL ASSETS		<u>11,916,888</u>	<u>12,518,908</u>
Issued capital and reserves attributable to owners			
Share capital	16	89,459	89,459
Share premium reserve			
Share Premium		3,490,541	3,490,541
Share Option Reserve	20	223,331	17,000
Retained earnings		<u>2,812,695</u>	<u>3,624,369</u>
Total equity		<u>6,616,026</u>	<u>7,221,369</u>
Liabilities			
Current liabilities			
Trade and other payables	12	1,199,370	1,440,550
Contract liability	13	3,437,764	3,037,184
Current lease liabilities		188,586	182,366
Income tax payable	14	<u>16,320</u>	<u>176,134</u>
		4,842,040	4,836,234
Non-current liabilities			
Long-term lease liabilities		<u>458,822</u>	<u>461,305</u>
		458,822	461,305
Total liabilities		<u>5,300,862</u>	<u>5,297,539</u>
TOTAL EQUITY AND LIABILITIES		<u>11,916,888</u>	<u>12,518,908</u>

**Consolidated statement of
changes in equity**

**For period ended 31
December 2022**

	Share capital	Share Premium Paid	Share Option Reserve	Retained earnings	Total equity
01 January 2021	2,000	-	-	3,874,738	3,876,738
Comprehensive Income for the period					
Profit	-	-	-	377,630	377,630
Total comprehensive Income for the period	-	-	-	377,630	377,630
Total contributions by and distributions to owners					
Capitalisation of Profit and Loss	78,000	-	-	(78,000)	-
Shares issued on admission to AIM	9,459	3,490,541	-	-	3,500,000
Share Option Reserve	-	-	17,000	-	17,000
Dividends - Prior Year				(400,000)	(400,000)
Dividends - Current Year				(150,000)	(150,000)
Total contributions by and distributions to owners	87,459	3,490,541	17,000	(628,000)	2,967,000
31 December 2021	89,459	3,490,541	17,000	3,624,368	7,221,368
01 January 2022	89,459	3,490,541	17,000	3,624,368	7,221,368
Comprehensive Income for the period					
Profit	-	-	-	(411,790)	(411,790)
Total comprehensive Income for the period	-	-	-	(411,790)	(411,790)
Total contributions by and distributions to owners					
Share Option Reserve	-	-	206,331	-	206,331
Dividends - Prior Year				(249,592)	(249,592)
Dividends - Current Year				(150,292)	(150,292)
Total contributions by and distributions to owners	-	-	206,331	(399,884)	(193,553)
31 December 2022	89,459	3,490,541	223,331	2,812,694	6,616,025

Consolidated statement of cash flows

For the year ended 31 December

	2022	2021
	£	£
Cash flows from operating activities		
Profit before tax	(556,027)	60,646
Adjustments for:		
Depreciation of property, plant and equipment	88,405	84,668
Amortisation of right-of-use assets	149,010	198,121
Finance income	(15,996)	(393)
Share based payment	206,331	17,000
Finance expense	21,307	18,953
	(106,970)	377,345
Decrease in trade and other receivables	468,248	(324,474)
Increase in trade and other payables, including contract liabilities	159,399	1,456,609

Cash generated from operations	520,677	1,509,480
Income taxes paid	(22,831)	(10,629)
Net cash flows from operating activities	497,846	1,498,851
 Investing activities		
Purchases of property, plant and equipment	(65,995)	(242,612)
Interest received	15,996	393
Net cash used in investing activities	(49,999)	(240,569)
 Financing activities		
Principal paid on lease liabilities	(178,779)	(133,007)
Dividends paid	(399,884)	(550,000)
Share Issued	-	3,500,000
Interest paid on lease liabilities	(21,307)	(18,953)
Net cash from/(used) in financing activities	(599,970)	2,798,040
 Net increase in cash and cash equivalents	(152,123)	4,056,322
Cash and cash equivalents at beginning of period	7,856,126	3,799,804
 Cash and cash equivalents at end of period	7,704,003	7,856,126

Notes to the consolidated financial statements

1 General Information

Skillcast Group PLC ('Company') is registered in the United Kingdom with registration number 12305914 and is limited by shares. Its registered office is at 80 Leadenhall Street, London, England, EC3A 3DH. The Company is the ultimate parent of Inmarkets Ltd, Inmarkets Group Ltd and Inmarkets International Ltd.

This report and financial statements reflect the consolidated activities and transactions of the Company and other group companies ('Group').

Up to the 28 July 2021 the Company was a private limited company. On the 28 July 2021 the Company re-registered as a public company as Skillcast Group PLC. The Company did this in preparation of admission to the AIM market of the London Stock Exchange. On 1 December 2021 the Company's ordinary shares were admitted in trading on AIM.

The Company is primarily involved in providing management services to other entities in the group. The Group provides software and content subscriptions and related professional services to enable companies to transform their staff compliance. Operating from its two bases, in London and Malta, the Group helps companies across a broad spectrum of industry sectors in the UK, EU and in the rest of the world, to train their staff and demonstrate compliance with various laws, regulations, and standards that are relevant for their business.

2.1 Basis of preparation and statement of compliance

The Financial information set out in this announcement does not constitute the Company's statutory accounts for the years ended 31 December 2022 or 2021 but is derived from the 2022 accounts.

A copy of the statutory accounts for the year to 31 December 2022 is available on the Company's website and will be delivered to the Registrar of Companies following the Company's AGM. The auditors have reported on those accounts, their report was (i) Unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for 2021 nor 2022.

Whilst the financial statements from which this announcement is derived have been prepared in accordance with UK-adopted International Accounting Standards and applicable law, this announcement does not itself contain sufficient information to comply with the UK-adopted International Accounting Standards. The Annual Report, containing full financial statements that comply with UK-adopted International Accounting Standards, will be sent to shareholders later in May 2023.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, in the preparation of the 2022 financial statements they continue to adopt the going concern basis. These financial statements have been prepared in accordance with UK adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006. They have been prepared under the historical cost convention and on a going concern basis.

The financial statements are presented in Pounds Sterling, which is the Group's presentation currency.

2.2 Changes in Accounting Policies and Disclosures

The Company has adopted all of the new or amended UK adopted International Accounting Standards and Interpretations that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted for the annual reporting period ended 31 December 2022. The Company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

2.3 Summary of significant accounting policies

Revenue recognition

Software as a Service (SaaS) subscriptions

The Group provides subscriptions to its right of access of content and technology products to clients for subscription periods ranging from six to that are typically twelve months.

Revenue is recognised evenly over the contractual period of the subscription as the client simultaneously receives and consumes the benefits of the Group's services.

The balance of the revenue which has not been recognised at the reporting date is deferred as a contract liability in current liabilities, until it is due to be recognised as revenue.

Where a contract includes multiple performance obligations, the transaction price is allocated to each performance obligation based on the stand-alone selling prices.

Professional services

The Group provides customised and standard content to its clients provided under fixed-price contracts which is generally non-recurring revenue.

Fixed price contracts are recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case contract revenue is only recognised to the extent of contract costs incurred that are recoverable. This is because either the Group is creating an asset with no alternative use to it and the contract contains the right to payment for work completed to date, or the client is simultaneously receiving and consuming the benefits of the Group's services as it performs.

Business development costs incurred as part of a bid or tender process are expensed as incurred. There are no material costs incurred during the period between the contract being awarded and service delivery commencing.

For fixed-price contracts, the client pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, an amount recoverable on contract assets is recognised. Conversely, if the payments exceed the services rendered, a liability is recognised.

Amounts recoverable on contracts are included in current assets and represent revenue recognised on account.

Compensation

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision-maker (which takes the form of the Board of Directors of the Group), in order to allocate resources to the segment and to assess its performance. The Directors of the Group consider the Group is organised as one business unit and all assets, liabilities, revenues and expenditure are retained and recorded as such. However, the Group does segment revenue by type of revenue, namely SaaS subscriptions and Professional Services, and on a geographic basis.

Foreign currencies

The financial statements are presented in the Company's functional currency, Pounds Sterling, being the currency of the primary economic environment in which the Group operates. Transactions denominated in currencies other than the functional currency are translated at the rates of exchange ruling on the date of transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are re-translated to the functional currency at the exchange rate ruling at year end. Exchange differences arising on the settlement and on the re-translation of monetary items are dealt with in the statement of comprehensive income, except in the case of significant exchange differences arising on investing or financing activities, which are classified within investment income, investment losses or finance costs as a percentage of the relevant investment.

Taxes

Current and deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also dealt with in other comprehensive income or in equity, as appropriate.

Current tax is based on the taxable result for the period. The taxable result for the period differs from the result as reported in profit or loss because it excludes items which are non-assessable or disallowed and it further excludes items that are taxable or deductible in other periods. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current tax assets and liabilities are offset when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to set off its current tax assets and liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

In Malta, Inmarkets Group Ltd is able to reclaim a proportion of the corporation tax paid by its subsidiary, Inmarkets International Ltd, as long as it meets certain criteria laid down by the Maltese tax authorities. The criteria include that the relevant corporation tax has been paid by Inmarkets International Ltd and that dividends to Inmarkets Group Ltd have been declared by Inmarkets International and are payable to non-Maltese tax resident shareholders. It is Group policy to reclaim Maltese corporation tax to the fullest extent permissible and to recognise this income in Inmarkets Group Ltd based upon dividends declared, or that will be declared once tax returns are completed, for the financial year. The reclaimed corporation tax is presented as netted off with the income tax expense and in other receivables.

3 EBITDA and adjusted EBITDA

The Group elected to adjust its EBITDA from continuing operations for non-recurring costs in connection with its IPO in December 2021. It also elected to adjust EBITDA by reversing the IFRS treatment of depreciation of property leases and share-based payment charges. The Group now accepts these are both recurring items and no longer elects to adjust for them.

As adjusted **Audited**

2022

2021

2021

	£	£	£
Operating profit	(553,729)	77,556	77,556
Depreciation	88,405	84,668	84,668
Amortisation	149,010	<u>198,121</u>	198,121
EBITDA	(316,314)	360,345	360,345
Rent equivalent	-	(198,005)	
Non-recurring expenditure	-	876,477	876,477
Share-Based Payments	-	17,000	
Adjusted EBITDA	(316,314)	<u>1,236,822</u>	1,055,817

Due to the nature of the calculation of EBITDA and adjusted EBITDA, the reported figures may not be comparable to other companies with similar measures.

4 Revenue

	2022	2021
	£	£
<i>Major product lines</i>		
Software as a Service (SaaS) subscriptions (i)	6,689,710	5,227,229
Professional services (ii)	<u>3,140,721</u>	<u>3,180,827</u>
	<u>9,830,431</u>	<u>8,408,056</u>

(i) SaaS subscriptions - The Group provides subscriptions to its content and technology products to the customer for subscription periods that are typically twelve months. The revenue is recognised evenly over the period of subscription. This revenue includes subscriptions to: (a) Skillcast Portal - the Group's integrated compliance management application that comes with a broad range of tools, namely SELMS, Policy Hub, Compliance Declarations, Surveys, Compliance Registers, Training 360, Events Management and SMCR 360; and (b) the Skillcast OTS course libraries, namely Essentials, FCA Compliance, Insurance Compliance and Risk.

(ii) Professional services - The Group provides customised and standard content to its clients under fixed-price contracts. This non-recurring revenue includes: (a) bespoke e-learning development projects for large corporates; (b) translations of those bespoke courses; (c) customisation of OTS courses for subscription clients; and (d) other content and technology consultancy.

	2022	2021
	£	£
<i>Geographic split</i>		
UK	7,627,351	5,716,503
Europe	1,344,694	1,693,379
Rest of world	<u>858,386</u>	<u>998,175</u>
	<u>9,830,431</u>	<u>8,408,056</u>

Non-current assets in which they are based are shown below:

Property, plant, and equipment

UK	197,744	205,003
Malta	<u>56,544</u>	<u>71,694</u>
	<u>254,287</u>	<u>276,697</u>
<i>Right of use assets</i>		
UK	365,968	465,188
Malta	<u>250,056</u>	<u>117,329</u>
	<u>616,024</u>	<u>582,517</u>

5 Profit before taxation

The profit before taxation is stated after charging the following amounts:

	2022	2021
	£	£
Staff cost (CoS)	1,846,407	1,536,011

Subcontracted services (CoS)	797,125	865,251
Staff costs (Admin)	4,835,911	3,173,390
Directors' compensation	848,496	565,345
Professional fees	215,534	228,735
Depreciation and amortisation expense	237,415	282,789
Fees payable to the Company's auditor for the audit of Parent and Subsidiaries	73,870	87,483
Expenses related to the Admission into AIM	0	876,477

Included in the prior year expenses related to the admission into AIM was payments made to Crowe UK LLP, who are engaged as the Company's auditors, of £110,000. There were no non-audit fees incurred by Crowe UK LLP in 2022.

6 Staff costs and employee information

	2022	2021
	£	£
Salaries & wages	6,488,702	4,609,966
Social security costs	718,605	499,630
Pension	102,924	70,043
Share-based payment expenses	206,331	17,000
Other payroll costs	14,252	6,107
	<u>7,530,814</u>	<u>5,202,746</u>

The Group companies contribute towards the state pension in accordance with local legislation. The only obligation of the companies is to make the required contributions. Costs are expensed in the period in which they are incurred.

Number of staff

The average number of persons employed by the Group during the year was 100, and at December 2022 the number of persons employed was 111, analysed by category as follows:

	At 31 December	At 31 December	Average	Average
	2022	2021	2022	2021
Directors	7	7	7	5
Administration	2	1	2	1
Client Service	23	19	21	18
Operations/Production	24	21	23	19
Sales & Marketing	33	21	27	19
Finance	4	4	4	3
Technology	18	15	17	13
	<u>111</u>	<u>88</u>	<u>100</u>	<u>78</u>

Key management personnel

The remuneration of key management personnel (considered to be the Directors and Senior Management) is £1,267,456 (2021: £988,699) and is set out below in aggregate for each of the categories specified in IAS24: Related Party Disclosures. Compensation has been disclosed in this note, while further information can be found in the remuneration report of the annual report and accounts.

	2022			2021				
	Directors		Senior Management	Total	Directors		Senior Management	Total
	£	£	£	£	£	£	£	£
Wages and Salaries	820,346	93,757	914,103	493,345	59,432	552,777		
Social Security	114,772	2,384	117,156	63,280	2,173	65,453		
Pension	11,597	-	11,597	6,600	-	6,600		
Share-based payment expenses	20,743	9,174	29,917	915	634	1,549		
Consultancy fees	55,190	139,493	194,683	224,130	138,190	362,320		
	<u>1,022,648</u>	<u>244,808</u>	<u>1,267,456</u>	<u>788,270</u>	<u>200,429</u>	<u>988,699</u>		

Chris Backhouse resigned as a Director on 11 May 2022 and Richard Steele joined as a Director on 11 May 2022. Chris Backhouse is a director in Enterprise FD Ltd. The Company made payments to Enterprise FD Ltd for financial director and related services of £55,190 in the year ended 31 December 2022 (2021: £152,130). Morten Damsleth, whose remuneration is included in Senior Management above, is the owner of Monad IKE. The Company made payments to Monad IKE for operations director and related services of £139,493 (2021: £138,190). Vivek Dodd, Director, ceased being a consultant and became employed as of 1 October 2021. Prior to him becoming employed the Company paid £72,000 to him as a consultant in 2021.

The Company made contributions to defined contribution personal pension schemes for four Directors in the period (2021: three).

7 Income tax expense

	2022	2021
	£	£
Current tax on profits for the year	-	169,798
Deferred tax expense	(7,254)	367
Withholding taxes credit on intercompany dividends	<u>(136,983)</u>	<u>(487,149)</u>
	<u>(144,237)</u>	<u>(316,984)</u>

A reconciliation of the current income tax expense applicable to the profit before taxation at the statutory rate to the current income tax expensed at the effective tax rate of the Company is as follows:

	2022	2021
	£	£
Profit/(loss) before taxation	(556,027)	60,646
Tax calculated at applicable UK statutory tax rate of 19%	(105,645)	11,523
Tax effects of:		
-Expenses not deductible for tax purposes	52,481	195,150
-Taxable losses carried forward	491,791	234,361
-Withholding tax credit on intercompany dividends	(136,983)	(487,149)
-Research and Development Credits	(520,000)	(112,691)
-Differing tax rates due to trade in different jurisdictions	9,002	(125,230)
-Other adjustments	65,117	(32,948)
Current income tax	(144,237)	(316,984)

The Company provides for income taxes on the basis of its income for financial reporting purposes, adjusted for items that are not assessable or deductible for income tax purposes in accordance with the regulation of domestic tax authorities.

The effective rate of tax for the year ended 31 December 2022 was -26% (2021: -525%). This effective tax rate is a combination of the following items:

- * the tax rates and tax regimes in the UK and Malta in which the businesses of the Company operate;
- * the diverse tax treatments of deferred consideration amounts applied in each jurisdiction;
- * the tax loss carry forward regulations in different jurisdictions.

The tax rates applicable in the jurisdictions are:

- * UK: The applicable statutory tax rate for 2021/20 is 19%
- * Malta: Income taxes are due at 35% of taxable income.

In 2022 a withholding tax rebate of £136,983 (2021: £487,149) is netted against the income tax expense. The rebate relates to withholding taxes on dividends declared by Inmarkets International Limited to the Inmarkets Group Limited.

As of the end of the period the Post 1 April 2017 loss carry forward was £1,218,613, and the Pre 1 April 2017 loss carry forward was £69,877 for the Company.

8 Current assets - trade and other receivables

	2022	2021
	£	£
Trade receivables	2,120,467	2,569,083
Less: Allowance for expected credit losses	<u>(92,514)</u>	<u>(125,286)</u>
	<u>2,027,953</u>	<u>2,443,797</u>
Prepayments and contract assets	387,669	415,073
Maltese withholding tax	854,903	825,213
Other receivables	<u>60,049</u>	<u>114,740</u>
	<u>1,302,621</u>	<u>1,355,026</u>

As of 31 December 2022, trade receivables totalled £2,120,467 (2021: £2,569,083) were past due but not impaired. These primarily relate to customers for whom there is considered a low risk of default. An allowance of £92,514 (2021: £125,286) have been set up to offset credit risks.

During the year no withholding tax rebates were received by the Company (2021: £355,178). Of the £854,903 owing at 31 December 2022 £226,846 has been filed and expected to be paid by 31 December 2023. The claim for the remaining balance is in the process of being filed.

9 Current assets - cash and cash equivalents

	2022	2021
	£	£
Cash at bank	7,704,003	7,853,451
Cash at hand	<u>-</u>	<u>2,675</u>

	<u>7,704,003</u>	<u>7,856,126</u>
	2022	2021
	£	£
<i>Geographic split</i>		
United Kingdom	4,935,131	5,359,938
Malta	<u>2,768,872</u>	<u>2,496,188</u>
	<u>7,704,003</u>	<u>7,856,126</u>
	2022	2021
	£	£
<i>Cash Held by Currency (in Pound Sterling)</i>		
Pound Sterling	7,592,698	7,492,134
Euro	57,925	350,138
US Dollar	<u>53,380</u>	<u>13,854</u>
	<u>7,704,003</u>	<u>7,856,126</u>

10 Non-current assets - property, plant, and equipment

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Computer Software & Hardware	Furniture and Fixtures	Office Equipment	Leasehold Improvements	Total
Balance at 1 January 2021	70,386	45,069	3,298	-	118,752
Additions	66,747	49,713	1,705	124,447	242,612
Disposals	-	-	-	-	-
Depreciation expense	<u>(49,613)</u>	<u>(11,602)</u>	<u>(2,712)</u>	<u>(20,741)</u>	<u>(84,668)</u>
Balance at 31 December 2021	<u>87,520</u>	<u>83,180</u>	<u>2,291</u>	<u>103,706</u>	<u>276,696</u>
Balance at 1 January 2022	87,520	83,180	2,291	103,706	276,696
Additions	53,452	12,064	479	-	65,995
Disposals	-	-	-	-	-
Depreciation expense	<u>(53,644)</u>	<u>(12,600)</u>	<u>(1,420)</u>	<u>(20,741)</u>	<u>(88,404)</u>
Balance at 31 December 2022	<u>87,328</u>	<u>82,645</u>	<u>1,350</u>	<u>82,965</u>	<u>254,287</u>

11 Non-current assets - Right-of-use assets

Reconciliations of the written down values at the beginning and end of the current and previous financial periods are set out below:

	Leasehold property	Car leases	Total
Balance at 1 January 2021	247,003	16,350	263,353
Additions	517,284	-	517,284
Disposals	-	-	-
Amortisation expense	<u>(189,174)</u>	<u>(8,946)</u>	<u>(198,121)</u>
Balance at 31 December 2021	<u>575,113</u>	<u>7,404</u>	<u>582,517</u>
Balance at 1 January 2022	575,113	7,404	582,517
Additions	182,516	-	182,516
Disposals	-	-	-
Amortisation expense	<u>(146,978)</u>	<u>(2,031)</u>	<u>(149,010)</u>
Balance at 31 December 2022	<u>610,651</u>	<u>5,373</u>	<u>616,024</u>

The Group leases its offices, typically for a period of several years, with an option to extend (see note 21). On renewal, the terms of the lease are renegotiated. Prior to 2019, the Group recognised expenditure related to office rents in relation to the period to which it related. From 2019 it recognised right-of-use assets in accordance with IFRS 16. On 23rd May 2021, the Company's UK Subsidiary moved to a new office located at the 3rd Floor, Leadenhall Street, London, UK, the present value of this lease was calculated at £517,284. The new lease will expire on the 23rd May 2026. On 20th September 2022, the Company's Malta Subsidiary renegotiated its lease with its landlord, essentially modifying the old lease. The present value of this lease modification was calculated at £406,715. The modified lease's Initial Term will expire on 30th September 2025, with an Extended Term then expiring on 30th September 2028.

12 Current liabilities - trade and other payables

	2022 £	2021 £
Trade payables	186,783	180,452
Accruals	550,987	444,141
Amount due to shareholders	450	450
Sales and payroll taxes	433,466	758,094
Wages & Pension payable	<u>27,684</u>	<u>57,413</u>
	<u>1,199,370</u>	<u>1,440,550</u>

13 Current liabilities - Contract liability

	2022 £	2021 £
Deferred revenue - Subscriptions	3,212,733	2,695,496
Deferred revenue - Professional Services	<u>225,031</u>	<u>341,688</u>
Deferred revenue	<u>3,437,764</u>	<u>3,037,184</u>

Contract liabilities represent subscription revenue that has not been recognised at the reporting date, as performance obligations remain. Subscription revenue is recognised over the subscription period, which is generally 12 months. Contract liabilities from Professional Service contracts are recognised on a percentage of completion at the end of the reporting period as per IFRS15.

14 Current liabilities - Income tax

	2022 £	2021 £
Corporation tax payable	<u>16,320</u>	<u>176,134</u>

15 Non-current liabilities - Deferred tax

The deferred tax (liability)/asset for the year is analysed as follows.

	2022 £	2021 £
At beginning of the period	4,745	5,112
Credited to statement of comprehensive income	<u>7,254</u>	<u>(367)</u>
At end of the period	<u>11,999</u>	<u>4,745</u>
Deferred tax asset		
Temporary differences - on non-current assets due to accelerated tax depreciation	<u>11,999</u>	
Deferred tax liability - on non-current assets due to accelerated tax depreciation		4,745

16 Equity - issued capital

	2022 £	2021 £
Number	89,459,460	89,459,460
Par value per share	<u>0.10p</u>	<u>0.10p</u>
Total	<u>89,459</u>	<u>89,459</u>

All the shares in the Company are fully paid up. On 28 July 2021 the Company re-registered as a public company. Prior to re-registration, the company's shares were reclassified as Ordinary Shares, and the company capitalised £78,000 of retained profit in order to meet the minimum capital value for these shares required of a public company. The shares were also consolidated into 1 share for every 10 in issue. On 1 December 2021 9,459,460 additional shares were issued upon the Company's admission to the Alternative Investment Market.

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of, and amounts paid, on the shares held. On a show of hands, every member present at a meeting

17 Earnings per share

Earnings per share (EPS) is calculated on the basis of profit attributable to equity shareholders divided by the weighted average number of shares in issue for the year.

Diluted earnings per share have been calculated on the same basis as above, except that the weighted average number of ordinary shares that would be issued on the conversion of the dilutive potential ordinary shares as calculated using the treasury stock method (arising from the Company's share option scheme and warrants) into ordinary shares has been added to the denominator.

	2022 £	2021 £
Profit before tax	-556,027	60,646
Tax	144,237	316,984
Profit after tax	-411,790	377,630
Non-recurring expenditure	0	695,472
Adjusted earnings	<u>-411,790</u>	<u>1,073,102</u>
Weighted average number of ordinary shares		
Basic	89,459,460	80,788,288
Effect of dilutive potential ordinary shares	<u>3,843,507</u>	<u>402,500</u>
Diluted average number of shares	<u>93,302,967</u>	<u>81,190,788</u>
Earnings per share:		
Basic	-0.460p	0.467p
Diluted	N/A	0.465p
Adjusted earnings - Basic	-0.460p	1.328p
Adjusted earnings - Diluted	N/A	1.322p

The Group elected to adjust its EBITDA from continuing operations for non-recurring costs in connection with its IPO in December 2021. It also elected to adjust EBITDA by reversing the IFRS treatment of depreciation of property leases and share-based payment charges. The Group now accepts these are both recurring items and no longer elects to adjust for them.

Basic per share of -0.460p (2021: 0.467p) has been impacted by non-core operating expenses. Tax on adjusted earnings is the same figure as that shown on the consolidated statement of comprehensive income, given that the majority of the adjusting items in the earnings per share calculation above are also adjusted for when calculating the Company's tax expense.

18 Dividends

	2022	2021
	Pence per share	Pence per share
Dividend declared - Final 2021	0.279p	249,592
Dividend declared - Interim 2022	0.168p	150,292
Dividend declared - Final 2020		0.500p 400,000
Dividend declared - Interim 2021		0.188p 150,000
Dividend declared per share	<u>0.688p</u>	<u>0.500p</u>
Dividend declared per share - diluted	<u>0.688p</u>	<u>0.500p</u>

During the period under review, the Group generated a loss before tax of -£554,812 (2021: £60,646). A final dividend of £249,592 (0.279p) was declared and paid with regards to the year ended 2021 and £150,292 (0.168p) interim dividend was declared and paid with regards to the year ended 2022. The Group's policy is to at least maintain dividend payments.

The Board became aware of a breach of procedure concerning compliance with the Companies Act 2006 in relation to the payment of the interim dividend of £150,000 for 2021 financial year of the Company that was paid in October 2021. This dividend was paid to Shareholders when the Company had sufficient reserves. However, the Company's relevant accounts for the purposes of the Companies Act 2006, namely those filed for the year ended 31 December 2020, did not show sufficient distributable reserves and no interim accounts had been filed at Companies House to confirm the adequacy of reserves at the time of the declaration and as required by the Act.

To satisfy the steps required to rectify this breach of procedure, a resolution was passed at the Company's General Meeting on 22 June 2022. The Company has put in place the necessary controls and processes to ensure that a similar issue will not recur.

The Board is proposing a final dividend of 0.279p per share. In combination with the interim dividend, if confirmed by the shareholders at the AGM, this will represent a total dividend for the year of £399,884 (2021: £399,592) or 0.447p per share based upon the number of shares currently in issue. If further approved by shareholders at the AGM on 20 June 2023, the final dividend will be paid on 21 July 2023 to shareholders on the register at the close of business on 30 June 2023.

19 Share options and warrants

Share options

The share option scheme, adopted by the Company after admission to AIM on 1 December 2021, was established to reward and incentivise the executive management team and staff for delivering share price growth. The option

reward and incentivise the executive management team and staff for delivering share price growth. The option schemes are equity settled.

The share scheme is administered by the Remuneration Committee.

360,000 options were granted during 2022 (2021: 4,483,000) with a weighted average fair value of 28 pence (2021: 37 pence). 410,000 options lapsed during 2022 (2021: n/a) with a weighted average fair value of 37 pence (2021: n/a). These fair values were based on the Company's share price at the date of grant. Out of the 4,163,000 outstanding options (2021: 4,483,000), 1,018,250 options were exercisable (2021: 0).

A charge of £206,331 (2021: £17,000) has been recognised in the consolidated statement of comprehensive income for the year relating to these options.

Options are exercisable in accordance with the contracted vesting schedules; if an employee leaves the employment of the Company prior to the options vesting, then unless otherwise agreed, the share options will lapse.

Details of the share options outstanding at the year-end are as follows:

	Number 2022	WAEP* 2022	Number 2021	WAEP* 2021
Outstanding at 1 January as per 2021 Reporting	4,830,000	37p	-	0p
Adjustment to 2021 Grants	-110,000	-	-	-
Granted during the year	360,000	24p	4,830,000	37p
Exercised during year	-	0p	-	0p
Lapsed during year	410,000	37p	-	0p
Outstanding at 31 December	4,670,000	37p	4,830,000	37p
Thereof exercisable at 31 December	1,018,250	37p	-	0p

* Weighted average exercise price

The weighted average remaining contractual life of the options outstanding at the statement of financial position date is 8.9 years.

20 Share options and warrants

Share options - continued

Details of the share options outstanding at the year-end are as follows:

	Number 2022	WAEP* 2022	Number 2021	WAEP* 2021
Outstanding at 1 January as per 2021 Reporting	4,830,000	37p	-	0p
Adjustment to 2021 Grants	-110,000	-	-	-
Granted during the year	360,000	24p	4,830,000	37p
Exercised during year	-	0p	-	0p
Lapsed during year	410,000	37p	-	0p
Outstanding at 31 December	4,670,000	37p	4,830,000	37p
Thereof exercisable at 31 December	1,018,250	37p	-	0p

* Weighted average exercise price

Share options granted are valued under the Black-Scholes model. All options granted vest equally over 4 years. A dividend yield was assumed based on the Group's stated policy of paying £400,000 per annum. A 50% expected volatility has been assumed. Options in the prior year were granted with an exercise price of 37 pence at the time of the IPO equal to the IPO price of 37pence. Options granted in the year have an exercise price of 24 pence, being the share price at the date of grant.

21 Financing cash flows

A reconciliation of the financing cash flow is set out below:

	2022	2021
	£	£
<i>Lease liability</i>		
At 1 January	643,671	259,394
Additions	182,516	517,284
Interest expense	21,307	18,953
Lease payments	-200,086	-151,960
Disposal	-	-
At 31 December	647,409	643,671

Dividend liability

At 1 January

<i>At 1 January</i>	-	-
Dividends declared	399,884	550,000
Dividend payments	-399,884	-550,000
At 31 December	0	0

<i>Changes to Equity</i>	-	-
Capital Raised (Admission into AIM)	0	3,500,000
Share Option Reserve*	206,331	17,000
At 31 December	206,331	3,517,000

Net financing payments	-393,639	2,815,040
Financing per statement of cash flows	-599,970	2,798,040

*The difference between the Net financing payments and Financing per statement of cash flows is due to the non-cash movement of share option reserves.

A final dividend of £249,592 was declared and paid in 2022 with regards to the year ended 31 December 2021 and £150,292 interim dividend was also declared and paid for the year ended 31 December 2022.

22 Events after the reporting period

Apart from the final dividend declared as disclosed in note 19, no other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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