

Company Registration No. SC154934 (Scotland)

API SOFTWARE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2023

API SOFTWARE LIMITED

COMPANY INFORMATION

Directors	G McHarg K Bain A Davison A Conroy K Slatford J Roche
Secretary	Dentons Secretaries Limited
Company number	SC154934
Registered office	The Garment Factory 10 Montrose Street GLASGOW G1 1RE
Auditor	Johnston Carmichael LLP 227 West George Street Glasgow G2 2ND

API SOFTWARE LIMITED

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API SOFTWARE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 JANUARY 2023

The directors present the strategic report for the year ended 31 January 2023.

Fair review of the business

The company has continued to provide financial control, regulatory reporting, and data management software to the financial services sector in the UK, Europe, and North America from its headquarters in the UK.

The company's AutoRek software automates the high-volume reconciliation of transactions, exception management and data analysis workflows, delivering operational efficiency and improved governance of financial and regulatory risk.

Our 100+ global customer base includes large global banks, insurers, investment platforms and next generation payment providers.

The company generates annual recurring revenues ("ARR") from the provision of its software as a service ("SaaS") platform and professional services from the implementation and configuration of the software solutions.

Business Environment

The drive for greater integrity, transparency and accountability within the global financial services sector has led to increased regulation of financial institutions and as a result we are seeing a growing demand for the company's financial control and regulatory reporting solutions.

The company is committed to ongoing product development and innovation to meet this demand and this year our platform, solutions and subject matter experts have been recognized by the industry across RegTech, Compliance, CASS and Reconciliations.

Business Strategy

The business strategy is to continue to grow at pace in the company's chosen markets of Asset Management, Insurance, Banking and Payments, within the global financial services market.

The continued regulation and scrutiny increases the need for firms to review, consolidate and potentially update their technology to ensure they remain on the right side of the regulators. In the US, the Securities and Exchange Commission ("SEC") have proposed shortening the standard settlement cycle for most broker-dealer securities transactions from two business days following the trade date ("T+2") to one business day ("T+1"), with implications for how broker-dealers, investment advisers and clearing agencies process institutional trades – with the UK set to follow suit. This fundamental change will result in firms looking to overhaul their operations processes and technology and offers significant opportunity for the AutoRek platform.

Global regulators in the Payments Industry continue to drive payment systems interoperability as part of their push to enhance Cross Border Payments; allowing banks and other payment services providers ("PSPs") to transact directly. Earlier this year, in the US, the Federal Reserve launched the FedNow Service, a new instant payment service that would enable consumers and businesses to settle payments nearly instantaneously through deposit accounts with banks that maintain a master account at a Federal Reserve Bank. AutoRek has partnered with the US Federal Reserve to offer firms several instant payment services including data management, automated real-time reconciliations, management information, accurate and transparent reporting, and automated workflows.

The company continues to invest in accelerating its product roadmap to further enhance its proposition to address these market opportunities including further extension of its offering internationally.

Our investors, Scottish Equity Partners ("SEP"), a leading growth equity investor with a long and extensive experience of supporting software companies, share the company's vision for the future and fully support the continued investment in the significant market opportunity.

API SOFTWARE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2023

Principal risks and uncertainties

The board has performed an assessment of the principal risks and uncertainties that could threaten the business, including strategy, financial results, future performance, solvency, or liquidity. The items listed below represent the principal risks and uncertainties, as well as the mitigation steps taken to safeguard against materialised risks.

Software development and service delivery failures

The company operates in the software development sector which is highly innovative and subject to change. This risk is mitigated by the recruitment of staff with the relevant competencies and experience, as well as continually advancing the architectural development of the software.

Issues or failures with our software delivery could lead to failed implementations, project delays, early termination, and contractual claims, all of which could adversely impact the company's revenues, earnings, and reputation. To mitigate this, we operate a clear methodology to align customer expectations from the outset, manage projects effectively and minimise issues or delays. Where necessary, we invest time and resource to rectify errors and minimise contractual, commercial, and reputational risks. As a result, we successfully completed all scheduled projects in the year.

Retention and wellbeing of our employees

The company made it a key priority during the year to monitor and support the wellbeing of our staff, whilst they continued to work in a hybrid environment of home and office in the aftermath of the Covid-19 pandemic.

Staff retention was high in the year and the results of our annual staff survey confirm that staff are highly engaged. We are continually reviewing our policies and processes to ensure our staff remain highly engaged and productive.

Data and cyber risks

A significant data loss, security breach or cyber-attack could significantly threaten the company's ability to do business, particularly in the short term, and could result in significant financial loss.

The company successfully passed its ISO27001 and ISO9001 audits in December 2022, and commenced its preparation for SOC2 compliance, as part of the company's ongoing investment in ensuring we have the necessary information security management controls in place to provide customers with the highest levels of service and security from our platform.

Key performance indicators

The trading results of the company are set on page 9. The results show an increase of 23% in total revenue for the year of £13.25m (2022: £10.8m).

Driving this, Annual Recurring Revenue, the key performance indicator of the business, increased by 32%, sustaining AutoRek's track record of delivering strong top-line growth on multi-year contracts through securing both new customer wins and existing customer expansions. The latter, being testimony to the importance of AutoRek's software solutions to our customers, and to the value they continue to deliver.

The operating loss of £2.3m (2022: £0.8m) reflects the significant investments in headcount across sales, services and product development with overall headcount increasing by 34% to support the growth in ARR and development of the software platform. This investment in the product roadmap will support new regulations across the financial services industry, such as payments and e-money safeguarding of client funds.

The balance sheet on page 10 shows that at the year end, the company had net liabilities of £0.3m (2022 - £1.4m net assets).

API SOFTWARE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2023

Future developments

The company continues to see a significant demand within the financial services sector for regulatory reporting solutions, with many firms already implementing the company's cloud-based SaaS platform through 2023 and therefore expect ARR growth rates to remain strong into the future.

The board believes the company is well positioned for growth and will continue to make investments in both refreshing the core product and technology platform as well as strengthening our talent pool of employees across the business to meet the needs of our loyal customers. As such, the company does not expect to be profitable in the next financial year, as it continues to invest in core functions and capability that will underpin future growth and customer requirements.

The company agreed a new 4-year Financing Facility for £3m in July 2023, to support these investments as required.

This report was approved and signed on behalf of the board of directors.

K Bain
Director

30 October 2023

API SOFTWARE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JANUARY 2023

The directors present their annual report and financial statements for the year ended 31 January 2023.

Principal activities

The principal activity of the company continued to be the development of financial control, regulatory reporting and data management software to the financial services sector in the UK, Europe, Middle East, Asia and North America.

Results and dividends

The results for the year are set out on page 9.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

No preference dividends were paid.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

G McHarg
K Bain
A Davison
A Conroy
K Slatford
J Roche

Future developments

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of future developments.

Auditor

The auditor, Johnston Carmichael LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

API SOFTWARE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2023

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

K Bain

Director

30 October 2023

API SOFTWARE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF API SOFTWARE LIMITED

Opinion

We have audited the financial statements of API Software Limited ('the company') for the year ended 31 January 2023, which comprise the profit and loss account, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- Give a true and fair view of the state of the company's affairs as at 31 January 2023 and of its loss for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- The information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

API SOFTWARE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF API SOFTWARE LIMITED

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor responsibilities for the audit of the financial statements

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

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

Extent the audit was considered capable of detecting irregularities, including fraud

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

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to company and the sector in which it operates, focusing on those provisions that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- Companies Act 2006;
- General Data Protection legislation;
- UK tax legislation; and
- UK Generally Accepted Accounting Practice.

API SOFTWARE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF API SOFTWARE LIMITED

Extent the audit was considered capable of detecting irregularities, including fraud (continued)

We gained an understanding of how the company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of relevant correspondence with regulatory bodies and board meeting minutes.

We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. We identified a heightened fraud risk in relation to:

- Management override of controls.
- Revenue recognition.

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance for reference to: breaches of laws and regulation or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- Reviewing the level of and reasoning behind the company's procurement of legal and professional services;
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias;
- Completion of appropriate checklists and use of our experience to assess the company's compliance with the Companies Act 2006; and
- Agreement of the financial statement disclosures to supporting documentation.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Christopher Wilkie (Senior Statutory Auditor)
For and on behalf of Johnston Carmichael LLP**

30 October 2023

**Chartered Accountants
Statutory Auditor**

227 West George Street
Glasgow
G2 2ND

API SOFTWARE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 JANUARY 2023

	Notes	2023 £	2022 £
Turnover	3	13,252,726	10,804,518
Cost of sales		(4,829,629)	(3,816,034)
Gross profit		8,423,097	6,988,484
Administrative expenses		(10,740,544)	(7,312,703)
Other operating income		-	3,433
Exceptional costs	4	-	(506,310)
Operating loss	5	(2,317,447)	(827,096)
Interest receivable and similar income	8	2,691	247
Interest payable and similar expenses	9	(27,525)	(36,305)
Loss before taxation		(2,342,281)	(863,154)
Tax on loss	10	673,762	155,963
Loss for the financial year		(1,668,519)	(707,191)
Total comprehensive expenditure for the year		(1,668,519)	(707,191)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

API SOFTWARE LIMITED

BALANCE SHEET

AS AT 31 JANUARY 2023

		2023		2022	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	12		85,685		117,335
Tangible assets	13		479,949		546,566
Investments	14		1		1
			<u>565,635</u>		<u>663,902</u>
Current assets					
Debtors	16	6,167,650		3,718,526	
Cash at bank and in hand		<u>1,063,081</u>		<u>2,470,279</u>	
		7,230,731		6,188,805	
Creditors: amounts falling due within one year	17	<u>(8,034,531)</u>		<u>(5,205,078)</u>	
Net current (liabilities)/assets			<u>(803,800)</u>		<u>983,727</u>
Total assets less current liabilities			<u>(238,165)</u>		<u>1,647,629</u>
Creditors: amounts falling due after more than one year	18		(47,831)		(173,738)
Provisions for liabilities					
Deferred tax liability	21	<u>-</u>		<u>91,369</u>	
			<u>-</u>		<u>(91,369)</u>
Net (liabilities)/assets			<u><u>(285,996)</u></u>		<u><u>1,382,522</u></u>
Capital and reserves					
Called up share capital	23		99		98
Share premium account	24		399,945		399,945
Profit and loss reserves	25		<u>(686,040)</u>		<u>982,479</u>
Total equity			<u><u>(285,996)</u></u>		<u><u>1,382,522</u></u>

The financial statements were approved by the board of directors and authorised for issue on 30 October 2023 and are signed on its behalf by:

K Bain
Director

Company Registration No. SC154934

API SOFTWARE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JANUARY 2023

		Share capital	Share premium account	Profit and loss reserves	Total
	Notes	£	£	£	£
Balance at 1 February 2021		90	-	2,169,670	2,169,760
Year ended 31 January 2022:					
Loss and total comprehensive income for the year		-	-	(707,191)	(707,191)
Issue of share capital	23	8	399,945	-	399,953
Dividends	11	-	-	(480,000)	(480,000)
Balance at 31 January 2022		98	399,945	982,479	1,382,522
Year ended 31 January 2023:					
Loss and total comprehensive income for the year		-	-	(1,668,519)	(1,668,519)
Issue of share capital	23	1	-	-	1
Balance at 31 January 2023		99	399,945	(686,040)	(285,996)

API SOFTWARE LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JANUARY 2023

	Notes	2023 £	£	2022 £	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	30				
		(1,584,275)		110,968	
Interest paid		(27,525)		(36,305)	
Income taxes refunded		342,590		20,421	
Net cash (outflow)/inflow from operating activities		(1,269,210)		95,084	
Investing activities					
Purchase of intangible assets		(15,719)		(123,308)	
Purchase of tangible fixed assets		(243,327)		(152,174)	
Exceptional costs on transactions fees		-		(506,310)	
Interest received		2,691		247	
Net cash used in investing activities		(256,355)		(781,545)	
Financing activities					
Proceeds from issue of shares	1			399,953	
Proceeds from borrowings		273,833		-	
Payment of finance leases obligations		(155,467)		(142,295)	
Net cash generated from financing activities		118,367		257,658	
Net decrease in cash and cash equivalents		(1,407,198)		(428,803)	
Cash and cash equivalents at beginning of year		2,470,279		2,899,082	
Cash and cash equivalents at end of year		1,063,081		2,470,279	

API SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2023

1 Accounting policies

Company information

API Software Limited is a private company limited by shares incorporated in Scotland. The registered office is The Garment Factory, 10 Montrose Street, GLASGOW, G1 1RE.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

The current year results show a loss for the financial year of £1.7 million (2022 – £0.7 million) and a net current liabilities position of £0.8 million as at 31 January 2023 (2022 - £1 million net current assets). The directors have confidence that the company has sufficient cash reserves and forecasted resources to continue to trade for at least 12 months from the date of the authorisation of these financial statements. In making this assessment, the directors have prepared detailed cash flow projections prepared through to January 2025. A new four-year £3 million loan facility was obtained in July 2023, which further strengthens the company's cash position.

Based on the above factors, the directors are satisfied that it remains appropriate for the company to prepare its financial statements on a going concern basis. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business, and is shown net of discounts, VAT and other sales related taxes.

Revenue allocable to subscriptions (hosted and non-hosted), customer support and maintenance is recognised on a straight line basis over the terms of the contract. Revenue not recognised in the profit and loss account under this policy is classified as deferred income in the balance sheet.

Sale of implementation services is recognised in the period the service is rendered to the customer.

1.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired by the business relate to IT Software including software subscriptions. These assets are recognised at the acquisition date when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity.

Amortisation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Software	33% straight line
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API SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2023

1 Accounting policies

(Continued)

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	20% Straight Line
Fixtures, fittings & equipment	20% Straight Line
Computer equipment	33% Straight Line

1.6 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss account.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand.

API SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2023

1 Accounting policies

(Continued)

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method.

Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit and loss account.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in the profit and loss account.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including certain creditors, are initially recognised at transaction price. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

API SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2023

1 Accounting policies

(Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

API SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2023

1 Accounting policies

(Continued)

1.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.15 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants are recognised in accordance with the performance model. A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Useful lives of tangible fixed assets

The directors must estimate the recoverable amounts and useful life of the company's tangible fixed assets. The directors estimate a suitable rate of depreciation and apply this to the carrying value of the company's tangible fixed assets over their useful lives. The net book value of tangible fixed assets at 31 January 2023 was £479,949 (2022 - £546,566).

API SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2023

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2023 £	2022 £
Turnover analysed by class of business		
Licenses and services	13,252,726	10,804,518

	2023 £	2022 £
Turnover analysed by geographical market		
UK	11,400,107	9,610,257
USA	1,001,796	818,321
Rest of World	671,847	272,170
Europe	178,976	103,770
	13,252,726	10,804,518

	2023 £	2022 £
Other significant revenue		
Interest income	2,691	247
Grants received	-	3,433

4 Exceptional item

	2023 £	2022 £
Expenditure		
Exceptional professional fees	-	506,310

Exceptional costs incurred on acquisition

As a result of the successful completion of the purchase of shares in the company by Scottish Equity Partners, transaction fees of £506,310 were incurred by the company in February 2021.

API SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2023

5 Operating loss

	2023 £	2022 £
Operating loss for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(136,269)	(5,442)
Government grants	-	(3,433)
Fees payable to the company's auditor for the audit of the company's financial statements	16,000	13,750
Depreciation of owned tangible fixed assets	309,944	271,410
Amortisation of intangible assets	47,369	33,960
Operating lease charges	265,564	256,766
	<u> </u>	<u> </u>

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2023 Number	2022 Number
Client Services and Delivery	48	44
Sales and Marketing	29	23
Product Development	44	20
General and Administrative	16	15
Total	<u>137</u>	<u>102</u>

Their aggregate remuneration comprised:

	2023 £	2022 £
Wages and salaries	8,301,083	5,923,077
Social security costs	985,289	685,706
Pension costs	264,433	186,210
	<u>9,550,805</u>	<u>6,794,993</u>

7 Directors' remuneration

	2023 £	2022 £
Remuneration for qualifying services	521,500	478,711
Company pension contributions to defined contribution schemes	14,429	14,186
	<u>535,929</u>	<u>492,897</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2022 - 2).

API SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2023

7 Directors' remuneration

(Continued)

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2023 £	2022 £
Remuneration for qualifying services	200,068	190,451
Company pension contributions to defined contribution schemes	8,003	7,622
	<u>208,071</u>	<u>198,073</u>

8 Interest receivable and similar income

	2023 £	2022 £
Interest income		
Interest on bank deposits	2,691	247
	<u>2,691</u>	<u>247</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	2,691	247
	<u>2,691</u>	<u>247</u>

9 Interest payable and similar expenses

	2023 £	2022 £
Other finance costs:		
Interest on finance leases and hire purchase contracts	27,525	36,305
	<u>27,525</u>	<u>36,305</u>

10 Taxation

	2023 £	2022 £
Current tax		
Adjustments in respect of prior periods	(14,678)	(39,418)
Benefit arising from a previously unrecognised tax loss or credit	(322,982)	(156,052)
	<u>(337,660)</u>	<u>(195,470)</u>
Deferred tax		
Origination and reversal of timing differences	(334,479)	22,381
Changes in tax rates	-	16,557
Adjustment in respect of prior periods	(1,623)	569
	<u>(336,102)</u>	<u>39,507</u>
Total deferred tax	<u>(336,102)</u>	<u>39,507</u>
Total tax credit	<u>(673,762)</u>	<u>(155,963)</u>

API SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2023

10 Taxation

(Continued)

The actual credit for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2023 £	2022 £
Loss before taxation	(2,342,281)	(863,154)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2022: 19.00%)	(445,033)	(163,999)
Tax effect of expenses that are not deductible in determining taxable profit	12,592	102,508
Tax effect of utilisation of tax losses not previously recognised	423,217	248,095
Adjustments in respect of prior years	(14,678)	(39,418)
Research and development tax credit	(562,192)	(313,168)
Other permanent differences	3,076	-
Fixed asset differences	(13,073)	(13,612)
Deferred tax rate changes	(81,208)	21,928
Other differences	3,537	1,703
Taxation credit for the year	(673,762)	(155,963)

11 Dividends

	2023 £	2022 £
Final paid	-	480,000

12 Intangible fixed assets

	Software £
Cost	
At 1 February 2022	173,608
Additions	15,719
At 31 January 2023	189,327
Amortisation and impairment	
At 1 February 2022	56,273
Amortisation charged for the year	47,369
At 31 January 2023	103,642
Carrying amount	
At 31 January 2023	85,685
At 31 January 2022	117,335

API SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2023

13 Tangible fixed assets

	Leasehold improvements	Fixtures, fittings & equipment	Computer equipment	Total
	£	£	£	£
Cost				
At 1 February 2022	612,644	197,790	288,379	1,098,813
Additions	3,098	67,752	172,477	243,327
Disposals	-	(25,932)	(165,905)	(191,837)
At 31 January 2023	615,742	239,610	294,951	1,150,303
Depreciation and impairment				
At 1 February 2022	313,782	111,421	127,044	552,247
Depreciation charged in the year	122,942	49,259	137,743	309,944
Eliminated in respect of disposals	-	(25,932)	(165,905)	(191,837)
At 31 January 2023	436,724	134,748	98,882	670,354
Carrying amount				
At 31 January 2023	179,018	104,862	196,069	479,949
At 31 January 2022	298,862	86,369	161,335	546,566

14 Fixed asset investments

	Notes	2023 £	2022 £
Investments in subsidiaries	15	1	1

15 Subsidiaries

Details of the company's subsidiaries at 31 January 2023 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
API Software Inc	See below	Ordinary	100.00

API Software Inc has its registered office in Delaware, USA.

API SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2023

16 Debtors

	2023	2022
	£	£
Amounts falling due within one year:		
Trade debtors	4,584,877	2,746,976
Corporation tax recoverable	322,982	330,350
Other debtors	508,631	353,915
Prepayments and accrued income	503,989	287,285
	<u>5,920,479</u>	<u>3,718,526</u>
Amounts falling due after more than one year:		
	£	£
Deferred tax asset (note 21)	247,171	-
	<u>247,171</u>	<u>-</u>
Total debtors	<u>6,167,650</u>	<u>3,718,526</u>

17 Creditors: amounts falling due within one year

	Notes	2023	2022
		£	£
Obligations under finance leases	20	125,986	155,546
Other borrowings	19	273,833	-
Trade creditors		601,073	533,884
Amounts due to group undertakings		1	1
Other taxation and social security		1,142,629	714,627
Accruals		890,024	765,095
		<u>3,033,546</u>	<u>2,169,153</u>
Deferred income		5,000,985	3,035,925
		<u>8,034,531</u>	<u>5,205,078</u>

18 Creditors: amounts falling due after more than one year

	Notes	2023	2022
		£	£
Obligations under finance leases	20	47,831	173,738
		<u>47,831</u>	<u>173,738</u>

Amounts under finance leases are secured on the assets to which they relate.

API SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2023

19 Loans and overdrafts

	2023 £	2022 £
Other loans	273,833	-
Payable within one year	273,833	-

The £273,833 other loans at 31 January 2023 are unsecured and repayable within one year. These amounts relate to a short term financing arrangement with a portion of future cash flow sold to the lender for a discount. No interest is accrued on the purchased amount. These loans have been replaced by a new 4-year loan facility of £3m in July 2023.

20 Finance lease obligations

	2023 £	2022 £
Future minimum lease payments due under finance leases:		
Within one year	134,942	178,505
In two to five years	49,792	184,733
	184,734	363,238
Less: future finance charges	(10,917)	(33,954)
	173,817	329,284

Finance lease payments represent rentals payable by the company for certain items of leasehold improvements, fixtures, fittings and equipment. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 2 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

21 Deferred taxation

The following are the major deferred tax assets and liabilities recognised by the company and movements thereon:

	Assets / (liabilities) 2023 £	Assets / (liabilities) 2022 £
Balances:		
Accelerated capital allowances	(96,944)	(91,369)
Tax losses	344,115	-
	247,171	(91,369)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 2023

(Continued)

The above deferred tax asset relates to carried forward tax losses and has been recognised on the basis that the company is expected to return to profitability in the year ending 31 January 2026. As such, the deferred tax asset set out above is not expected to reverse until this time.

2023	2022
£	£

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

	2023	2022	2023	2022
	Number	Number	£	£
Ordinary share capital				
Issued and fully paid				
Ordinary shares of 0.01p each	240,069	240,069	24	24
A ordinary shares of 0.01p each	78,000	68,000	8	7
	<u>318,069</u>	<u>308,069</u>	<u>32</u>	<u>31</u>
	<u><u>318,069</u></u>	<u><u>308,069</u></u>	<u><u>32</u></u>	<u><u>31</u></u>
	2023	2022	2023	2022
	Number	Number	£	£
Preference share capital				
Issued and fully paid				
A Preferred shares of 0.01p each	671,927	671,927	67	67
	<u>671,927</u>	<u>671,927</u>	<u>67</u>	<u>67</u>
	<u><u>671,927</u></u>	<u><u>671,927</u></u>	<u><u>67</u></u>	<u><u>67</u></u>
Preference shares classified as equity			67	67
			<u><u>67</u></u>	<u><u>67</u></u>
Total equity share capital			99	98
			<u>99</u>	<u>98</u>

API SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2023

23 Share capital

(Continued)

All share categories rank equally in respect of entitlement to vote and to receive dividends. A preferred shares rank in priority in entitlement to receive the proceeds of sale in the event of the sale of the business.

On 1 December 2022, 10,000 A ordinary shares were issued at par value of £0.0001 each for a total consideration of £1.

24 Share premium account

The share premium represents the value paid for shares issued by the company in excess of their nominal value.

25 Profit and loss reserves

Profit and loss reserves represent cumulative losses incurred by the company.

26 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2023 £	2022 £
Within one year	262,920	262,920
Between two and five years	1,051,680	1,051,680
In over five years	555,385	818,305
	<u>1,869,985</u>	<u>2,132,905</u>

27 Events after the reporting date

A four-year loan facility of £3m was obtained in July 2023 with security over all property, assets and undertakings being held by the provider.

28 Related party transactions

Transactions with related parties

During the year monitoring fees were incurred from Scottish Equity Partners, totalling £20,000 (2022 - £16,904).

29 Ultimate controlling party

The company is controlled by Sep V LP, which has its registered office at 17 Blythswood Square, Glasgow, Scotland, G2 4AD.

API SOFTWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2023

30 Cash (absorbed by)/generated from operations

	2023 £	2022 £
Loss for the year after tax	(1,668,519)	(707,191)
Adjustments for:		
Taxation credited	(673,762)	(155,963)
Finance costs	27,525	36,305
Investment income	(2,691)	(247)
Transaction fees treated as investing activity	-	506,310
Amortisation and impairment of intangible assets	47,369	33,960
Depreciation and impairment of tangible fixed assets	309,944	271,410
Movements in working capital:		
Increase in debtors	(2,209,321)	(1,017,732)
Increase in creditors	2,585,180	1,144,116
Cash (absorbed by)/generated from operations	(1,584,275)	110,968

31 Analysis of changes in net funds

	1 February 2022 £	Cash flows £	31 January 2023 £
Cash at bank and in hand	2,470,279	(1,407,198)	1,063,081
Borrowings excluding overdrafts	-	(273,833)	(273,833)
Obligations under finance leases	(329,284)	155,467	(173,817)
	2,140,995	(1,525,564)	615,431

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.