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25 April 2024

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

Results for the twelve months ended 31 December 2023

Skillcast (AIM: SKL), the provider of SaaS compliance platforms and off-the-shelf e-learning, is pleased to announce its audited results for the twelve months ended 31 December 2023.

Highlights

	2023	2022	Change (2023 v 2022)
Total Revenue	£11.3m	£9.8m	+15%
Subscription revenue	£8.6m	£6.7m	+28%
Gross margin (%)	69.7%	70.1%	-0.4pps
Annualised recurring revenue (ARR)*	£9.3m	£6.8m	+37%
Overheads	£8.8m	£7.4m	+18%
(LBITDA)*	-£0.6m	-£0.3m	n/a
Basic loss of earnings per share (pence)	-0.733p	-0.460p	n/a
Total dividend per share (pence)	0.447p	0.447p	-
Cash in bank	£7.2m	£7.7m	-6%
Free cash flow **	-£0.1m	£0.3m	n/a

- Total revenues up 15% at £11.3 million (2022: £9.8 million)
 - Revenue increase was driven by strong growth in recurring subscription revenues, up 28% at £8.6 million (2022: £6.7 million)
 - Annualised recurring revenue (ARR)* up 37% to £9.3 million (December 2022: £6.8 million) predominantly from new client acquisitions
 - Recurring subscriptions contributed to 76% of total revenues (2022: 68%)
 - Non-strategic professional services revenues declined 12% to £2.8 million (2021: £3.1 million)
- Gross margin remained strong at 69.7% (2022: 70.1%)
- LBITDA of £0.6 million (2022: £0.3 million)
 - Overhead investment rate slowed to increase on the prior year by £1.3 million (2022: £2.5 million).
 - Headcount increased by 6% in the year to 118 (2022: 111)
 - All research and development is expensed
- Strong net cash position at 31 December 2023: £7.2 million (31 December 2022 net cash: £7.7 million), representing c. 8 pence per ordinary share in the Company
 - Up-front payments on increased subscription revenues support losses
 - Free cash flow** of -£0.1 million (2022: £0.3 million) despite LBITDA of £0.6 million
- Basic LPS -0.733 pence per share (2022: LPS -0.460 pence)
- Total dividend of 0.447 pence per share (2022: 0.447 pence)
 - Final dividend proposed: 0.279 pence
 - Interim dividend paid: 0.168 pence
- Operational highlights
 - Total client numbers grew to over 1,200
 - Net retention of 105% supported by price rises and launch of new products and reduced churn
 - Launched Fast Track and new Global Compliance and microlearning Compliance Bites course libraries
 - Developed B2B e-commerce self-serve offer for small businesses
 - Repositioned product offering into three levels: Basic, Standard and Premium
 - Recruited Head of Marketing to drive marketing activity
 - Maintained excellent customer service records (Feefo Platinum Service Award 4.9/5.0)
 - ESG: retained our carbon-neutral position

Current trading and outlook

We have entered the new financial year in a good financial and operational position. Our recent product enhancements and new go-to-market strategy have increased enquiry levels from potential customers, which we are working to convert into additional subscription revenues. Professional services activity remains challenging due to on-going delays in corporate decision-making.

Since the period-end, the ARR from subscriptions has continued to increase on the prior year. As of the end of Q1, our ARR was £10.0 million, up 36% from twelve months ago (March 2023 ARR: £7.3 million). The Board remains confident of meeting market expectations for the year ahead, of returning to profitability, and of delivering on its longer-term strategic plan to achieve its stated vision.

Vivek Dodd, Chief Executive Officer of Skillcast, said:

"Skillcast enables companies to digitise and automate their compliance processes. We are the leading innovators in our sector and are passionate about helping our clients engage their staff on compliance issues, make data-driven decisions and reduce the cost of complying with regulations.

"We are delighted with our SaaS subscriptions ARR growth rate accelerating from 16% in 2022 to 37% in 2023 and the consequent 28% growth in our subscription revenue in 2023.

"This performance is underpinned by our improvements across our content and technology product range, scalable technology infrastructure, and highly responsive customer service, which received a Platinum Service Award based on customer ratings for the fourth consecutive year.

"Trading in 2024 has started well and is in line with expectations. We expect to maintain our growth with our compelling, risk-reducing SaaS solutions and return to sustainable profits from the second half of the year."

*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 be reporting on another positive year of progress for Skillcast. 2023 was an important year for us as we sought to generate returns on the investments that we made in the prior year. We made good progress in this regard over the last twelve months and are excited about prospects for the future.

Results and Dividend

We achieved another strong set of financial results for the year ended 31 December 2023 with progress made on all the key financial metrics that we target. Particularly important was that we returned to growth levels that the business had historically achieved after the planned consolidation in the prior year, as we invested to build a platform for growth. Revenue of £11.3 million was up 15% on the prior year (2022: £9.8 million) but within that the strategically critical subscription-as-a-service (SaaS) revenue was up 28%. Annualised Recurring Revenue ('ARR'), which is the key metric we track as a guide for future prospects was up 37%. As anticipated, profitability has been impacted by the full year impact of the headcount investment that we made in the prior year. But the full year LBITDA of £0.6 million was all made in the first half of the year, with the second half reporting a small positive EBITDA as we started to see the returns on those investments. Our balance sheet remains strong with £7.2 million of cash at the year end (31 December 2022: £7.7 million).

It is the Board's stated policy to maintain the full year dividend at least at the recent historic level for the foreseeable future as we seek to return the business to profitability. We see that as an important financial discipline for a business with repeatable revenues that provide strong cash generation. Accordingly, at the AGM on 25 June 2024, the Board will propose a final dividend per share of 0.279p. Taken in combination with an interim dividend per share of 0.168p that was paid in October 2023 this will retain the full year dividend at £400,000 (2022: £400,000) with the full year dividend per share unchanged at 0.447p (2022: 0.447p). The Board will review and consider a progressive dividend policy when the Group has returned to profitability.

Strategy

Skillcast's overall 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 workplace compliance.

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. Vivek Dodd's CEO Review sets out how Skillcast is helping companies meet these challenges and highlights some important enhancements that we have made over the last twelve months to make our solutions easier for customers to engage with and more compelling commercially.

Our primary strategic imperative remains on driving the organic growth of repeatable subscription-based revenues through a focus on supporting existing clients with a wider range of products and by acquiring similar new customers. We primarily 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 are equally able to support companies of all sizes, our 'sweet spot' is medium sized enterprises for whom compliance requirements are increasingly complex but who are not large enough to warrant full bespoke solutions.

Our priorities going forward will primarily revolve around organic growth. However, with under-utilised cash resources on our balance sheet and having built the technology and people-related infrastructure of the business over the last two years, we are now prepared to enhance that organic growth through targeted bolt-on acquisitions. Appropriate targets are likely to be UK focused and would bring additional content and customer relationships into our existing capabilities. As well as offering an increment to our organic growth plans, once integrated they would be expected to contribute organic growth of their own.

People and Organisation

As planned, headcount growth in 2023 was much slower than it had been in the prior year, and we now feel that we have

As planned, headcount growth in 2023 was much slower than it had been in the prior year, and we now feel that we have the team in place to grow the business significantly and to operate at that larger size. I would like to take this opportunity to congratulate and thank our team for their hard-work and success over the last year.

Isabel Napper, who has been an independent non-executive director since prior to the IPO in 2021 and who was both instrumental in helping us through that process and influential on the Board since, has decided that she will not stand for re-election at the forthcoming AGM. I would like to thank her for her counsel over the last three years. We are in an active process to replace Isabel and anticipate making an announcement in due course.

Shareholder Engagement

I would like to thank investors for their support over the last twelve months. The UK small cap market remains a challenging one for both companies and investors. Skillcast has become a member of the Quoted Companies Alliance and intends to work with them to lobby for the structural and regulatory changes that are needed to restore efficiency to the market.

We have enjoyed meeting with investors over the last twelve months at both formal meetings and various investor conferences and we welcome the opportunity to speak with existing and prospective investors and look forward to welcoming shareholders to our AGM on 25 June.

Current Trading and Outlook

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Since the period-end, the ARR from subscriptions has continued to increase on the prior year. As of the end of Q1, our ARR was £10.0 million, up 36% from twelve months ago (March 2023 ARR: £7.3 million). The Board remains confident of meeting market expectations for the year ahead, of returning to profitability, and of delivering on its longer-term strategic plan to achieve its stated vision.

Richard Amos
Non-Executive Chairman
24 April 2024

CEO's Review

I am pleased to present Skillcast's Annual Report for 2023. It's been over two years since our IPO in December 2021 - and during this time we've completed a disciplined programme of investment in our talent, product and marketing and have achieved our revenue growth targets. Our ARR growth was up at 37% in 2023 and in H2 2023, our SaaS subscription revenues growing faster than our costs.

However, the financials only tell a part of our story. Even more encouraging are the teams we've built at all levels, the robust procedures we've put in place for performance, financial control and governance, and the product and service improvements we've made for our customers. All of these should sustain our growth in the future.

Purpose and vision

Skillcast exists to help companies build ethical and resilient workplaces with our technology, content and service. We are a leading provider of compliance portals and digital courseware in the UK. This gives us access to a growing market with resilient demand. Our critical mass of clients gives us insights into compliance challenges and emerging needs that feed into our product development. Our experienced workforce and passion for customer service result in long-lasting relationships with clients, enabling us to innovate and drive down their compliance costs.

We have strengthened our organisational structure for growth with clear and connected objectives and key results (OKRs). This framework was agreed at a Company level following a Board strategy session and is broken down into numerous smaller objectives across the organisation. Progress against the OKR framework is monitored monthly.

We prioritise developing and promoting our existing talent to build knowledge and experience within our organisation.

Our values and culture

We strive to achieve our purpose through embedding and living our four values across the organisation:

Innovation: continually striving to make things better and making them happen

Customer Focus: delivering successful outcomes for our customers

Teamwork: sharing knowledge and building strong working relationships

Professionalism: taking pride in what we do, who we are and working towards our aligned goals

On 1 January 2023 the Board appointed a Chief People Officer to the executive management team to lead on the people and culture initiatives. All employees are eligible to receive additional remuneration above their base pay linked to their performance.

All employees use Skillcast's platform and tools to read and attest to policies and receive compliance training.

During the year the following initiatives were undertaken to promote our values and culture:

- Our executive management team held quarterly all-company virtual meetings to cascade the business strategy and performance
- A regular in-house magazine was launched giving updates to everyone on major commercial and product initiatives and people changes and events
- In December 2023 a staff survey was conducted to ascertain the key people issues and concerns
- Inboarding and induction programme was put in place for new joiners
- A risk committee chaired by the CFO with representatives from every function maintains the risk register. Awareness initiatives and training on Cyber breaches took place throughout the Company.

Business model

Skillcast offers innovative solutions to enable companies to digitise and automate their compliance training, record-keeping, monitoring and other processes. Digital compliance transformation aims to reduce operational costs while enhancing employees' compliance experience. By consolidating these functions onto a single platform, Skillcast streamlines operations and minimises the risk of compliance oversights, ensuring a more efficient and secure compliance framework for our clients.

We offer over 400 e-learning courses with comprehensive coverage of corporate compliance. Our Essentials and Compliance Bites libraries cover all the key topics for general compliance in the UK. Our FCA Compliance and Insurance Compliance libraries cover all the key topics in the FCA Handbook for UK financial services firms. Our Global Compliance and Global Risk libraries cater to the needs of multinational corporations that need jurisdiction-neutral, multilingual training. Our off-the-shelf courses can be customised easily to meet every client's unique needs and risk perceptions.

Skillcast Portal is our technology platform, which features a Learning Management System (LMS) and various tools designed to facilitate compliance management. These tools include a Policy Hub for delivering corporate policies and gathering employee attestations, Anonymous Surveys for honest employee feedback, Staff Declarations for self-reported disclosures, Compliance Registers for documenting various compliance-related activities such as gifts & hospitality, and other features for managing and recording in-person training and events. This integrated platform ensures a uniform user and administrator experience, consolidates data by breaking down silos, and reduces the risk of compliance failures.

We offer three product plan levels for our technology: Premium, Standard and Basic. These plans are available through annual subscriptions, simplifying procurement and allowing businesses to deploy training and compliance resources on time and with minimal effort.

Skillcast Premium suits companies of all sizes that want a fully featured, branded and managed platform to transform staff compliance. This plan includes our widest set of features and brings these together under a single platform.

Skillcast Standard suits companies of all sizes that want to build their compliance platform flexibly, with full corporate branding and managed customer service. Most customers start this plan with one tool, such as our LMS, and add individual tools as their needs grow.

Skillcast Basic suits small teams and companies of up to 50 users who want a simple, self-service platform with ready-made compliance e-learning. You can set up all your employees with access to 80+ engaging compliance courses within minutes. You can monitor all activity from your admin dashboard, and users can download their completion certificates.

We further support our clients through dedicated Customer Success Managers (CSM), ensuring a seamless and effective compliance management experience. Our commitment to excellence is reflected in receiving the Feefo Platinum Trusted Service Award for the sixth consecutive year in 2023, an accolade based on genuine customer feedback and ratings.

High-quality revenues

Staff compliance is a non-discretionary cost for many companies, especially in regulated sectors like financial services. This provides us with the potential to grow in even stagnant economic environments.

Subscriptions to our content and technology are the key drivers in our growth strategy. These subscriptions constitute a book of high-quality annual recurring revenues (ARR) contracts, which grew organically at 37% to £9.3 million in December 2023 (2022 growth 16% to £6.8 million in December 2022).

In 2023, 76% (2022: 68%) of our revenues came from such subscriptions, with the rest from professional services, which include bespoke e-learning development and customisation of OTS courses and was slightly lower at £2.8 million (2022: £3.1 million). Nevertheless, we remain committed to our professional services, which are critical for helping its clients make their compliance messages more relevant and engaging for their staff.

Our total revenue increased by 15% to £11.3 million (2022: £9.8 million), and an LBITDA loss of £0.6 million (2022: LBITDA of £0.3 million). After a loss-making H1 2023 due to accelerated headcount investment in the prior year, we reached breakeven in H2 2023 as our month-on-month revenue growth outstripped the growth in our cost base.

We typically enter into annual contracts for our subscriptions and invoice upfront. This gives us healthy cash flows from operations and high revenue visibility over the coming twelve months. Our free cash flow was -£0.1 million (2022: +0.3 million) despite the LBITDA loss for the year.

Growth initiatives

Our key focus remains on organically growing subscription revenues, as measured by the size of our ARR book. Over the last year, we accelerated its growth rate from 16% to 37%. With such a large market we believe the main route to this is through acquiring new customers. In addition, we aim to increase net retention through upsells from continued product development and minimal churn through maintaining excellent customer success. Although we serve customers of all sizes and in all industry segments, most of this growth came from the adoption of our Standard Plan by mid-sized companies. We see this remaining as the mainstay of our growth in 2024.

In addition, we are working on several initiatives to increase our appeal to the smallest and the largest companies. In late 2023, we launched our new Skillcast Basic offering for small companies and teams with less than 50 employees, which form a sizable and underserved market segment. This new plan is more affordable, easy to manage, and pre-customised for industry sectors, a crucial requirement for smaller companies.

For larger companies, we will promote the concept of embedded compliance. This involves embedding direct links to training and compliance controls in business processes and communications, e.g. policy documents, emails and chat messages. Consequently, employees can access these activities directly from their business environment instead of going to a dedicated compliance portal to find and complete them. A Gartner study found that embedded controls cut staff compliance breaches by 58%.

Having completed our post-IPO investment plans for our operations, we are now open to customer and business growth opportunities through partnerships and acquisitions.

The key challenges to executing our strategy are outlined in the Risk section of this report.

ESG

Environmental, Social, and Governance (ESG) lies at the heart of the services we offer to our clients. Our mission is to foster inclusivity, sustainability, integrity, and compliance with laws and regulations in the workplace. By helping to digitise training and other processes, we further aid our clients in minimising energy usage and reducing their carbon footprint. We are also vigilant about our own environmental and social impact. Highlights of our commitment include:

- Maintaining our Carbon Neutral certification through meticulous emissions measurement and offsetting
- Completed company-wide carbon literacy training
- UK office energy confirmed as 100% renewable
- Withdrawn employee car parking in Malta
- Upholding the principles of a Living Wage employer since 2019, ensuring fair compensation beyond our direct employees, and
- Commitment to diversity, well-being and personal development in our workplace.

We are committed to generating shareholder value while helping companies meet their ESG goals and strengthening their employee compliance culture. We are convinced that our innovative spirit, customer-centric approach, collaborative effort and ambition are fundamental to realising this corporate vision.

Financial Review

Revenues for the year ended 31 December 2023 increased by 15% to £11.3 million (2022: £9.8 million), driven by new subscription customers, with ARR* climbing 37% on the year to £9.3 million (2022: £6.8 million). As a consequence of our planned investment programme, LBITDA was a loss of £0.6 million (2022: £0.3 million). Net cash at year-end of £7.2 million was 6% below last year (2022: £7.7 million), with free cash flow of -£0.1 million (2022: £0.3 million).

Key Performance Indicators

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

	2023 £'000	2022 £'000	% change
Revenue	11,302	9,830	+15%
Software-as-a-service revenue (SaaS revenue)	8,547	6,690	+28%
Gross Margin	69.7%	70.1%	-0.4 pts
Overheads	8,759	7,442	+18%
(LBITDA)/EBITDA	-625	-316	n/a
*Annual recurring (SaaS) revenue (ARR) as at 31 December	9,303	6,780	+37%
Churn (as a percentage of ARR)	7%	12%	-5pts
Deferred revenue from subscriptions as at 31 December	4,276	3,213	+33%
Cash at 31 December	7,221	7,704	-6%
Free cash flow **	-82	271	n/a
Number of employees at 31 December	118	111	+6%

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

Revenue

Total revenues of £11.3 million were up 15% on the comparable period last year (2022: £9.8 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 2023, subscription revenue growth helped grow the proportion of revenues from subscriptions to 76% (2022: 68%) of total revenues. 88% of subscription revenues were derived from our core e-learning products, with the remaining 12% of subscription revenues delivered from our suite of "Regtech" products (2022: 10%).

Subscription ("SaaS") revenues grew 28% to £8.5 million (2022: £6.7 million). The growth in subscription revenues was driven by a combination of new client, product upsells/more users and lower churn.

Revenue growth was supported by the launch of several new products during the year. In February 2023, we launched our FastTrack product, which, when added to our off-the-shelf ("OTS") courses, enables experienced employees to demonstrate their compliance understanding with a pre-assessment and opt for a shorter version of the course. In March 2023, we launched our Global Compliance and Global Risk courses. Compliance is generally a nationally focussed activity reflecting the rule of law. These global libraries 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 April 2023, we launched our new micro-learning Compliance Bites: a library of short, engaging videos on key compliance topics designed to improve employee retention. In October 2023 we launched our Basic Plan offer, B2B e-commerce new self-service plan to supply compliance training to small UK businesses of up to 50 employees. We also launched our Premium Plan offer, which encompasses our whole product portfolio in one-price wrapper.

*Annual recurring revenue (ARR), our key performance indicator to measure subscription sales progress, grew by 37% to £9.3 million over the past 12 months (December 2022: £6.8 million). New sales lifted ARR by 50% from December 2022, and a net retention rate of 105% (2022: 92%), which included 7% churn (2022: 12%). 2023 net retention was boosted by a standard 10% price rise on new business and renewals throughout the year which impacted net retention by 8.2 percentage points. Excluding price rises net retention was 96.8% (2022: 91.5%).

Revenue from professional services was £2.8 million, which was 12% below the same period last year (2022: £3.1 million). The reduction reflected a lower average spend per client as increased economic uncertainty impacted client budgets for bespoke e-learning solutions.

Total client numbers grew to over 1,200 in 2023 with 61% of revenues coming from financial services (2022: 55%).

Gross profit

Gross Margin fell 0.4 percentage points to 69.7% (2021: 70.1%). The reduction was primarily due to the fall in the less strategic and predictable professional services revenue and a predominantly fixed cost base.

Investing for growth slows

The rate of overhead growth on the prior year reduced to 18% from 49% in the prior year (excluding IPO costs in 2021) as the planned post-IPO investment phase was predominantly completed.

In absolute terms overheads were £8.8 million in the period, an increase of £1.3 million (2022: £2.5 million). 75% of overheads are people-related (2022: 73%) and £1.1 million of the increase in the year was from headcount increase, salary increases averaging 5% and full year employment costs from the headcount increase in the prior year. The biggest area of people investment was in the commercial team, increasing their costs by £0.7 million on the previous year. Marketing activity costs also increased in the year by 43% to £0.3 million (2022: £0.2 million).

Overheads excluding depreciation and amortisation as a percentage of ARR reduced during the year. In H2 2023 they represented 46% of ARR, 2 percentage point above H2 2021 (excluding IPO costs).

On 31 December 2023, the total headcount had increased to 118 (31 December 2022: 111). Total average headcount increased in 2023 by 15% to 115 (2022: 100). The largest area of growth was in the sales and marketing function with an average of 7 more heads during the period. Total staff costs and employee related costs increased 20% to £9.0 million (2022: £7.5 million), with average salary increases of 5% awarded in January 2023.

LBITDA

Due to the 12% reduction in non-strategic and unpredictable professional services revenues and continued increased investment, the Group delivered a loss of earnings before interest, tax, depreciation and amortisation (LBITDA) of £0.6 million in 2023 (2022: £0.3 million). This loss performance reflects the intended investment programme, supported by the fundraising in December 2021.

Interest receivable

£0.3 million of bank interest was received on cash balances during the year (2022: £0 million) as the Group benefited from the higher interest rates and putting surplus cash on deposit.

Tax

The Group reported a loss before tax of £0.7 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 the prior year, a withholding tax rebate of £136,983, due to Inmarkets Group Ltd regarding dividends declared by Inmarkets International Ltd for 2021, was 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. In the current year no rebate is due in Inmarkets International since all the Maltese taxed retained earnings have been utilised.

A rebate of £226,846 was received in 2023 by Inmarkets Group Ltd (2022: £nil) 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 2023 was £628,057 (31 December 2022: £854,903).

Earnings per share (EPS)

No ordinary shares were issued during the year. The basic loss per share was -0.733 pence on 89.5 million shares (2022: -0.460 pence).

Dividends

With a business backed by strong ARR growth supporting future 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 2023, gives a total dividend of 0.447 pence. The final dividend will be paid on 26 July 2024 to shareholders on the register on 5 July 2024.

The Board's policy is to at least maintain the total aggregate annual dividend of £400,000, consistent with previous years. It will review and consider a progressive dividend policy when the Group has returned to sustainable profitability.

Balance sheet and cash flow

Net assets at 31 December 2023 were £5.7 million (31 December 2022: £6.6 million). The £0.9 million reduction in the year was due to the £0.7 million reduction in comprehensive income in the year from planned investments and £0.4 million of dividend payments, partly offset by £0.1 million increase in the share option reserve.

Non-current assets of £0.8 million at 31 December 2023 (31 December 2022: £0.9 million) reduced by a net £0.1 million as reducing office lease liabilities in accordance with IFRS 16 were partially offset by a £0.2 million office refit in Malta. The Group does not capitalise any intellectual property additions to its products' content or technology, and costs are expensed as they are incurred. The Group expenses all product and technology development.

Current assets, excluding cash, were £4.2 million at 31 December 2023 (31 December 2022: £3.3 million). This predominantly includes trade receivables which grew 42% to £3.0 million at 31 December 2023 (31 December 2022: £2.1 million). This was slightly above the 37% growth in ARR, with a higher invoicing at the end of the year. As a consequence, debtor days at 31 December 2023 were 67 (31 December 2022: 48). Debtors more than 60 days overdue represented 14% of trade receivables at 31 December 2023 (31 December 2022: 20%). There was no increase in the allowance for expected credit losses in the year. A further £0.6 million 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. £0.2 million of rebates were received during the year.

Total liabilities at 31 December 2023 of £6.6 million increased by £1.3 million on the year (31 December 2022: £5.3 million). The biggest contributor to the increase was a £1.1 million increase in unrecognised revenue from subscription revenue signed contracts, representing a 33% increase on the year.

The Group has no bank debt and at 31 December 2023, held cash of £7.2 million (31 December 2022: £7.7 million). Free cash flow** during the year was -£0.1 million (2022: +£0.3 million) 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 EBITDA (see note 3 of the Group Consolidated Accounts), Annual Recurring Revenue (ARR) and Free cashflow defined below.

***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 by 37% in the year to £9.3 million at 31 December 2023.

**** Free cash flow**

Free cash flow is calculated as net cash flows from operations less capital expenditure and lease costs.

Richard Steele
Chief Financial Officer
24 April 2024

Consolidated Financial Statements

Skillcast Group PLC

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2023

Note	2023	2022
	£	£

Revenue	4	11,301,700	9,830,431
Cost of sales		(3,429,372)	(2,942,092)
Gross profit		7,872,328	6,888,339
Administrative expenses		(8,759,363)	(7,442,068)
Operating profit		(887,035)	(553,729)
Loss before interest, tax, depreciation & amortisation	3	(625,325)	(316,314)
Other Income		-	3,013
Finance income		258,752	15,996
Finance expense		(19,680)	(21,307)
Loss before tax	5	(647,963)	(556,027)
Income tax	7	(7,473)	-
Income tax rebate	7	-	144,237
Loss after tax and total comprehensive income		(655,436)	(411,790)
Loss of earnings per share:			
Basic	17	(0.733)	(0.460)

Skillcast Group PLC

Consolidated statement of financial position

As at 31 December

	Note	2023 £	2022 £
Assets			
Non-current assets			
Property, plant and equipment	10	323,762	254,288
Right-of-use assets	11/20	459,923	616,024
Deferred tax assets	15	<u>11,999</u>	<u>11,999</u>
		795,684	882,311
Current assets			
Trade and other receivables	8	4,239,768	3,330,574
Cash and cash equivalents	9	<u>7,221,681</u>	<u>7,704,003</u>
		11,461,449	11,034,577
TOTAL ASSETS		<u>12,257,133</u>	<u>11,916,888</u>
Issued capital and reserves attributable to owners			
Share capital	16	89,459	89,459
Share Premium		3,490,541	3,490,541
Share Option Reserve			

Share Option Reserve	19	355,029	223,331
Retained earnings		1,757,376	2,812,695
Total equity		5,692,405	6,616,026
Liabilities			
Current liabilities			
Trade and other payables	12	1,570,820	1,199,370
Contract liability	13	4,501,025	3,437,764
Current lease liabilities		118,674	188,586
Income tax payable	14	23,794	16,320
		6,214,313	4,842,040
Non-current liabilities			
Long-term lease liabilities		350,415	458,822
		350,415	458,822
Total liabilities		6,564,728	5,300,862
TOTAL EQUITY AND LIABILITIES		12,257,133	11,916,888

Skillcast Group PLC

Consolidated statement of changes in equity

For period ended 31 December 2022

01 January 2022	89,459	3,490,541	17,000	3,624,369	7,221,369
Comprehensive Income for the period					
(Loss) for the year	-	-	-	(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	2,812,695	6,616,026

01 January 2023	89,459	3,490,541	223,331	2,812,695	6,616,026
Comprehensive Income for the period					
(Loss) for the year	-	-	-	(655,436)	(655,436)
Total comprehensive Income for the period	-	-	-	(655,436)	(655,436)
Total contributions by and distributions to owners					
Share Option Reserve	-	-	131,698	-	131,698
Dividends - Prior Year				(249,591)	(249,591)
Dividends - Current Year	-	-	-	(150,292)	(150,292)
Total contributions by and distributions to owners	-	-	131,698	(399,883)	(268,185)
31 December 2023	89,459	3,490,541	355,029	1,757,376	5,692,405

Skillcast Group PLC

Consolidated statement of cash flows

For the year ended 31 December

	2023	2022
	£	£
Cash flows from operating activities		
Loss before tax	(647,963)	(556,027)
Adjustments for:		
Depreciation of property, plant and equipment	105,609	88,405
Amortisation of right-of-use assets	156,101	149,010
Finance income	(258,752)	(15,996)
Share based payment	131,698	206,331
Finance expense	<u>19,680</u>	<u>21,307</u>
	(493,627)	(106,970)
(Increase)/decrease in trade and other receivables	(909,194)	468,249
Increase in trade and other payables, including contract liabilities	1,434,714	159,398
Cash generated from operations	<u>31,893</u>	<u>520,677</u>
Income taxes paid	-	(22,831)
Net cash flows from operating activities	<u>31,893</u>	<u>497,846</u>
Investing activities		
Purchases of property, plant and equipment	(175,084)	(65,995)
Interest received	<u>258,752</u>	<u>15,996</u>
Net cash generated/(used) in investing activities	<u>83,668</u>	<u>(49,999)</u>
Financing activities		
Principal paid on lease liabilities	(178,319)	(178,779)
Dividends paid	(399,884)	(399,884)
Interest paid on lease liabilities	<u>(19,680)</u>	<u>(21,307)</u>
Net cash (used) in financing activities	<u>(597,883)</u>	<u>(599,970)</u>
Net (decrease) in cash and cash equivalents	<u>(482,322)</u>	<u>(152,123)</u>
Cash and cash equivalents at beginning of period	<u>7,704,003</u>	<u>7,856,126</u>
Cash and cash equivalents at end of period	<u>7,221,681</u>	<u>7,704,003</u>

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 and registered on the London AIM stock exchange. 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').

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 2023 or 2022 but is derived from the 2023 accounts.

A copy of the statutory accounts for the year to 31 December 2023 will be 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 2022 nor 2023.

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 published to shareholders later in May 2024.

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 2023 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 2023. The Company has initially assessed and concluded that they may not be material.

2.3 Summary of material accounting policies

Revenue recognition

Software as a Service (SaaS) subscriptions

The Group provides subscriptions for the right to access content and technology products to clients for subscription periods of typically twelve months.

Revenue is recognised evenly (apportioned on a monthly basis), 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.

Segmentation

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. When deemed to be material these will be disclosed.

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 simultaneously.

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 Loss before interest, tax, depreciation and amortisation (LBITDA)

	2023	2022
	£	£
Operating profit	(887,035)	(553,729)
Depreciation	105,609	88,405
Amortisation	156,101	149,010
LBITDA	<u>(625,325)</u>	<u>(316,314)</u>

LBITDA is not a term recognised under IFRS and therefore the reported figures may not be comparable to other companies with similar measures.

4 Revenue

	2023	2022
	£	£
<i>Major product lines</i>		
Software as a Service (SaaS) subscriptions (i)	8,547,389	6,689,710
Professional services (ii)	<u>2,754,311</u>	<u>3,140,721</u>
	<u>11,301,700</u>	<u>9,830,431</u>

(i) SaaS subscriptions - The Group provides right of access of subscriptions to its content and technology products to the customer over time for the 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.

	2023	2022
	£	£
<i>Geographic split by customer</i>		
UK	8,913,470	7,627,351
Europe	942,870	1,344,694
Rest of world	<u>1,445,360</u>	<u>858,386</u>
	<u>11,301,700</u>	<u>9,830,431</u>

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

Property, plant and equipment

UK	175,327	197,744
Malta	<u>148,435</u>	<u>56,544</u>
	<u>323,762</u>	<u>254,288</u>

Right of use assets

UK	255,042	365,968
Malta	<u>204,880</u>	<u>250,056</u>
	<u>459,922</u>	<u>616,024</u>

5 Loss before taxation

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

	2023	2022
	£	£
Staff cost (CoS)	2,194,546	1,846,407
Subcontracted services (CoS)	785,053	797,125
Staff costs (Admin)	5,779,421	4,835,911
Directors' compensation	1,053,731	848,496
Professional fees	269,952	215,534
Depreciation and amortisation expense	261,710	237,415
Fees payable to the Company's auditor for the audit of Parent and Subsidiaries	47,133	73,870

There were no non-audit fees incurred by Crowe UK LLP in 2023 and 2022.

6 Staff costs and employee information

	2023	2022
	£	£
Salaries & wages	7,847,604	6,488,702

Social security costs	873,174	718,605
Pension	124,747	102,924
Share-based payment expenses	131,698	206,331
Other payroll costs	50,475	14,252
	<u>9,027,698</u>	<u>7,530,814</u>

Number of staff

The average number of persons employed by the Group during the year was 115, and at December 2023 the number of persons employed was 118, analysed by category as follows:

	At 31 December	At 31 December	Average	Average
	2023	2022	2023	2022
Directors	7	7	7	7
Administration	5	2	4	2
Client Service	26	23	25	21
Operations/Production	21	24	22	23
Sales & Marketing	34	33	34	26
Finance	5	4	4	4
Technology	20	18	19	17
	<u>118</u>	<u>111</u>	<u>115</u>	<u>100</u>

Key management personnel

The remuneration of key management personnel (considered to be the Directors and Senior Management) is £1,486,336 (2022: £1,267,456) 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 in the Annual Report.

	2023			2022		
	Directors	Senior Management	Total	Directors	Senior Management	Total
Wages and Salaries	912,511	199,883	1,112,394	820,346	93,757	914,103
Social Security	137,011	4,154	141,165	114,772	2,384	117,156
Pension	38,522	0	38,522	11,597	0	11,597
Share-based payment expenses	20,335	9,501	29,836	20,743	9,174	29,917
Consultancy fees	0	164,419	164,419	55,190	139,493	194,683
	<u>1,108,379</u>	<u>377,957</u>	<u>1,486,336</u>	<u>1,022,648</u>	<u>244,808</u>	<u>1,267,456</u>

On 1 January 2023, Sharon Mulligan joined as Chief People Officer, became a member of the Senior Management Committee and she is also a director in PsyPotential Limited. The Company made payments to PsyPotential Limited for HR and Recruitment services of £27,585 in the year ended 31 December 2023. 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 £136,834 (2022: £139,493).

The Company made contributions to defined contribution personal pension schemes for three Directors in the period (2022: four).

7 Income tax expense

	2023	2022
	£	£
Current tax on profits for the year	7,473	-
Deferred tax expense	-	(7,254)
Withholding taxes credit on intercompany dividends	-	(136,983)
	<u>7,473</u>	<u>(144,237)</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:

	2023	2022
	£	£
Profit/(loss) before taxation	(647,963)	(556,027)
Tax calculated at applicable UK statutory tax rate of 23.52% (2022: 19%)	(152,401)	(105,645)
Tax effects		

of:

-Expenses not deductible for tax purposes	84,732	52,481
-Taxable losses carried forward	89,002	(28,209)
-Withholding tax credit on intercompany dividends	-	(136,983)
-Research and Development Credits	-	
-Differing tax rates due to trade in different jurisdictions	(6,691)	9,002
-Other adjustments	<u>(7,169)</u>	<u>65,117</u>
Current income tax	<u>7,473</u>	<u>(144,237)</u>

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 2023 was -1% (2022: -26%). 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 2022/23 is 23.52%. UK statutory tax rate increased to 25% 1st April 2023.

* Malta: Income taxes are due at 35% of taxable income.

In 2023 a withholding tax rebate of £0 (2022: £136,983) 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.

In November 2023 HMRC opened an enquiry into the 2021 corporation tax research and development claim for the Group's UK subsidiary, Inmarkets Ltd. The Group, with the assistance of their tax advisors have submitted a response to HMRC and await further communication. On advice, the Group has not yet submitted a research and development claim for 2022 as it is awaiting the outcome of the enquiry.

8 Current assets - trade and other receivables

	2023	2022
	£	£
Trade receivables	3,008,270	2,120,467
Less: Allowance for expected credit losses	<u>(95,353)</u>	<u>(92,514)</u>
	<u>2,912,917</u>	<u>2,027,953</u>
Prepayments	472,379	241,651
Accrued Income	157,668	146,018
Maltese withholding tax	628,057	854,903
Other receivables	<u>68,747</u>	<u>60,049</u>
	<u>1,326,851</u>	<u>1,302,621</u>

As of 31 December 2023, trade receivables totalled £3,008,270 (2022: £2,120,467). Within this figure £1,649,657 were not due (2022: £1,249,337) and the remaining amounts were past due but not impaired. These primarily relate to customers for whom there is considered a low risk of default. An allowance of £95,353 (2022: £92,514) have been set up to offset credit risks.

During the year £226,846 of withholding tax rebates were received by the Company (2022: £0). The claim for the remaining balance is in the process of being filed, and relates to withholding tax rebates post a Group restructure necessary for the IPO in December 2021. Due to an error in the original filing of the restructure, which has now been rectified, the withholding tax rebate filing was delayed.

9 Current assets - cash and cash equivalents

	2023	2022
	£	£
Cash at bank	<u>7,221,681</u>	<u>7,704,003</u>
	<u>7,221,681</u>	<u>7,704,003</u>

	2023	2022
	£	£
<i>Geographic split</i>		
United Kingdom	6,644,470	4,935,131
Malta	<u>577,211</u>	<u>2,768,872</u>
	<u>7,221,681</u>	<u>7,704,003</u>

	2023	2022
	£	£
<i>Cash Held by Currency (in Pound Sterling)</i>		
Pound Sterling	6,962,276	7,592,698
Euro	254,382	57,925
Czech Koruna	2,326	-
US Dollar	<u>2,697</u>	<u>53,380</u>
	<u>7,221,681</u>	<u>7,704,003</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 2022	87,520	83,180	2,291	103,706	276,697
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>(88,405)</u>
Balance at 31 December 2022	<u>87,328</u>	<u>82,644</u>	<u>1,350</u>	<u>82,965</u>	<u>254,287</u>
Balance at 1 January 2023	87,328	82,644	1,350	82,965	254,287
Additions	36,825	36,358	2,418	99,483	175,084
Disposals	-	-	-	-	-
Depreciation expense	<u>(53,869)</u>	<u>(16,174)</u>	<u>(1,288)</u>	<u>(34,278)</u>	<u>(105,609)</u>
Balance at 31 December 2023	<u>70,284</u>	<u>102,828</u>	<u>2,480</u>	<u>148,170</u>	<u>323,762</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 2022	575,113	7,404	582,517
Additions	182,516	-	182,516
Disposals	-	-	-
Amortisation expense	<u>(146,978)</u>	<u>(2,031)</u>	<u>(149,009)</u>
Balance at 31 December 2022	<u>610,651</u>	<u>5,373</u>	<u>616,024</u>
Balance at 1 January 2023	610,651	5,373	616,024
Additions	-	-	-
Disposals	-	-	-

Amortisation expense	(150,728)	(5,373)	(156,101)
Balance at 31 December 2023	459,923	-	459,923
The Group leases its offices, typically for a period of several years, with an option to extend (see note 20 of the Annual Report). On renewal, the terms of the lease are renegotiated.			

12 Current liabilities - trade and other payables

	2023	2022
	£	£
Trade payables	94,095	186,783
Accruals	794,740	550,987
Amount due to shareholders	450	450
Sales and payroll taxes	628,339	433,466
Wages & Pension payable	53,196	27,684
	<u>1,570,820</u>	<u>1,199,370</u>

13 Current liabilities - Contract liability

	Subscriptions	Professional Services
Balance at 1 January 2022	2,695,496	341,688
New Contracts	7,206,947	3,024,064
Revenue Recognised	<u>(6,689,710)</u>	<u>(3,140,721)</u>
Balance at 31 December 2022	<u>3,212,733</u>	<u>225,031</u>
Balance at 1 January 2023	3,212,733	225,031
New Contracts	9,610,826	2,754,135
Revenue Recognised	<u>(8,547,389)</u>	<u>(2,754,311)</u>
Balance at 31 December 2023	<u>4,276,170</u>	<u>224,855</u>

14 Current liabilities - Income tax

	2023	2022
	£	£
Corporation tax payable	<u>23,794</u>	<u>16,320</u>

15 Non-current liabilities - Deferred tax

The deferred tax (liability)/asset for the year is analysed as follows.	2023	2022
	£	£
At beginning of the period	11,999	4,745
Credited to statement of comprehensive income	<u>-</u>	<u>7,254</u>
At end of the period	<u>11,999</u>	<u>11,999</u>

Deferred tax asset

Temporary differences - on non-current assets due to accelerated tax depreciation	11,999	11,999
	<u>11,999</u>	<u>11,999</u>

16 Equity - issued capital

	2023	2022
	£	£
Issued Shares	89,459,460	89,459,460
Par value per share	0.10p	0.10p
Total	<u>89,459</u>	<u>89,459</u>

All shares in the Company are fully paid up. 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 in person or by proxy shall have one vote and upon a poll, each share shall have one vote.

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.

	2023	2022
	£	£
Loss after tax	-655,436	-411,790
Non-recurring expenditure	0	0
Earnings	<u>-655,436</u>	<u>-411,790</u>
Weighted average number of ordinary shares (undiluted)	89,459,460	89,459,460
Earnings per share (basic):	-0.733p	-0.460p

Basic per share of -0.743p (2022: -0.460p) has been impacted by non-core operating expenses.

18 Dividends

	2023	2022
	Pence per share	Pence per share
	£	£
Dividend declared - Final 2022	0.279p	249,592
Dividend declared - Interim 2023	0.168p	150,292
Dividend declared - Final 2021		0.279p
Dividend declared - Interim 2022		0.168p
Dividend declared per share	0.477p	0.477p

During the period under review, the Group generated a loss before tax of -£647,963 (2022: -£556,027). A final dividend of £249,592 (0.279p) was declared and paid with regards to the year ended 2022 and £150,292 (0.168p) interim dividend was declared and paid with regards to the year ended 2023. The Group's policy is to at least maintain dividend payments.

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 (2022: £399,884) or 0.447p per share based upon the number of shares currently in issue. If further approved by shareholders at the AGM on 25 June 2024, the final dividend will be paid on 26 July 2024 to shareholders on the register at the close of business on 4 July 2024.

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 schemes are equity settled.

The share scheme is administered by the Remuneration Committee.

1,600,000 options were granted during 2023 (2022: 360,000) with a weighted average fair value of 4 pence (2022: 7 pence). 540,000 options lapsed during 2023 (2022: 410,000) with a weighted average fair value of 7 pence (2022: 4 pence). These fair values were based on the Company's share price at the date of grant. Out of the 5,730,000 outstanding options (2022: 4,163,000), 2,129,700 options were exercisable (2022: 1,017,500).

A charge of £131,698 (2022: £206,331) 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 2023	WAEP* 2023	Number 2022	WAEP* 2022
Outstanding at 1 January as per 2023 Reporting	4,670,000	37p	4,830,000	37p
Adjustment to 2022 Grants	-50,000	37p	-110,000	
Granted during the year	1,600,000	21p	360,000	24p
Exercised during year	-	0p	-	0p
Lapsed during year	540,000	28p	410,000	37p
Outstanding at 31 December	5,680,000	32.5p	4,670,000	37p
Thereof exercisable at 31 December	2,070,300	36p	1,017,500	37p

* Weighted average exercise price

The weighted average remaining contractual life of the options outstanding at the statement of financial position date is 8.3 years.

Share options granted are valued under the Black-Scholes model. All options granted vest equally over 3 or 4 years. A dividend yield was assumed based on the Group's stated policy of paying £400,000 per annum. An expected volatility of 27% has been assumed has been assumed for options granted in the year (2022: 50%). Options granted in the year had an exercise price of 21 pence (2022: 24 pence). Options granted at the time of the IPO in 2021 had an exercise price equal to the IPO price of 37 pence.

20 Financing cash flows

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

	2023	2022
	£	£
<i>Lease liability</i>		
At 1 January	647,408	643,671
Additions	-	182,516
Interest expense	19,680	21,307
Lease payments	(197,999)	(200,086)
Disposal	-	-
At 31 December	<u>469,089</u>	<u>647,408</u>
<i>Dividend liability</i>		
At 1 January	-	-
Dividends declared	399,884	399,884
Dividend payments	(399,884)	(399,884)
At 31 December	<u>-</u>	<u>-</u>
<i>Changes to Equity</i>		
Capital Raised (Admission into AIM)	-	-
Share Option Reserve*	(131,698)	206,331
At 31 December	<u>(131,698)</u>	<u>206,331</u>
Net financing payments	(729,581)	(393,639)
Financing per statement of cash flows	(597,883)	(599,970)

*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 2023 with regards to the year ended 31 December 2022 and £150,292 interim dividend was also declared and paid for the year ended 31 December 2023.

21 Events after the reporting period

Apart from the final dividend declared as disclosed in note 18, no other matter or circumstance has arisen since 31 December 2023 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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