

Company Registration No. 04013392 (England and Wales)

PEPPERMINT TECHNOLOGY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

PEPPERMINT TECHNOLOGY LIMITED

COMPANY INFORMATION

Directors Mr N Davis
Ms A Adams
Mr D J Sneddon
Mr G S Young
Mr F McLatchie
Ms N J Redwood (Appointed 18 January 2021)

Company number 04013392

Registered office Oaktree House
2 Phoenix Place
Phoenix Court
Nottingham
United Kingdom
NG8 6BA

Auditor Azets Audit Services
2 Regan Way
Chetwynd Business Park
Chilwell
Nottingham
United Kingdom
NG9 6RZ

PEPPERMINT TECHNOLOGY LIMITED

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PEPPERMINT TECHNOLOGY LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2021

The directors present the strategic report for the year ended 30 June 2021.

Fair review of the business

Peppermint Technology is an international legal-tech software company, dedicated to helping large law firms transform, modernise, and grow. Peppermint's modular platform was born in the cloud and provides the full suite of legal applications – matter management, case management, client engagement and document management - built on Microsoft Dynamics 365 and the Power Platform and delivered as Software as a Service (SaaS).

Our flexible, client-centric software platform enables high performing legal businesses to drive every process, activity, and insight through a single source of information. The software enables law firms to provide a better client experience, enables greater control over risk and compliance across the law firm using a unified database platform, and provides business intelligence reporting and automated workflows for increased work throughput.

Peppermint's solution harnesses the power of Microsoft's agile technology, supporting lawyers to work more efficiently, drive strategic growth and deliver unrivalled client service; integrating seamlessly with Microsoft 365 Office and Teams to provide easy access to functionality such as Record Time, Ring Client and Setup Meeting.

During the year, we have continued to focus resources on developing CX365, our innovative, cloud based legal application platform targeted at the needs of larger law firms such as those in the UK Top 200 and US AMLaw 200 segments. Modularisation of the platform has continued, making it easier for customers to buy, implement and benefit from our software.

Peppermint benefits from a long-term strategic relationship with Microsoft, having recently been elevated to a Premium ISV partner and granted the Certified for Microsoft Dynamics award. Peppermint continues to invest to deliver the benefits of Microsoft Dynamics 365 and the Power Platform exclusively to the legal sector.

Peppermint's growth strategy is underpinned by specialising and focusing exclusively on the legal sector, with a clear commitment to creating long term, mutually beneficial relationships with clients. During the year, we have continued this sector focus and expanded our geographical reach by entering the US market, incorporating our new US subsidiary, Peppermint Technology Inc., and gaining Microsoft Cloud Services Provider certification for the US market.

We have continued to focus on and invest in our five strategic pillars, with the aim to deliver: growth, outstanding customer experience, operational excellence, employee engagement and product innovation. We have refined our operating KPI's and defined our key results (OKR's) aimed at companywide alignment of strategy, designed to drive revenue and profitability.

Peppermint recognises the importance of quality and information security and has achieved ISO9001 certification, Cyber Essentials Plus and IASME governance.

Employee engagement and well-being, particularly during the pandemic, has been a key priority for the management team. Peppermint strives to build a culture that is collegiate, open & transparent, supporting our employees to adapt, develop, and thrive. We thank our employees for their dedication and hard work during the year.

The initial effect of the Covid-19 pandemic for Peppermint was a reduction in customer project activity, as law firms focussed on their own business continuity planning. This led to a short-term decrease in professional service revenue. We supported existing customers with temporary contract variations to reflect customer staff reductions under the government backed furlough scheme. Subsequently, we have seen all of our customers return to 'pre-covid' levels and we continue to see an increase in procurement activity, as law firms look to adopt modern cloud-based software applications to support their growth plans and remote flexible working.

PEPPERMINT TECHNOLOGY LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

Principal risks and uncertainties

Going Concern and events after the reporting date

The Directors have reviewed detailed financial projections, including both profit and loss forecasts as well as cash-flow forecasts and considered all reasonably foreseeable potential scenarios and uncertainties, they have satisfied themselves that the business will continue in operational existence for a period of at least 12 months from the signing of these financial statements and have therefore prepared the financial statements on a going concern basis.

During the year the group renegotiated the terms of its debt financing with Accel-KKR and secured a new funding round with its existing equity investor, Scottish Equity Partners and FF Nominees Ltd.

The group's activities expose it to several financial risks, including cash flow risk, credit risk and liquidity risk. The group does not use derivative financial instruments for speculative purposes.

Cash Flow Risk

The company's cash flow risk is its exposure to variability in cash flows associated with a recognised asset or liability, such as future interest payments on a debt. The company's loan from Accel-KKR bears a fixed rate of interest.

The company manages this risk, by monitoring cash flow projections on a regular basis to ensure that appropriate funding is in place.

Credit Risk

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of a provision for doubtful receivables. A provision for impairment is made where there is an identified loss event which is evidence of a reduction in the recoverability of the balance due.

Peppermint seeks to mitigate commercial and operational risks through ensuring operational policies are followed, ensuring strong credit control procedures are in place and by an ongoing review of changes in the industry. All new customer contracts are subject to internal legal, commercial, operational and finance sign off.

Liquidity Risk and Interest Risk

The cash generated by operations is monitored closely and all funds are held in readily accessible bank accounts. The company's cash flow forecasts are updated regularly to ensure that sufficient funds are available to meet all financial commitments.

Foreign Currency Risk

The company's debt funding from Accel-KKR is denominated in sterling and therefore does not present a foreign currency risk.

Cybercrime Risk

Peppermint recognises the ever-changing threat landscape from cybercrime. The company has invested in several initiatives to improve security systems on internally hosted and SaaS platforms. This includes software and hardware solutions to protect and monitor services, security risk management policies, training, testing, and auditing. Additional investment has been made in software development and cloud platform tools, alongside Microsoft 365 E5 compliance and security services, to further protect our internal systems with active end point protection services.

PEPPERMINT TECHNOLOGY LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

Key performance indicators

	Year ended 30 June 2021 £'000	Year ended 30 June 2020 £'000
Revenue	6,386	5,932
Operating Loss	(100)	(438)
Adjusted EBITDA*	307	(318)
June monthly recurring revenue	456	358
Cash and cash equivalents	5,561	2,912

* Comprising earnings adjusted for interest, taxation, depreciation and amortisation.

In order to provide useful information about the company's performance and to present information in a way that reflects how the Directors monitor and measure the performance of the company, the Directors believe it is appropriate to present the results of the company using selected alternative performance measures.

Revenue for the year was £6.4m, representing a year-on-year growth of 8% (2020: £5.9m). This increase was despite revenue being impacted in the first half of the year by Covid-19, as customer projects were put on hold and we took the decision to support its existing customer base.

Monthly recurring revenue (MRR) is the revenue generated from long term customer SaaS contracts, and represents the monthly revenue recognised and contracted from clients. Monthly recurring revenue increased to £456,000, a year-on-year growth of 27% (2020: £358,000). The company also had contracted monthly recurring revenue that had not been recognised by the year end. Monthly recurring revenue, including contracted but not yet recognised increased 43% year on year. MRR at the year-end gives an indication of the annual recurring revenue (ARR) to be recognised from these contracts in future months and years.

Adjusted EBITDA* is shown as an alternative performance measure to present the underlying trading performance of the group. Adjusted EBITDA* improved to £307,000 for the year (2020: loss of £318,000).

Notably, Peppermint secured six new significant multi-year contracts with Top 200 UK Law firms during the year, of which half were Top 50 firms, including BLM, Shakespeare Martineau and TLT, executing on our strategy to win market share in large law. Additionally, executing on our expansion strategy, we secured our first US customer, AMLaw 200 firm Dickinson Wright, and we are building a robust pipeline in the AMLaw 200 target market. The company also expanded its relationship and subscriptions revenue with DWF and Foot Anstey.

Peppermint has over 50 customers and circa 9,000 contracted users on its software platform, an increase of 73% (2020: 5,200 contracted users), demonstrating the results of our strategy to penetrate larger firms and the strong demand for our CX365 modular platform.

PEPPERMINT TECHNOLOGY LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

Key performance indicators continued

During the year, all significant customer contracts that came to the end of their initial period were successfully renewed on longer term contracts, demonstrating the commitment and satisfaction of our existing customer base. The SharePoint Online (DMS) upgrade programme was initiated, and several customers have successfully migrated to the new version. We continue to focus on ensuring our software adds value to our customers, with our product and customer success teams actively engaged with the customer community to gather feedback and insight to enable us to improve software quality functionality and overall user experience. Our proactive approach to customer success has seen a significant improvement in our overall customer satisfaction key performance indicators.

Post year end, Peppermint has continued to execute on its sales and growth strategy, signing in 1Q our second US customer, AMLaw 200 firm Lathrops GPM. In addition, we grew our revenue in Foot Anstey, cross-selling with a significant contract for Case & Matter Management, after the initial contract for Client Engagement (CRM). Our pipeline in the UK Top 200 and AMLaw 200 firms continues to grow, with several substantial contracts expected to be signed post year end in FY22.

Future developments

Peppermint is committed to investing in the Peppermint software platform, enhancing and innovating to offer a market leading SaaS service to the legal sector. Delivering exceptional customer experience through our software, services and support remains our focus. Peppermint continues to invest in sales and marketing to enable us to capitalise on the increased demand for modern cloud based legal software. Peppermint remain well positioned for substantial growth, taking advantage of the continuing opportunity in the legal sector.

On behalf of the board

Mr G S Young
Director

Ms N J Redwood
Director

23 November 2021

PEPPERMINT TECHNOLOGY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

The directors present their annual report and financial statements for the year ended 30 June 2021.

Principal activities

The principal activity of the company continued to be that of the provision of software and services to law firms.

Results and dividends

The results for the year are set out on page 10.

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

Directors

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

Mr N Davis

Ms A Adams

Mr D J Sneddon

Mr G S Young

Ms N H Grundy

(Resigned 18 December 2020)

Mr F McLatchie

Ms N J Redwood

(Appointed 18 January 2021)

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Auditor

Azets Audit Services were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

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

Mr G S Young

Director

Ms N J Redwood

Director

23 November 2021

PEPPERMINT TECHNOLOGY LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 JUNE 2021

The directors are responsible for preparing the annual 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 of 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.

PEPPERMINT TECHNOLOGY LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PEPPERMINT TECHNOLOGY LIMITED

Opinion

We have audited the financial statements of Peppermint Technology Limited (the 'company') for the year ended 30 June 2021 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity 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 FRS 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 30 June 2021 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's 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.

PEPPERMINT TECHNOLOGY LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PEPPERMINT TECHNOLOGY LIMITED

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 material misstatements in the strategic report and 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 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, 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's responsibilities for the audit of the financial statements

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

PEPPERMINT TECHNOLOGY LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PEPPERMINT TECHNOLOGY LIMITED

Extent to which 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 and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the company through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and 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 accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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.

Mr Mitesh Thakrar (Senior Statutory Auditor)
For and on behalf of Azets Audit Services

23 November 2021

Chartered Accountants
Statutory Auditor

2 Regan Way
Chetwynd Business Park
Chilwell
Nottingham
United Kingdom
NG9 6RZ

PEPPERMINT TECHNOLOGY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

		2021	2020
	Notes	£	as restated £
Turnover	3	6,386,184	5,932,437
Cost of sales		(1,454,297)	(1,070,042)
Gross profit		<u>4,931,887</u>	<u>4,862,395</u>
Administrative expenses		(5,067,933)	(5,376,552)
Other operating income		35,874	75,818
Operating loss	4	<u>(100,172)</u>	<u>(438,339)</u>
Interest receivable and similar income	7	383	14,284
Interest payable and similar expenses	8	(707,009)	(676,415)
Loss before taxation		<u>(806,798)</u>	<u>(1,100,470)</u>
Tax on loss	9	667,431	1,607,863
(Loss)/profit for the financial year		<u><u>(139,367)</u></u>	<u><u>507,393</u></u>

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

PEPPERMINT TECHNOLOGY LIMITED

BALANCE SHEET

AS AT 30 JUNE 2021

		2021		2020 as restated	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	10		2,715,072		1,618,174
Tangible assets	11		110,327		111,369
			<u>2,825,399</u>		<u>1,729,543</u>
Current assets					
Debtors	12	2,852,753		2,985,768	
Cash at bank and in hand		5,561,423		2,911,557	
		<u>8,414,176</u>		<u>5,897,325</u>	
Creditors: amounts falling due within one year	13	(6,576,361)		(2,961,822)	
Net current assets			<u>1,837,815</u>		<u>2,935,503</u>
Total assets less current liabilities			<u>4,663,214</u>		<u>4,665,046</u>
Creditors: amounts falling due after more than one year	14		(5,104,779)		(4,967,244)
Net liabilities			<u>(441,565)</u>		<u>(302,198)</u>
Capital and reserves					
Called up share capital	17		5,252		5,252
Profit and loss reserves	18		(446,817)		(307,450)
Total equity			<u>(441,565)</u>		<u>(302,198)</u>

The financial statements were approved by the board of directors and authorised for issue on 23 November 2021 and are signed on its behalf by:

Mr G S Young
Director

Ms N J Redwood
Director

Company Registration No. 04013392

PEPPERMINT TECHNOLOGY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Share capital	Profit and loss reserves	Total
	£	£	£
As restated for the period ended 30 June 2020:			
Balance at 1 July 2019	5,252	(814,843)	(809,591)
Year ended 30 June 2020:			
Profit for the year	-	609,977	609,977
Impact of prior year adjustment	-	(102,584)	(102,584)
Total comprehensive income for the year	-	507,393	507,393
Balance at 30 June 2020	5,252	(307,450)	(302,198)
Year ended 30 June 2021:			
Loss and total comprehensive income for the year	-	(139,367)	(139,367)
Balance at 30 June 2021	5,252	(446,817)	(441,565)

PEPPERMINT TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

Company information

Peppermint Technology Limited is a private company limited by shares incorporated in England and Wales. The registered office is Oaktree House, 2 Phoenix Place, Phoenix Court, Nottingham, United Kingdom, NG8 6BA.

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, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Peppermint Technology Holdings Limited. These consolidated financial statements are available Companies House, Crown Way, Cardiff, CF14 3UZ.

1.2 Going concern

In assessing the appropriateness of the going concern assumption, the directors have reviewed detailed profit and cashflow forecasts considering reasonably foreseeable potential scenarios and uncertainties in relation to income and expenditure for a period of at least 12 months from the sign off of these financial statements. The company continues to trade and has met liability payments as they fall due and the directors have concluded that the Covid-19 pandemic does not create a material uncertainty in relation to going concern and as such have deemed it appropriate for the financial statements to be prepared on the going concern basis.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

PEPPERMINT TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies (Continued)

Revenue for software as a service, subscription services and maintenance are recognised over the length of the contract on a straight line basis. Revenue from consulting and implementation services are recognised when the services are delivered.

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 on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

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

Software	5 years
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1.5 Tangible fixed assets

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

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

Leasehold land and buildings	10% straight line
Fixtures and fittings	33% straight line
Computers	33% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible 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 profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

PEPPERMINT TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies (Continued)

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 profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks.

1.8 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, cash and bank balances and loans to other group companies are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, 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 or loss.

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 profit or loss.

PEPPERMINT TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

(Continued)

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 creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. 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.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

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

1.9 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.

1.10 Taxation

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

PEPPERMINT TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

(Continued)

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.

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

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.

1.12 Retirement benefits

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

1.13 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.

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.

The only government grants received in the year were in respect of furlough monies received under the Coronavirus Job Retention Scheme.

1.14 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.

PEPPERMINT TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

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.

Critical judgements

Assets' useful economic lives

Tangible fixed assets are depreciated over the useful lives of the related assets taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

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.

Capitalisation of intangible additions

Estimation is required in determining the appropriate % of staff time to capitalise as part of Intangible Asset additions in respect of the employee time cost in developing the Company's software products. Amounts capitalised are based on the monitoring of employee time by project managers and is based on managements best estimate of time spent on projects by each individual employee.

Recoverability of tangible and intangible assets

The carrying value of tangible and intangible fixed assets is reviewed annually for impairment taking into account the current trading performance and anticipated future cash flows to assess whether there is any indication of impairment. In assessing forecasted cash flows past performance will often be taken as the best available guide, unless it is known that circumstances have changed. These future cash flows are then discounted, using the company's cost of capital. As a result of the estimates involved, the actual impairment required in the future may differ from the assessment made in these financial statements.

3 Turnover and other revenue

	2021	2020
	£	£
Turnover analysed by class of business		
Provision of IT services comprising SaaS, subscriptions, maintenance and consultancy services	6,386,184	5,932,437
	<u>6,386,184</u>	<u>5,932,437</u>

PEPPERMINT TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

3	Turnover and other revenue	(Continued)	
		2021	2020
		£	£
	Other significant revenue		
	Interest income	383	14,284
	Government grants in relation to the Coronavirus Job Retention Scheme	35,874	75,818
		<u> </u>	<u> </u>
		2021	2020
		£	£
	Turnover analysed by geographical market		
	United Kingdom	6,386,184	5,932,437
		<u> </u>	<u> </u>
	4 Operating loss		
		2021	2020
		£	£
	Operating loss for the year is stated after charging/(crediting):		
	Government grants in relation to the Coronavirus Job Retention Scheme	(35,874)	(75,818)
	Fees payable to the company's auditor for the audit of the company's financial statements	19,000	17,500
	Depreciation of owned tangible fixed assets	40,294	44,980
	(Profit)/loss on disposal of tangible fixed assets	-	200
	Amortisation of intangible assets	367,362	75,154
		<u> </u>	<u> </u>
	5 Employees		
	The average monthly number of persons (including directors) employed by the company during the year was:		
		2021	2020
		Number	Number
	Administration	69	68
		<u> </u>	<u> </u>
	Their aggregate remuneration comprised:		
		2021	2020
		£	£
	Wages and salaries	2,841,821	3,126,932
	Social security costs	318,518	335,507
	Pension costs	89,565	99,108
		<u> </u>	<u> </u>
		3,249,904	3,561,547
		<u> </u>	<u> </u>
	6 Directors' remuneration		

PEPPERMINT TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

6 Directors' remuneration (Continued)

Directors of the company as at the date of these financial statements are also directors of the parent company, Peppermint Technology Holdings Ltd. Directors wages, in part, are recharged to Peppermint Technology Ltd via the management charge.

7 Interest receivable and similar income

	2021	2020
	£	£
Interest income		
Interest on bank deposits	383	14,284
	<u> </u>	<u> </u>

8 Interest payable and similar expenses

	2021	2020
	£	£
Other interest	707,009	676,415
	<u> </u>	<u> </u>

9 Taxation

	2021	2020
	£	as restated £
Current tax		
UK corporation tax on profits for the current period	(667,431)	(1,607,863)
	<u> </u>	<u> </u>

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:

	2021	2020
	£	£
Loss before taxation	(806,798)	(1,100,470)
	<u> </u>	<u> </u>
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	(153,292)	(209,089)
Tax effect of expenses that are not deductible in determining taxable profit	155,393	253,068
Adjustments in respect of prior years	-	(940,630)
Effects of R&D claim	(736,302)	(461,547)
Provisions tax adjustment	-	(249,665)
Deferred tax not provided	66,770	-
	<u> </u>	<u> </u>
Taxation credit for the year	(667,431)	(1,607,863)
	<u> </u>	<u> </u>

As at 30 June 2021 the company had estimated tax losses of £4,917,000 (2020 - £4,693,000) available to carry forward against future taxable profits. The recognition of deferred tax assets has been capped at the deferred tax liability for accelerated capital allowances.

PEPPERMINT TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

10 Intangible fixed assets

	Software £
Cost	
At 1 July 2020	1,703,245
Additions - internally developed	1,464,260
	<u>3,167,505</u>
At 30 June 2021	3,167,505
Amortisation and impairment	
At 1 July 2020	85,071
Amortisation charged for the year	367,362
	<u>452,433</u>
At 30 June 2021	452,433
Carrying amount	
At 30 June 2021	<u>2,715,072</u>
At 30 June 2020	<u>1,618,174</u>

11 Tangible fixed assets

	Leasehold land and buildings	Fixtures and fittings	Computers	Total
	£	£	£	£
Cost				
At 1 July 2020	103,120	35,508	184,199	322,827
Additions	-	-	39,252	39,252
	<u>103,120</u>	<u>35,508</u>	<u>223,451</u>	<u>362,079</u>
At 30 June 2021	103,120	35,508	223,451	362,079
Depreciation and impairment				
At 1 July 2020	42,636	32,005	136,817	211,458
Depreciation charged in the year	10,312	2,572	27,410	40,294
	<u>52,948</u>	<u>34,577</u>	<u>164,227</u>	<u>251,752</u>
At 30 June 2021	52,948	34,577	164,227	251,752
Carrying amount				
At 30 June 2021	<u>50,172</u>	<u>931</u>	<u>59,224</u>	<u>110,327</u>
At 30 June 2020	<u>60,484</u>	<u>3,503</u>	<u>47,382</u>	<u>111,369</u>

PEPPERMINT TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

12 Debtors		2021	2020
		£	as restated £
Amounts falling due within one year:			
Trade debtors		610,380	433,003
Amounts owed by group undertakings		6,594	1,565,967
Other debtors		1,393,363	725,933
Prepayments and accrued income		842,416	260,865
		<u>2,852,753</u>	<u>2,985,768</u>
13 Creditors: amounts falling due within one year			
	Notes	2021	2020
		£	£
Other borrowings	15	40,119	291,784
Trade creditors		495,608	432,909
Amounts owed to group undertakings		3,212,988	-
Taxation and social security		425,657	255,754
Other creditors		53,564	37,767
Accruals and deferred income		2,348,425	1,943,608
		<u>6,576,361</u>	<u>2,961,822</u>
14 Creditors: amounts falling due after more than one year			
	Notes	2021	2020
		£	£
Other borrowings	15	5,104,779	4,967,244
		<u>5,104,779</u>	<u>4,967,244</u>
15 Loans and overdrafts			
		2021	2020
		£	£
Other loans		5,144,898	5,259,028
		<u>5,144,898</u>	<u>5,259,028</u>
Payable within one year		40,119	291,784
Payable after one year		5,104,779	4,967,244
		<u>5,144,898</u>	<u>5,259,028</u>

Other loans are secured by fixed and floating charges over the assets of the company.

PEPPERMINT TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

15 Loans and overdrafts (Continued)

On 18 January 2019, the company entered a term loan facility agreement for £5.5m of which £4.4m is repayable on 18 January 2023. This has been split in the notes as amounts due within and after one year.

The term loan agreement carries interest of 11.5% per annum. At the year end £25,001 (2020: £31,014) of interest has been accrued and is shown in other loans due within one year.

Total issue costs of £233,494 were incurred at the time of arranging the loan notes, which have been deducted from the carrying value and are charged to the profit or loss as part of the interest charge using the effective interest rate method.

The finance charge in the year relating to the amortisation of loan issue costs and interest is £707,009 (2020: £676,415).

16 Retirement benefit schemes

Defined contribution schemes	2021 £	2020 £
Charge to profit or loss in respect of defined contribution schemes	89,565	99,108
	<u>89,565</u>	<u>99,108</u>

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.

PEPPERMINT TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

17 Share capital

	2021	2020	2021	2020
	Number	Number	£	£
Ordinary share capital				
Issued and fully paid				
2 deferred shares of £1 each	2	2	2	2
4,798 ordinary shares of £1 each	4,798	4,798	4,798	4,798
451,500 B ordinary shares of 0.1p each	451,500	451,500	452	452
	<u>456,300</u>	<u>456,300</u>	<u>5,252</u>	<u>5,252</u>

18 Profit and loss reserves

The company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Profit and loss account

The profit and loss account represents cumulative profits or losses net of dividends paid and other adjustments.

19 Operating lease commitments

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:

	2021	2020
	£	£
Within one year	40,125	50,750
Between two and five years	128,020	203,000
In over five years	-	25,375
	<u>168,145</u>	<u>279,125</u>

20 Related party transactions

The company has taken advantage of certain disclosure exemptions, as permitted by FRS 102, which allows the company not to disclose transactions between wholly owned members of the group.

PEPPERMINT TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

21 Ultimate controlling party

The directors consider that Peppermint Technology Holdings Limited is the parent undertaking of the company and its controlling party by virtue of its 100% ownership of the share capital of the company.

There is no ultimate controlling party.

The largest and smallest group of undertakings for which group accounts have been prepared are those of Peppermint Technology Holdings Limited. Consolidated financial statements are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

22 Prior period adjustment

Adjustments to equity

	Notes	1 July 2019 £	30 June 2020 £
Adjustments to prior year			
Overstatement of Research & Development SME credit	1	-	(102,584)
Classification of Research & Development SME credit	2	-	-
		<u> </u>	<u> </u>
Analysis of the effect upon equity			
Profit and loss reserves		-	(102,584)
		<u> </u>	<u> </u>

Notes to adjustments

Overstatement of Research & Development SME credit

The prior year debtor for Research & Development credit had been overstated by £102,584. The previously reported amount was based on a provision and as such was £102,584 more than what was ultimately claimed post year end. The impact of this is a £102,584 reduction in the previously reported profit for the year and an equal reduction in net assets.

Classification of Research & Development SME credit

In previous years all Research & Development credits were included within Other Operating Income. These amounts should have been included as part of the "Tax on loss" within the profit and loss account. As such a prior year adjustment has been processed to reclassify such credits to within the tax on loss. The resultant impact, when also considering the above overstatement of £102,584, has resulted in an overall reduction in operating profit and reduction in tax on loss of £1,607,931. This amount only impacts classification within the profit and loss account and has no impact on the net result, other than the £102,584 adjustment noted above.

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.