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**Avature Limited**

Annual report and financial statements  
Registered number 07892159  
31 December 2022

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COMPANIES HOUSE

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**COMPANY INFORMATION**

<b>Directors</b>	Dimitri Boylan Julian Boylan
<b>Secretary</b>	Ana Laura Darino (resigned 1 <sup>st</sup> August 2022)
<b>Registered number</b>	07892159
<b>Registered Office</b>	25 Wilton Road, Victoria, London, England, SW1V 1LW
<b>Independent Auditors</b>	Grant Thornton Chartered Accountants and Statutory Auditors 13-18 City Quay Dublin 2 D02 ED70 Ireland
<b>Principal Bank</b>	Barclays 16-20 Morden Road, Wimbledon London, England, SW19 3BN

## STRATEGIC REPORT

### Introduction

The Company, Avature Limited, was incorporated and domiciled in the UK on 28th December 2011 with a UK establishment office address at 25 Wilton Road, Victoria, London.

The Directors present their strategic report together with the audited consolidated financial statements of the Company for the financial year ended 31 December 2022 on the basis of its continued existence.

### Review of the development of the business

2022 has been another year of growth, where Avature took on bigger, more challenging projects for both new and existing customers.

As our teams mature, training and mobility also play a key role that helps us deliver better and better.

We have reached a peak in customer service and are currently delivering top-notch, tailored support, helping our customers achieve remarkable success.

We have added office locations, enabling our employees to come back to safe spaces to meet, work and collaborate, while still offering flexible schedules.

We held in-person annual conferences in the US and EU, with great all-around feedback, as everyone was looking forward to seeing each other face to face again. We also held a digital conference in China.

Our products continued to expand on schedule according to our product roadmap. We released a slew of new features in 2022 (Zoom and Wapp integrations, Interactive Training tools among others) and worked on many more that are just over the horizon. The Avature platform is becoming much more expansive and offering that level of functionality to the millions of people who use it all over the world is no easy task.

We are in constant motion: a product that is always evolving with new features; on a platform that continues to grow, developed with adaptability in mind, on solid infrastructure.

### *Analysis of performance and position*

The profit for the financial year amounted to £881,680 (2021: £1,459,263). The total comprehensive income for the year amounted to £881,680 (2021: £1,459,263). The total net assets amounted to £18,318,173 (2021: £11,456,286) and total equity amounted to £ 1,429,317 (2020: £5,872,639).

As for the year ahead, we are looking to continue to grow our customer base and up-sell more solutions to existing customers.

### *Key performance indicators (KPIs)*

Avature's KPIs related to the financial statements: we have decrease of our liquidity ratio to 0.89 (2021: 1.74); we have a working capital of 1.8 million £ (2021: 4 million £); our gross profit margin is 11% (2021: 32.43% ) while our net profit margin is 6% (2021: 13%).

Avature KPIs related to the SaaS industry shows a 32% growth on billing revenue (2022 19.7 million £– 2021 14.9 million £) and a gross margin of 87.5% (2021: 87%). In relation to customer retention, we had an attrition rate of 6% during 2022 (2021: 11%).

## STRATEGIC REPORT (CONTINUED)

### Strategic Management

#### *Strategy*

Avature aims to create an innovative and agile enterprise Human Capital Management (“HCM”) platform for customers to do business the way they want to do it, create the user experience they want, and add a competitive edge to their talent programs.

Avature believes cutting-edge talent acquisition and talent management require new thinking and new solutions, because breakthrough performance requires a break from the past. At Avature we see things differently. Rather than struggling with too many separate systems that do not really communicate with each other, we believe in a one-platform approach. One platform powered by innovative, flexible, and socially oriented software that supports business-driven solutions, not vendor-driven compromises.

#### *Business model*

Avature was founded in 2005 by Dimitri Boylan to help organizations across the globe deploy innovative solutions to their HR challenges. Our platform is a people-centric system designed to help manage a company’s most important asset - its people. We are goal-oriented, team-spirited professionals looking for challenges. Our individual stories bring insights and perspectives that enrich our products and improve our services. We work together and support each other in an open environment with a common drive to bring interesting technical solutions to the market.

Recognising that leading CRM products were not suitable for modern recruiting, we designed branded email marketing features for passive candidate engagement, developed advanced segmentation based on candidate pipeline progress and talent pool attributes, as well as pioneered personalised multi-channel communication.

Along the way, we realised that we could get hiring managers to participate in recruiting if we gave them a modern web portal with real-time information on recruiting projects. As it turned out, this not only added transparency but helped hiring managers to gain new respect for the efforts that went into building good talent pipelines and recruiting passive candidates.

Finally, realising that every company has a different way to go to market and attract and retain great talent, we delivered a flexible data model and configurable workflow engine to support the creation of referral management, agency management, internal mobility and fully bespoke recruiting and talent management solutions for any region of the world.

We provide recruiting and talent management software to companies of all sizes as a SaaS. We apply one-time charges for the implementation of the software and a recurring fee for maintenance and upgrades with new features.

### Business environment

Recruiting software is used across all industry types without much variation. However, for Recruiting CRM software, the buyers are usually high-growth companies, such as software companies, professional services companies, etc. For our Applicant Tracking System (“ATS”), we focus on large companies (10,000 employees or more) that are multi-national – essentially, the Global 2000 is our market. The same can be said for our other solutions, which attract big enterprise customers, though there are some exceptions.

Our flagship product is recruiting CRM. In this product space, most of our competitors are start-ups. We are seeing increased increase in our talent management suite, specifically our Avature Onboard and Avature Internal Mobility Solutions.

Avature differentiates in the following ways:

#### Fit for Purpose

We believe that to effectively recruit and manage talent today, HR teams need to cut through the noise and perform sales and marketing-like activities to win candidates’ attention. They therefore, require technology that is as good as the best sales and marketing systems on offer. Likewise, systems must be specially designed to support talent acquisition and management processes, providing functionality to source, parse and search on resumes, support career sites, coordinate interviews, or manage employer-brand online, as well as empower effective onboarding and talent mobility. Avature provides a unique combination of these elements not offered by any other vendor. We are specifically designed to help customers win in today’s hyper-connected digital environment.

## STRATEGIC REPORT (CONTINUED)

### Agility

We believe that agility is more than a buzzword. In recruiting and talent management, agility means the ability to change the way things are done when market conditions change. Agility is only possible when a system is flexible enough for its users to optimize it over time. We have made it possible for customers to configure the system through the user interface, so they can design, modify and optimize digitally based business practices to aggressively compete for and win talent over their competition. In today's environment, it is not enough to acquire a system that is marginally competitive today but cannot scale, lacks innovation and will be ineffective in one or two years' time. We offer customers a steady stream of new functionality to keep pace with evolving technology and trends.

### Continuous Improvement

We believe that our customers are co-designers of our software. We produce a steady stream of customer-requested features and enhancements. Our focus is recruiting and talent management. We offer multiple channels for customers to present their feedback directly to us (Customer Advisory Counsel, User Conferences, Online Forums, Meet-ups, Account Management) and adhere to a customer-driven roadmap.

### World-Class Support

Avature provides full-lifecycle customer support, from the day customers first meet us to the future evolution of their strategy in the years to come. Our Consulting team has extensive domain expertise in sourcing, talent engagement and recruiting service delivery derived from the world's most demanding and innovative recruitment organisations. Our customers are supported by dedicated and experienced Account Managers and our Change Management team. We take pride in the fact that our customer-facing teams are just one step away from our technical operations, engineering and product design teams. This allows us to respond to customer issues with real solutions and in real-time, rather than having to deal with an intermediary or system integrator who has limited understanding of the underlying platform or leverage to drive modifications to it.

### Experience

We differentiate with our industry experience, commitment and proven staying power. The recruiting and talent management software market is full of heavily venture capital-funded start-ups that are seeking a quick exit. They have no commitment to developing long-term relationships and many have experienced significant changes to management teams in recent months. Their leaders no longer have industry experience. Avature's larger competitors are typically serving up a software product that they purchased several years ago and for which they have no real roadmap or appetite for innovation and advance.

*Environmental, employee, social, community, human rights and anti-corruption and anti-bribery matters*

### Employees

We understand the responsibility we have as a talent technology provider, and we reaffirm our commitment to the initiatives and best practices we have implemented toward positive social and environmental impact.

For employees, we are constantly empowering our own internal teams, promoting long-term career paths and continued education. We champion providing sustainable employment, job security and a thriving space to propose innovative ideas and business initiatives.

We believe a diverse employee body will bring about creativity and foster innovation. Our vision is that only by accepting our differences, bringing people together and supporting each other we will realise the full potential of each employee and create breakthrough solutions.

Avaturians are trained to focus on the output of the individual and commit to helping each other succeed. Avature has a zero-tolerance stance on discrimination, harassment, and bullying of any kind. Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

We require each employee to behave in a professional manner, but we do not require people to change who they are when they come to work for us. As enshrined in our Code of Conduct and Equal Opportunity policy, Avature absolutely condemns forced labour, child labour, modern slavery, and human trafficking of any kind.

## STRATEGIC REPORT (CONTINUED)

### Customers

Avature solutions are not one-size-fits-all. We respect our customers as experts in their own businesses, and we actively encourage them to follow their own vision and define the solution that achieves their objectives. Our platform allows our customers to create real, lasting transformation.

Our decision to respond directly to our customers' needs, listen to them and partner with them is at the heart of Avature's operating model. We develop all our solutions in-house, and we are in complete control of the quality and evolution of our platform, allowing us to directly engage with our customers and co-create the next-generation enterprise platform. Our commitment to high-quality engineering, transparency and service, together with this partnership and the people we bring to this commitment, are our competitive advantage and part of our customers' advantage.

We offer a core platform meant to serve up only the solutions, tools and functionality that an organization needs for their processes, to avoid distraction from their objectives. When, and if they wish to evolve or expand, the platform can adapt to additional or modified processes, new strategies, enhanced functionality, new tools or extended solutions.

Furthermore, we give users the training to use our solutions specifically for their processes and we view this training and support as ongoing.

### Suppliers

We understand that corporate social responsibility extends to our entire supply chain. This encompasses not only the products and services provided, but also the human rights, ethics and social practices of Avature and our suppliers. One goal of our corporate social responsibility procurement program is to build partnerships with like-minded organisations by actively seeking out business partners who are the most environmentally and workforce friendly.

This includes the following areas:

- **Responsible environmental impact:** Avature and its suppliers shall conduct ongoing efforts to reduce environmental pollution while increasing sustainability.
- **Forced labour:** Avature and its suppliers and supply chain shall employ all employees under their own free will with no individual being subjected to bonded or forced labour.
- **Child labour:** Avature and its suppliers and supply chain shall not employ any people under the minimum legal working age of the country in which they work.
- **Modern slavery-human trafficking:** Avature does not tolerate human trafficking or slavery in any form and in any part of our global organization or our supply chain.

Avature has a diverse supplier policy. For non-strategic supply, managers are expected to include small business vendors and minority-owned vendors in any bid group unless a reason is given for not including them. We recognise that size does not relate to performance and the only reason company size can be used as a criteria for selection is when size is needed for the execution of the service.

Avature's abiding rule on diversity is that our vendors' diversity should align with the general diversity of the country where they operate their business. A strong deviation from this model can be considered a negative attribute in any evaluation. A vendor employment policy that supports diversity can be considered a positive attribute.

### **Principal risks and uncertainties**

The Company is required to give a description of the principal risks and uncertainties that it faces. These principal risks are set out hereunder:

- Financial risk management, including exposure to liquidity risk and foreign currency risk
- Significant changes in the marketplace in which the business operates

The Company has insurance, business policies and organizational structures to limit these risks and the Board of Directors regularly reviews, re-assess and proactively limits these risks. Please refer to Note 16 on the financial statements for more detail on these risks.

## STRATEGIC REPORT (CONTINUED)

### Statement by the Directors in performance of their statutory duties in accordance with Section 172(1) Companies Act 2006

The Directors of the Company must act in accordance with a set of general duties including (among others) those under s172 of the Companies Act to promote the success of the companies.

The Directors consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1) (a-f) of the Act) in the decisions taken during the year ended December 31, 2022.

- The Directors oversee a structured approach to the development of the Company's strategy, looking at commercial considerations and the development of current and possible future markets. They also take a long-term perspective on matters such as possible strategic workforce requirements and the impact of new technology. Long-term business planning and key strategic decisions are undertaken in line with the strategy agreed by the Directors.
- The Company's employees are fundamental to the delivery of Company's goals. The Company aims to be a responsible employer in their approach to the pay and benefits their employees receive. The health, safety and well-being of their employees is one of their primary considerations in the way it does business (see previous section). In this regard, the Company annually conducts an in-depth review of entire workforce remuneration and the alignment of incentives with the Company's culture. The review covers the structuring of pay and incentives across the Company.
- Delivering on the commitments the companies make to their customers is critical to their long-term success. Senior Executives meet regularly with customers and, as necessary, subsequently brief the Directors on the status of these important relationships and how the Company is delivering on its commitments. During the year, the Directors were also provided with details of the output from the Company's customer satisfaction surveys.
- The Company considered the impact of its operations on the community and environment and in particular how the companies influence the regions where facilities are located (for more information see previous section).
- Responsible behaviour is fundamental to how the companies do business. The Company's Code of Conduct sets out the standards and behaviours expected of all the companies' employees to meet the high standards of business conduct – legally and ethically – that their customers and other stakeholders expect. The Directors' intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance. The intention is to nurture the companies' reputation through the compliance of the Code of Conduct which is reflected in the companies' actions. Also, during the year the Directors reviewed how employees were encouraged to seek guidance, raise concerns or report issues, if necessary, to the Company's Ethics Committee.
- The Directors' intention is to behave responsibly toward Company's shareholders and treat them fairly and equally, so they too may benefit from the successful delivery of the Company's long-term objectives.

#### *Our Stance on Diversity*

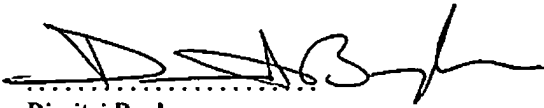
Avature understands that innovation goes hand in hand with solutions designed to offer accessibility for individuals with disabilities and which can be leveraged to remove bias and partiality in hiring practices. This has informed, and will continue to inform, our functionality and roadmap on an ongoing basis.

**STRATEGIC REPORT (CONTINUED)**

**Statement by the Directors in performance of their statutory duties in accordance with Section 172(1) Companies Act 2006 (continued)**

Equality and diversity are at the core of our organisation. Our talent acquisition strategy is absolutely neutral in regard to any form of self-identification including gender, sexual orientation, race, etc.

This report was approved by the board and signed on its behalf.

A handwritten signature in black ink, appearing to read 'Dimitri Boylan', written over a horizontal dotted line.

**Dimitri Boylan**  
**Director**  
**Date: 10/20/2023**

## **Directors' report**

The directors submit their annual report together with the audited financial statements for the financial year to 31 December 2022, on the basis of its continued existence.

### **Principal activity and review of the development of the business**

The principal activity of the company in the period under review was the sale and marketing of Software Services.

### **Results and dividends**

The profit for the year, after taxation, amounted to £881,680 (2021: £1,459,263).

On 15 December 2022, the company approve the payment of dividends of £5,325,000 to the parent Company Avature Group Limited (2021: £Nil) .

### **Energy and Carbon reporting information**

The Company is not required to make a detailed disclosure of energy and carbon information as the Company consumes considerably less than 40MWh in the United Kingdom and including offshore areas annually. In assessing whether or not the 40MWh threshold was met, we considered all the energy from gas, electricity and transport fuel usage as defined in section 7 of government's policy on Streamlined Energy and Carbon Reporting (SECR).

### **Research and development activities**

The Company constantly develops and enhances software internally due to the new technologies and necessities of their clients.

### **Directors**

The directors who held office during the year were as follows:

Dimitri Boylan  
Julian Boylan

### **Subsequent events**

There have not been significant events since the period end, which require adjustment to or disclosure in these financial statements.

### **Disclosure of information to auditor**

The directors confirm that:

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

### **Matters contained in the Strategic Report**

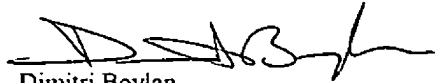
The disclosure requirements under the Companies (Miscellaneous Reporting) Requirements 2018, with respect to the directors' engagement with stakeholders, is covered in the Strategic Report. Further information on Financial risk management, future developments, employees and employment of disabled persons is also included in the Strategic Report.

**Directors' report (continued)**

**Auditor**

The auditor, Grant Thornton Chartered Accountants & Statutory Auditors, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

On behalf of the board:



Dimitri Boylan  
*Director*

**Date:** 10/20/2023

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the directors to prepare financial statements for each financial year. Under the law, the directors have elected to prepare the financial statements in accordance with UK-adopted international accounting standards ("UK-adopted IAS") and applicable law.

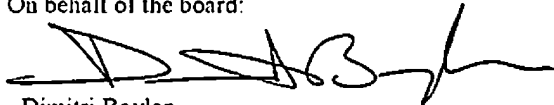
Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company as at the financial year end date and of the profit or loss of the Company for that financial year.

In preparing the financial statements, the directors are required to:

- select suitable accounting policies for the Company financial statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent, relevant and reliable;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and the profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and directors' report comply with the Companies Act 2006. The directors 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.

On behalf of the board:



Dimitri Boylan  
*Director*

**Date:** 10/20/2023

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVATURE LIMITED**

### **Opinion**

We have audited the financial statements of Avature Limited (the "Company") which comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows for the financial year ended 31 December 2022, and the related notes to the financial statements, including the summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is UK law and UK-adopted international accounting standards ("UK-adopted IAS").

In our opinion, Avature Limited's financial statements:

- give a true and fair view in accordance with UK-adopted IAS of the assets, liabilities and financial position of the Company as at 31 December 2022, of the Company's financial performance and Company's cash flows for the financial year then ended; and
- have been properly 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 'Responsibilities of the auditor 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 United Kingdom, including the FRC's Ethical Standard and the ethical pronouncements established by Chartered Accountants Ireland, applied as determined to be appropriate in the circumstances for the entity. 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 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 the date 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**

Other information comprises information included in the Annual Report, other than the financial statements and our auditor's report thereon, including the Directors' Report and the Strategic Report. The directors are responsible for the other information. 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.

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVATURE LIMITED**

### **Opinions on matters prescribed by the Companies Act 2006**

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Strategic Report and the Directors' Report have been prepared in accordance with the applicable requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report. We have nothing to report in respect of the following matters where 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of management and those charged with governance for the financial statements**

As explained more fully in the directors' responsibilities statement, management is responsible for the preparation of the financial statements which give a true and fair view in accordance with UK-adopted IAS, and for such internal control as they determine necessary to enable the preparation of financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Responsibilities of the auditor for the audit of the financial statements**

The objectives of an auditor 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 their 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 an auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### ***Explanation as to what 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. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatement in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AVATURE LIMITED

### *Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)*

Based on our understanding of the Company and its industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with, Data Privacy law and Employment law and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial performance and management bias through judgements and assumptions in significant accounting estimates, in particular in relation to significant one-off or unusual transactions. We apply professional scepticism through the audit to consider potential deliberate omission or concealment of significant transactions, or incomplete/inaccurate disclosures in the financial statements.

In response to these principal risks, our audit procedures included but were not limited to:

- Enquiries of management and the Board on the policies and procedures in place regarding compliance with laws and regulations, including consideration of known or suspected instances of non-compliance and whether they have knowledge of any actual, suspected or alleged fraud;
- inspection of the Company's legal correspondence and review of minutes of Board meetings during the year to corroborate enquiries made;
- gaining an understanding of the internal controls established to mitigate risk related to fraud;
- discussion amongst the engagement team in relation to the identified laws and regulations and regarding the risk of fraud, and remaining alert to any indications of non-compliance or opportunities for fraudulent manipulation of financial statements throughout the audit;
- identifying and testing journal entries to address the risk of inappropriate journals and management override of controls;
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing;
- challenging assumptions and judgements made by management in their significant accounting estimates, including – allowance for credit losses, useful lives of depreciable assets, impairment of financial assets and impairment on tangible assets; and
- review of the financial statement disclosures to underlying supporting documentation and enquiries of management.

The primary responsibility for the prevention and detection of irregularities including fraud rests with those charged with governance and management. As with any audit, there remains a risk of non-detection or irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or override of internal controls.

### **The purpose of our audit work and to whom we owe our responsibilities**

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.



Jason Crawford (Senior Statutory Auditor)  
For and on behalf of  
**GRANT THORNTON**  
Chartered Accountants & Statutory Auditors  
Dublin  
Republic of Ireland

Date: 20th October 2023

**Statement of Profit and Loss and Other Comprehensive Income**  
*for year ended 31 December 2022*

	Note	2022 £	2021 £
Revenue	2	15,028,141	11,245,511
Cost of sales		<u>(13,328,935)</u>	<u>(7,599,140)</u>
<b>Gross profit</b>		<b>1,699,206</b>	<b>3,646,371</b>
Selling expenses	5	(1,226,857)	(1,255,519)
Administrative expenses	5	(929,868)	(544,171)
Other operating (loss) income	3	<u>(979,961)</u>	<u>13</u>
<b>Operating (loss) profit</b>		<b>(1,437,480)</b>	<b>1,846,694</b>
Financial gain (expense)	4	<u>2,573,926</u>	<u>(96,928)</u>
<b>Profit before tax</b>		<b>1,136,446</b>	<b>1,749,766</b>
Taxation	7	<u>(254,766)</u>	<u>(290,503)</u>
<b>Profit for the year</b>		<b><u>881,680</u></b>	<b><u>1,459,263</u></b>
<b>Total Comprehensive income for the year</b>		<b><u>881,680</u></b>	<b><u>1,459,263</u></b>

The notes on pages 18 to 34 form part of these financial statements.

The above results were derived entirely from continuing operations.

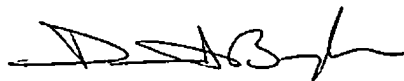
**Statement of Financial Position**  
*at 31 December 2022*

	Note	2022 £	2021 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	147,831	395,473
Trade and other receivables	10	<u>3,107,227</u>	<u>1,445,621</u>
		3,255,058	1,841,094
<b>Current assets</b>			
Trade and other receivables	10	3,983,149	2,992,395
Cash and cash equivalents	11	<u>11,079,968</u>	<u>6,622,797</u>
		<u>15,063,117</u>	<u>9,615,192</u>
<b>TOTAL ASSETS</b>		<u><b>18,318,175</b></u>	<u><b>11,456,286</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	13	100	100
Retained earnings		<u>1,429,219</u>	<u>5,872,539</u>
<b>Total equity</b>		<u><b>1,429,319</b></u>	<u><b>5,872,639</b></u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	9	<u>(29,154)</u>	<u>(52,729)</u>
		<u>(29,154)</u>	<u>(52,729)</u>
<b>Current liabilities</b>			
Trade and other payables	12	<u>(16,859,702)</u>	<u>(5,530,918)</u>
		<u>(16,859,702)</u>	<u>(5,530,918)</u>
<b>Total liabilities</b>		<u><b>(16,888,856)</b></u>	<u><b>(5,583,647)</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>18,318,175</b></u>	<u><b>11,456,286</b></u>

The notes on pages 18 to 34 form part of these financial statements.

The financial statements were approved and authorised for issue by the board on its behalf by:

and were signed on



**Dimitri Boylan**  
*Director*  
**Date: 10/20/2023**

Company registered number: 07892159 (England & Wales)

## Statement of Changes in Equity

	Share capital £	Retained earnings £	Total equity £
Balance at 1 January 2021	100	4,413,276	4,413,376
Total comprehensive income for the year	<u>-</u>	<u>1,459,263</u>	<u>1,459,263</u>
Balance at 31 December 2021	<u>100</u>	<u>5,872,539</u>	<u>5,872,639</u>
Total comprehensive income for the year	-	881,680	881,680
Dividends to be distributed to shareholders	<u>-</u>	<u>(5,325,000)</u>	<u>(5,325,000)</u>
<b>Balance at 31 December 2022</b>	<b><u>100</u></b>	<b><u>1,429,219</u></b>	<b><u>1,429,319</u></b>

The notes on pages 18 to 34 form part of these financial statements.

**Statement of Cash flows**  
*For year ended 31 December 2022*

	<i>Note</i>	2022 £	2021 £
<b>Cash flows from operating activities</b>			
Profit for the year		881,680	1,459,263
<i>Adjustments for:</i>			
Depreciation	8	261,248	369,252
Financial (gain) expense	4	(2,573,926)	96,928
Taxation	7	<u>254,766</u>	<u>290,503</u>
		(1,176,232)	2,215,946
Changes in Non-cash working capital items:			
Decrease (increase) in trade and other receivables	10	1,583,172	(43,123)
Increase (decrease) in trade and other payables	12	<u>5,725,443</u>	<u>(319,618)</u>
<b>Net cash from operating activities</b>		<u><b>6,132,383</b></u>	<u><b>1,853,205</b></u>
<b>Cash flows used in investing activities</b>			
Acquisition of PPE	8	<u>(13,606)</u>	<u>(416,280)</u>
<b>Net cash used in investing activities</b>		<u><b>(13,606)</b></u>	<u><b>(416,280)</b></u>
<b>Cash flows used in financing activities</b>			
Increase in financial assets		<u>(1,661,606)</u>	<u>(1,445,621)</u>
<b>Net cash used in financing activities</b>		<u><b>(1,661,606)</b></u>	<u><b>(1,445,621)</b></u>
Net increase (decrease) in cash and cash equivalents		4,457,171	(8,696)
Cash and cash equivalents at 1 January		<u>6,622,797</u>	<u>6,631,493</u>
<b>Cash and cash equivalents at 31 December</b>	11	<u><b>11,079,968</b></u>	<u><b>6,622,797</b></u>

The notes on pages 18 to 34 form part of these financial statements.

## Notes forming part of the financial statements

### 1 Accounting policies

Avature Limited (the “Company”) is a company incorporated and domiciled in the UK.

The company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”), in addition to the IFRSs as issued by the International Accounting Standards Board (IASB) and endorsed for use by the EU at 31 December 2022 and the requirements of Companies Act 2006.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets at that time.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the company uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the company using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer’s specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Company management to exercise judgement in applying the Company’s accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 1.12.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

#### 1.2 Going concern

The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet the mandatory payments of liabilities for a period of at least 12 months from the date of approval of the financial statements. The directors are satisfied that the Company has adequate resources to continue operating for the foreseeable future.

## Notes forming part of the financial statements (*continued*)

### 1 Accounting policies (*continued*)

#### 1.3 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates.

The Company's functional and presentational currency is GBP (£).

#### 1.4 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

#### 1.5 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### *i) Financial assets*

Financial assets are classified, at initial recognition as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

Subsequent to initial recognition, Company's financial assets are measured at amortised cost. The Company measures financial assets at amortised cost if both of the following criteria are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Company's financial assets at amortised cost includes trade and other receivables.

##### *ii) Financial liabilities*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables.

Subsequent to initial recognition financial, Company's liabilities are measured at fair value through profit or loss.

## **Notes forming part of the financial statements (continued)**

### **1 Accounting policies (continued)**

#### **1.5 Financial Instruments (continued)**

- **Derecognition:**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss and other comprehensive income.

#### *iii) Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

#### *iv) Hedge accounting*

Company does not have financial instruments of hedge accounting.

#### *v) Impairment of financial assets*

The Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. In applying this forward-looking approach, a distinction is made between financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk and financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

#### **1.6 Property, plant and equipment**

On initial recognition, items of property, plant and equipment are recognised at cost, which includes the purchase price as well as any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management.

After initial recognition, items of property, plant and equipment are carried at cost less any accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- Office equipment 3 years
- IT equipment 3 years
- Servers 3 years

Useful lives, residual values and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Profit and Loss and Other Comprehensive Income.

#### **1.7 Leases**

For any new contracts the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company.

## Notes forming part of the financial statements (continued)

### 1 Accounting policies (continued)

#### 1.7 Leases (continued)

- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- the Company has the right to direct the use of the identified asset throughout the period of use.
- the Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

The Company did not have Finance Leases before or after 1 January 2022, nor 2021.

The Company did not act as a Lessor before or after 1 January 2022, nor 2021.

The Company has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	2022	2021
	£	£
Short-term leases	<u>13,576</u>	<u>19,515</u>
	<u>13,576</u>	<u>19,515</u>

#### 1.8 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, on demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

For the purpose of the statement of cash flows only, cash and cash equivalents include bank overdrafts repayable on demand. Since the characteristics of such banking arrangements are that the bank balance often fluctuates from being positive to overdrawn, they are considered an integral part of the Company's cash management.

#### 1.9 Provisions

Where, at the reporting date, the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that the Company will settle the obligation, a provision is made in the statement of financial position. Provisions are made using best estimates of the amount required to settle the obligation and are discounted to present values using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in estimates are reflected in profit or loss in the period they arise. Restructuring provisions are only recognised once the formal plan has been communicated to affected parties.

#### 1.10 Revenue

The Company derives revenues primarily from subscription services and professional services. Revenues are recognized when control of these services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services. We determine revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, we satisfy a performance obligation

## **Notes forming part of the financial statements (*continued*)**

### **1 Accounting policies (*continued*)**

#### **1.10 Revenue (*continued*)**

The company sells both software application services and professional services.

Application services primarily consists of fees that provide customers access to one or more of our cloud applications. Revenue are recognized ratably over the contract terms beginning on the commencement date of each contract, which is the date the Company's service is made available to customers.

Professional services primarily consists of fees for integration and customization. Revenue are fixed fee arrangements recognized as the services are rendered.

Some of our contracts with customers contain multiple performance obligations. For these contracts, we account for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis.

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognises a contract asset in its statement of financial position.

There was no significant judgement applied or significant estimate determined in applying this accounting policy.

#### **1.11 Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

#### **1.12 Estimates and judgements**

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

In determining the carrying amounts of certain assets and liabilities, the Company make assumptions of the effects of uncertain future events on those assets and liabilities at the reporting date. The Company's estimates and assumptions are based on historical experience and expectation of future events and are reviewed annually. This excludes uncertainty over future events and judgements in respect of measuring financial instruments. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below:

## Notes forming part of the financial statements (continued)

### 1 Accounting policies (continued)

#### 1.12 Estimates and judgements (continued)

##### (a) Allowance for credit losses

The Company makes an estimate of the recoverable value of trade and other debtors. The Company uses estimates based on historical experience, as well as reasonable and supportable forecasts, in determining the level of debts that the Company believes will not be collected. These estimates include such factors as the current credit rating of the debtor, the ageing profile of debtors and historical experience. Any significant reduction in the level of customers that default on payments or other significant improvements that resulted in a reduction in the level of impairment allowance would have a positive impact on the operating results. The level of impairment allowance required is reviewed on an on-going basis.

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

##### (b) Useful lives of depreciable assets

The Company reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

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

##### (c) Impairment on financial assets

In assessing impairment of financial assets, management estimates the recoverable amount of each asset based on expected future cash flows. Estimation uncertainty relates to assumptions about future operating results.

##### (d) Impairment on tangible assets

The company assesses impairment on tangible assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the company considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business;
- Significant negative industry or economic trends.

In determining the estimated cash flows expected to be generated from continued use of the assets, the company is required to make estimates and assumptions that can materially affect the financial statements. These assets are reviewed for impairment whenever events of changes in circumstances indicate the carrying amount may not be recoverable.

#### 1.13 Application on new IFRS requirements

For the preparation of these financial statements, the following amended Standards and Interpretations are mandatory for the first time for the financial year beginning 1 January 2022.

##### *New Standards*

- Reference to the Conceptual Framework (Amendments to IFRS 3). The application of these amendments did not have any impact on these Group and Company's financial statements.
- Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37). The application of these amendments did not have any impact on these Group and Company's financial statements.
- Annual Improvements to IFRS Standards 2018–2020 (Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41). The application of these amendments did not have any impact on these Group and Company's financial statements.

## Notes forming part of the financial statements (continued)

### 1 Accounting policies (continued)

#### 1.13 Application on new IFRS requirements (continued).

Other than the above standards, none of the standards, amendments and interpretations effective during the current financial year had a significant impact on the Company's financial statements.

#### *New IFRS requirements in issue but not yet effective*

The Company has not applied the following new Interpretations and Standards that have been issued by the IASB but are not yet effective for the financial year beginning 1 January 2022. The Directors anticipate that the new Interpretations and Standards will be adopted in the Company's financial statements when they become effective, but do not expect these Standards to have a material effect on the Company's financial statements.

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Initial Application of IFRS 17 and IFRS 9 — Comparative Information (Amendment to IFRS 17)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Non-current Liabilities with Covenants (Amendments to IAS 1)

### 2 Revenue

#### 2.1 Dissaggregated revenue information

	2022	2021
	£	£
Application services	9,950,385	8,597,631
Professional services	<u>5,077,756</u>	<u>2,647,880</u>
Total revenue from contracts with customers	<u>15,028,141</u>	<u>11,245,511</u>

#### 2.2 Contract balances

	2022	2021
	£	£
Trade receivables	3,217,690	2,116,284
Contract assets	190,903	251,032
Contract liabilities	3,587,169	2,897,296
Amount included in contract liabilities at the beginning of the year	2,897,296	3,126,819

#### 2.3 Performance obligations

Information about the Company's performance obligation are summarized below:

##### *Application Services (SaaS Subscription, Customer Support and On-demand training)*

Subscription services are combined with customer support and free on-demand training as a single unit of accounting. The performance obligation is satisfied ratably over the contract term beginning on the commencement date of each contract. Payment is generally due to 30 to 45 days after billing.

##### *Professional services*

Professional services performance obligation is satisfied as services are delivered to the customer. The Company typically bills for these services either in arrears on a time and materials basis or upfront based on a fixed price. Implementation services are generally rendered over a specific period and involve the delivery of several dissimilar acts. Payment is generally due to 30 to 45 days after billing.

### Notes forming part of the financial statements *(continued)*

#### 3 Other operating (loss) income

	2022	2021
	£	£
Intercompany commission	(979,961)	-
Other income	<u>-</u>	<u>13</u>
<b>Total other operating (loss) income</b>	<b><u>(979,961)</u></b>	<b><u>13</u></b>

#### 4 Financial gain (expense)

	2022	2021
	£	£
Net foreign exchange gain (loss) *	2,523,774	(109,420)
Intercompany interest	<u>50,152</u>	<u>12,492</u>
<b>Total financial income (expense)</b>	<b><u>2,573,926</u></b>	<b><u>(96,928)</u></b>

\* In 2022 exchange gain includes £1,984,713 related to the settlement of bonds traded to settle Argentinian Peso denominated liabilities by the Company (2021: nil).

During 2022 and 2021, the Company has not classified financial assets or liabilities at fair value through profit or loss

#### 5 Expenses and auditor's remuneration

##### *Auditor's remuneration:*

	2022	2021
	£	£
Auditor's remuneration – Audit fee	32,167	26,238
Auditor's remuneration – Accounting & tax fees	<u>34,537</u>	<u>7,967</u>
	<b><u>66,704</u></b>	<b><u>34,205</u></b>

##### *Included in profit are the following:*

Payroll	1,083,448	1,152,676
Marketing and Advertising	143,409	102,843
Professional fees	223,624	68,198
Depreciation	261,248	369,252
Allowance for expected credit loss	-	(96,989)
Office rent	13,576	19,515
Premises costs	7,456	249
Other	<u>423,964</u>	<u>183,946</u>
	<b><u>2,156,725</u></b>	<b><u>1,799,690</u></b>

#### 6 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2022	2021
Employees (Sales)	5	5
Directors	<u>2</u>	<u>2</u>
	<b><u>7</u></b>	<b><u>7</u></b>

The directors did not receive or accrue any remuneration in the current year (2021 : £Nil)

## Notes forming part of the financial statements (continued)

### 6 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2022	2021
	£	£
Wages and salaries	924,159	958,508
Payroll taxes	<u>159,289</u>	<u>194,168</u>
	<u><b>1,083,448</b></u>	<u><b>1,152,676</b></u>

### 7 Taxation

#### Recognised in the income statement

	2022	2021
	£	£
Current tax expense	(264,448)	(323,035)
Transfer pricing additional corporation tax liabilities	(13,893)	-
Difference in Tax Return 2020	<u>-</u>	<u>19,057</u>
Total current tax	<u>(278,341)</u>	<u>(303,978)</u>
Deferred tax expense (note 9)	50,547	16,094
Deferred tax expense 2020 (note 9)	-	(2,619)
Difference in Deferred tax liabilities 2021 (note 9)	<u>(26,972)</u>	<u>-</u>
Total deferred tax expense	<u>23,575</u>	<u>13,475</u>
<b>Total tax expense</b>	<u><b>(254,766)</b></u>	<u><b>(290,503)</b></u>

The following is a reconciliation between income tax as charged to the Statement of Profit and Loss and Other Comprehensive Income and the amount that would have resulted from applying the relevant tax rate to taxable income before tax:

#### Reconciliation of effective tax rate

	2022	2021
	£	£
Profit before tax	1,136,446	1,749,766
Total tax expense	<u>(254,766)</u>	<u>(290,503)</u>
Profit for the year	<u>881,680</u>	<u>1,459,263</u>
Tax using the UK corporation tax rate of 19% (2021:19%)	(215,925)	(332,456)
Non deductible expenses	(2,106)	(122)
Non deductible Capital Allowance	4,130	25,637
Transfer pricing additional corporation tax liabilities	(13,893)	-
Difference in Tax Return 2020	-	19,057
Difference in Deferred tax liabilities 2021	(26,972)	-
Difference in Deferred tax liabilities 2020	<u>-</u>	<u>(2,619)</u>
Total tax expense	<u><b>(254,766)</b></u>	<u><b>(290,503)</b></u>

The company has zero (2021: £nil) of tax losses carried forward.

## Notes forming part of the financial statements (continued)

### 7 Taxation (continued)

#### Factors that may affect future tax charges:

The standard rate of UK Corporation Tax is to remain at 19% until 31 March 2023. The Finance Act 2021 states that this rate is to be increased from 19% to 25% from 1 April 2023. In summary, the rate of corporation tax from 1 April 2023 will increase to 25% for companies generating taxable profits of more than £250,000.

Deferred tax at the balance sheet date has been measured using the enacted tax rates.

### 8 Property, plant and equipment

	Servers £	Office equipment £	IT equipment £	Total £
<b>Cost</b>				
Balance at 1 January 2021	1,069,824	37,274	-	1,107,098
Additions	<u>335,539</u>	<u>3,658</u>	<u>77,083</u>	<u>416,280</u>
Balance at 31 December 2021	1,405,363	40,932	77,083	1,523,378
Additions	<u>8,739</u>	<u>4,867</u>	<u>-</u>	<u>13,606</u>
Balance at 31 December 2022	<u>1,414,102</u>	<u>45,799</u>	<u>77,083</u>	<u>1,536,984</u>
<b>Depreciation</b>				
Balance at 1 January 2021	724,135	34,518	-	758,653
Additions	<u>340,961</u>	<u>2,597</u>	<u>25,694</u>	<u>369,252</u>
Balance at 31 December 2021	1,065,096	37,115	25,694	1,127,905
Depreciation charge for the year	<u>231,334</u>	<u>4,220</u>	<u>25,694</u>	<u>261,248</u>
Balance at 31 December 2022	<u>1,296,430</u>	<u>41,335</u>	<u>51,388</u>	<u>1,389,153</u>
<b>Net book value</b>				
At 31 December 2021	340,267	3,817	51,389	395,473
At 31 December 2022	<u>117,672</u>	<u>4,464</u>	<u>25,695</u>	<u>147,831</u>

### 9 Deferred tax liabilities

#### Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	<u>Liabilities</u>	
	2022 £	2021 £
Accelerated capital allowances	<u>29,154</u>	<u>52,729</u>
Net deferred tax	<u>29,154</u>	<u>52,729</u>

#### Movement in deferred tax during the year

	1 January 2022 £	Recognised in income £	31 December 2022 £
Accelerated capital allowances	<u>52,729</u>	<u>(23,575)</u>	<u>29,154</u>
Total	<u>52,729</u>	<u>(23,575)</u>	<u>29,154</u>

## Notes forming part of the financial statements (continued)

### 9 Deferred tax liabilities (continued)

*Movement in deferred tax during the prior year*

	1 January 2021	Recognised in income	31 December 2021
	£	£	£
Accelerated capital allowances	<u>66,204</u>	<u>(13,475)</u>	<u>52,729</u>
Total	<u>66,204</u>	<u>(13,475)</u>	<u>52,729</u>

### 10 Trade and other receivables

	2022	2021
	£	£
<i>Current</i>		
Trade receivables	3,217,690	2,116,284
Other financial assets with related parties (note 14)	62,643	12,492
Other receivables due from related parties (note 14)	28,867	63,399
Prepayments	353,991	270,882
Other receivables	125,206	253,469
Rent deposit	3,849	24,837
Contract assets	<u>190,903</u>	<u>251,032</u>
Total current trade and other receivables	<u>3,983,149</u>	<u>2,992,395</u>
<i>Non current</i>	2022	2021
	£	£
Other financial assets with related parties (note 14)	<u>3,107,227</u>	<u>1,445,621</u>
Total non current trade and other receivables	<u>3,107,227</u>	<u>1,445,621</u>

There is no material difference between the fair value of receivables and their carrying amount.

Provisions, write-off of uncollectible receivables and utilisation of the allowance for expected credit losses are presented in the statement of profit or loss within administration expenses. The table below analyses changes in the allowance for impairment losses in the year.

	2022	2021
	£	£
<b>ALLOWANCE FOR EXPECTED CREDIT LOSSES</b>		
Balance at 1 January	-	98,347
(Decrease) in allowance for expected credit losses	-	(98,347)
Balance at 31 December	-	-

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Company on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

No collateral pertaining to trade and other receivables is held by the Company at the reporting date.

Amounts owed by related party undertakings are unsecured, interest free and repayable on demand.

## Notes forming part of the financial statements (continued)

### 11 Cash and cash equivalents

	2022	2021
	£	£
Cash and cash equivalents at bank and in hand	<u>11,079,968</u>	<u>6,622,797</u>
Cash and cash equivalents per cash flow statement	<u>11,079,968</u>	<u>6,622,797</u>

There is no material difference between the fair value and the carrying amount of cash and cash equivalents.

### 12 Trade and other payables

	2022	2021
	£	£
<i>Current</i>		
Trade payables due to related parties (note 14)	6,482,210	1,488,055
Amounts due to parent company	5,325,000	-
Other trade payables	180,480	481,119
Non-trade payables	1,030,716	535,290
Payroll	254,127	129,158
Contract liabilities	<u>3,587,169</u>	<u>2,897,296</u>
	<u>16,859,702</u>	<u>5,530,918</u>

The carrying amount of trade and other payables, accrued liabilities and contract liabilities is considered to be in line with their fair value at the reporting date. Amounts due to related parties are unsecured, interest-free and payable on demand.

Amounts owed to related parties are unsecured, interest-free and repayable on demand.

	2022	2021
	£	£
<i>Non current</i>		
Deferred tax liabilities (Note 9)	<u>29,154</u>	<u>52,729</u>
	<u>29,154</u>	<u>52,729</u>

### 13 Capital

	2022	2021
	£	£
<u>Authorised, allotted, called up and fully paid</u>		
100 Ordinary shares of £1 each – fully paid	<u>100</u>	<u>100</u>
	<u>100</u>	<u>100</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. On 15 December 2022, the company approve the payment of dividends of £5,325,000 to the parent Company Avature Group Limited (2021: £Nil).

### 14 Related parties

*Identity of related parties with which the Company has transacted*

*Related party transactions*

	Other financial assets		Software expenses incurred by	
	2022	2021	2022	2021
	£	£	£	£
Parent companies				
Avature Group Limited	3,051,079	1,368,492	-	-
Avature Holdings Limited	<u>118,791</u>	<u>89,621</u>	-	-
	<u>3,169,870</u>	<u>1,458,113</u>	-	-

## Notes forming part of the financial statements (continued)

### 14 Related parties (continued)

During 2022 Avature Spain S.L., Avature S.R.L. and Avature Limited Hong Kong incurred Software expenses on behalf of the Company.

Other related parties	Other financial assets		Software expenses incurred by	
	2022	2021	2022	2021
	£	£	£	£
Avature Spain SL	-	-	(3,816,701)	(2,528,278)
Avature SRL	-	-	(8,224,544)	(4,923,104)
Avature Limited (Malta)	-	-	-	(6,973)
Avature Hong Kong	-	-	(402,780)	-
	<u>-</u>	<u>-</u>	<u>(12,444,025)</u>	<u>(7,458,355)</u>

Other related parties	Intercompany commission	
	2022	2021
	£	£
Avature Limited (US)	979,961	-
	<u>979,961</u>	<u>-</u>

	Receivables outstanding		Payables outstanding	
	2022	2021	2022	2021
	£	£	£	£
<b>Parent companies</b>				
Avature Group Limited	1,778	-	5,772,248	92,326
	<u>1,778</u>	<u>-</u>	<u>5,772,248</u>	<u>92,326</u>
<b>Other related parties</b>				
Avature Spain SL	-	-	(766,013)	(596,892)
Avature GMBH	27,089	4,127	(9,286)	-
Avature SRL	-	-	(1,156,483)	(886,730)
Avature Limited (US)	-	59,272	(4,218,177)	(346)
Avature Limited (Malta)	-	-	-	(4,087)
Avature Hong Kong (HK)	-	-	(332,251)	-
	<u>27,089</u>	<u>63,399</u>	<u>(6,482,210)</u>	<u>(1,488,055)</u>

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are unsecured, interest free and are usually settled in cash.

There was no remuneration to key management personnel in the current or prior financial year.

Other than the disclosed above, there were no other transactions with related parties.

## Notes forming part of the financial statements (continued)

### 15 Information of financial risks

In performing its operating, investing and financing activities, the Company is exposed to the following financial risks:

- **Liquidity risk:** the risk that the Company may not have, or may not be able to raise, cash funds when needed and therefore encounter difficulty in meeting obligations associated with financial liabilities.
- **Market risk:** the risk that the value of a financial instrument will fluctuate in terms of fair value or future cash flows as a result of a fluctuation in market prices. Basically, the Company is exposed to three market risk components:
  - Interest rate risk
  - Currency risk
- **Operational risk:** the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes personnel, technology and infrastructure.
- **Credit risk:** the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The financial instruments that are exposed to such risk include cash and cash equivalents, and other receivables, notes receivable.

The objective of the Company is to manage operational risk in order to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

In order to effectively manage those risks, Avature Limited has approved specific strategies for the management of financial risk, which are in line with corporate objectives. These strategies set up guidelines for the short and long term objectives and actions to be taken in order to manage the financial risks that the Company faces.

The major guidelines are the following:

- Minimise interest rate, currency and price risks for all material transactions.
- All financial risk management activities are carried out and monitored at central level.
- All financial risk management activities are carried out on a prudent and consistent basis and following the best market practices.
- The Company can invest in shares or similar instruments only in the case of temporary excess of liquidity and such transactions have to be authorised by the Board of Directors.
- Compliance with regulatory and other legal requirements.

Compliance with these standards is supported by a programme of ongoing review by senior management, internal audit and independent control functions within the Company.

The following table summarises the carrying amount of financial assets and financial liabilities recorded by category.

	2022	2021
	£	£
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	11,079,968	6,622,797
Other financial assets with related parties	3,169,870	1,458,113
Trade and other receivables	3,920,506	2,979,903
<b>BALANCES AT 31 DECEMBER</b>	<u>18,170,344</u>	<u>11,060,813</u>
	2022	2021
	£	£
<b>FINANCIAL LIABILITIES</b>		
Trade and other payables	13,272,533	2,633,622
<b>BALANCES AT 31 DECEMBER</b>	<u>13,272,533</u>	<u>2,633,622</u>

## Notes forming part of the financial statements (continued)

### 15 Information of financial risks (continued)

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables. These are measured at amortized cost.

During the year, Avature Limited UK issued new non-current loans to Avature Group Limited and Avature Holdings with an annual interest rate of 2%.

Due to their short-term nature, the carrying value of cash and cash equivalents, other financial assets, trade and other receivables, trade and other payables approximates their fair value.

#### Credit risk

There is no significant concentration of credit risk.

The maximum credit risk to which the Company is exposed is summarised in the following table.

	2022	2021
	£	£
Cash and cash equivalents	11,079,968	6,622,797
Other financial assets with related parties	3,169,870	1,458,113
Trade and other receivables	3,920,506	2,979,903
<b>BALANCES AT 31 DECEMBER</b>	<b>18,170,344</b>	<b>11,060,813</b>

As disclosed in Note 11, cash and cash equivalents balances represent bank balances.

Note 10 provides an analysis of the allowance for expected credit losses against trade receivables.

#### Liquidity risk

The Company manages liquidity risk on the basis of expected maturity dates.

The following tables analyse financial liabilities by remaining contractual maturity.

	<u>TRADE AND OTHER</u> <u>PAYABLES</u>	<u>TOTAL</u>
	£	£
Less than 1 year	2,633,622	2,633,622
<b>BALANCE AT 31 DECEMBER 2021</b>	<b>2,633,622</b>	<b>2,633,622</b>
Less than 1 year	13,272,533	13,272,533
<b>BALANCE AT 31 DECEMBER 2022</b>	<b>13,272,533</b>	<b>13,272,533</b>

At present, the Company expects to pay all liabilities at their contractual maturity. In order to meet such cash commitments, the Company expects the operating activity to generate sufficient cash inflows.

At the reporting date, the Company had no financial guarantee contracts on issue (2021: £nil).

#### Interest rate risk

The Company's exposure to interest rate risk mainly concerning its financial liabilities. At present, the Company does not hold loans and receivables that are long-term in nature. The Company is not significantly exposed to interest rate risk and therefore no sensitivity analysis is presented. The following table analyses the breakdown of liabilities by type of interest rate.

## Notes forming part of the financial statements (continued)

### 15 Information of financial risks (continued)

	2022	2021
	£	£
<b>FINANCIAL LIABILITIES</b>		
Non-interest bearing	13,272,533	2,633,622
<b>BALANCES AT 31 DECEMBER</b>	<u>13,272,533</u>	<u>2,633,622</u>

#### Foreign currency risk

The financial statements are presented in GBP, which is also the Company's functional currency. The Company is exposed to certain currency risks in that the value of certain financial instruments will fluctuate due to changes in foreign exchange rates. Management has mitigated the risk by holding sufficient cash in presentation currency.

At the year ended 31 December 2022, the Company had not entered into any contracts outstanding and designated as hedges.

#### Financial assets by currency

Financial assets as at 31 December are analysed by currency as follows:

	<u>TRADE AND OTHER RECEIVABLES</u>	<u>OTHER FINANCIAL ASSETS WITH RELATED PARTIES</u>	<u>CASH AND CASH EQUIVALENTS</u>	<u>TOTAL</u>
	£	£	£	£
<b>CURRENCY</b>				
British pound	1,539,962	1,458,113	5,460,811	8,458,886
US Dollars	699,881	-	834,276	1,534,157
Euro	496,428	-	327,710	824,138
Swiss Franc	<u>243,632</u>	-	-	<u>243,632</u>
<b>BALANCE AT 31 DECEMBER 2021</b>	<u>2,979,903</u>	<u>1,458,113</u>	<u>6,622,797</u>	<u>11,060,813</u>
British pound	2,074,762	3,169,870	7,359,993	12,604,625
US Dollars	1,065,043	-	3,209,150	4,274,193
Euro	778,913	-	510,825	1,289,738
Swiss Franc	<u>1,788</u>	-	-	<u>1,788</u>
<b>BALANCE AT 31 DECEMBER 2022</b>	<u>3,920,506</u>	<u>3,169,870</u>	<u>11,079,968</u>	<u>18,170,344</u>

The following table analyses the breakdown of liabilities by currency.

	<u>TRADE AND OTHER PAYABLES</u>	<u>TOTAL</u>
	£	£
<b>CURRENCY</b>		
British pound	667,073	667,073
Euro	1,078,715	1,078,715
Argentine pesos	<u>1,104</u>	<u>1,104</u>
<b>BALANCE AT 31 DECEMBER 2021</b>	<u>2,633,622</u>	<u>2,633,622</u>
British pound	6,972,799	6,972,799
Euro	4,226,110	4,226,110
US Dollars	917,141	917,141
Argentine pesos	<u>1,156,483</u>	<u>1,156,483</u>
<b>BALANCE AT 31 DECEMBER 2022</b>	<u>13,272,533</u>	<u>13,272,533</u>

## **Notes forming part of the financial statements (continued)**

### **15 Information of financial risks (continued)**

The Company had net assets denominated in foreign currencies of £ 734,015 as at 31 December 2022 (2021: £635,378). The Company assumes a +/- 5% change of the principal currencies exchange rate for the year ended at 31 December 2022 (2021: 5%). Percentages have been determined based on the average market volatility in exchange rates in the previous twelve months. The sensitivity analysis is based on the Company's foreign currency financial instruments held at each reporting date. The Company's profit or loss for the year and the equity for the year would have been £36,701 higher/£ 36,701 lower (2021: £31,769 higher/£ 31,769 lower).

### **16 Subsequent events**

There have been no significant events since the financial year end, which require adjustment to or disclosure in these financial statements

### **17 Capital management policy and procedures**

The Company's capital management objectives are:

- To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns to investors and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.
- To provide an adequate return to shareholders based on the level of risk undertaken.
- To have financial resources available to allow the Company to invest in areas that may deliver future benefits
- To maintain financial resources sufficient to mitigate against risks and unforeseen events.

Capital risk is not significant for the Company and measurement of capital management is not a tool used in the internal management reporting procedures of the Company.

### **18 Controlling party**

The immediate parent company is Avature Group Limited, a private company limited by shares incorporated in the UK. The registered office address is 1 Charterhouse Mews, London. These financial statements are consolidated into those of Avature Group Limited for the current year.

The ultimate parent company is Avature Holdings Limited, a private exempt limited liability company incorporated in Malta, with a UK establishment office address at 1 Charterhouse Mews, London. These financial statements are consolidated into those of Avature Holdings Limited for the current year.

The ultimate controlling party of the Group is Mr. Dimitri Boylan, a director.