

Registration number: 09901129

**NAPIER TECHNOLOGIES LIMITED  
ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

# NAPIER TECHNOLOGIES LIMITED

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# **NAPIER TECHNOLOGIES LIMITED**

## **Company Information**

**Directors** J A Dixon  
R K Howard  
R J Miller  
N J Smith  
S C Gray  
G C C Watson

**Company secretary** R T Styles

**Registered office** 22 Charterhouse Square  
London  
EC1M 6DX

**Auditors** Hazlewoods LLP  
Staverton Court  
Staverton  
Cheltenham  
GL51 0UX

# **NAPIER TECHNOLOGIES LIMITED**

## **Strategic Report for the Year Ended 31 December 2022**

The directors present their strategic report for the year ended 31 December 2022.

### **Principal activity**

Napier Technologies Limited, an AML (Anti-Money Laundering) compliance software company, specialises in providing cutting-edge solutions and services to help businesses effectively manage and mitigate the risks associated with money laundering and terrorist financing. The Group's principal activity revolves around the development, implementation, and support of advanced AML compliance software solutions tailored to the specific needs of financial institutions, regulatory bodies, and other organisations subject to AML regulations.

### **Fair review of the business**

During the year ended 31 December 2022, the Group achieved significant growth in revenue and contracted annual recurring revenues (CARR). The Group's total revenue increased by 30% compared to the previous year, reaching £14.3m, with CARR increasing 48%. This growth can be attributed to successful product launches and market expansion.

Losses from operations were £8.4m (2021 - £6.0m) and were largely driven by the ongoing investment in research and development and operational expansion globally. The loss was in line with the Board's expectations as the Group continues to rapidly scale.

### **Market analysis**

Despite the challenging economic environment, the Group experienced favourable market conditions in 2022. The compliance industry witnessed record growth, driven by factors such as increased demand for technological advancements and increased regulatory changes. The Group effectively capitalised on these opportunities, gaining market share and expanding its customer base.

### **Principal risks and uncertainties**

While the Group achieved significant progress and success during the year ended 31 December 2022, it is essential to acknowledge and address the principal risks and uncertainties that could impact the organisation's future performance. The following are some of the key risks and uncertainties faced by the Group:

#### **1. Market Volatility**

The Group operates in a dynamic and competitive market where changes in customer preferences, technological advancements, and regulatory shifts can significantly impact the demand for products and services. Adapting to market volatility and staying ahead of industry trends are crucial for sustained growth.

#### **2. Economic Factors**

Changes in global and regional economic conditions, including inflation, interest rates, and currency exchange rates, can influence consumer purchasing power, business investment decisions, and overall market stability. Fluctuations in economic factors may impact the Group's revenue and cost of operations.

#### **3. Regulatory and Compliance**

Changes in laws, regulations, or government policies, particularly in areas such as product safety, data protection, environmental compliance, and trade restrictions, may pose compliance challenges and increase operational costs. The Group remains committed to maintaining a robust compliance framework to mitigate regulatory risks.

#### **4. Cybersecurity and Data Privacy**

As technology continues to evolve, the risk of cyber threats, data breaches, and unauthorised access to sensitive information becomes increasingly significant. The Group prioritises cybersecurity measures, including regular assessments, employee training, and robust data protection protocols, to safeguard customer data and maintain trust.

#### **5. Talent Acquisition and Retention**

Attracting and retaining skilled employees is crucial for driving innovation, maintaining operational efficiency, and sustaining growth. Intense competition for talent, skills gaps, and employee turnover present risks to the Group's ability to achieve its strategic objectives. The Group invests in talent development programs, competitive compensation packages, and a positive work culture to mitigate these risks.

## **NAPIER TECHNOLOGIES LIMITED**

### **Strategic Report for the Year Ended 31 December 2022**

#### **6. Environmental and Social Factors**

Changing societal expectations and increasing focus on environmental sustainability and social responsibility can impact the Group's reputation, brand value, and long-term viability. The Group is committed to addressing these concerns through sustainable practices, responsible sourcing, and active community engagement.

The Group recognises the importance of proactive risk management and has established comprehensive frameworks and processes to identify, assess, and mitigate risks. Regular risk assessments, internal controls, and contingency plans are in place to address the aforementioned risks and uncertainties.

It should be noted that the risks and uncertainties outlined above are not exhaustive, and other factors beyond the Group's control may also influence its performance and future prospects. The Group will continue to monitor these risks, adapt its strategies, and take necessary measures to mitigate their potential impact.

By proactively managing risks and uncertainties, the Group aims to maintain its resilience, capitalise on opportunities, and achieve sustainable growth in the years to come.

#### **Information Security**

Ensuring the confidentiality, integrity, and availability of data is of utmost importance to Directors. The Group recognises the critical role of information security in safeguarding sensitive information, protecting customer trust, and maintaining regulatory compliance. The following outlines the Group's commitment to information security:

##### **1. Robust Security Measures**

The Group has implemented a comprehensive set of security measures to protect its information assets and mitigate potential cybersecurity threats. These measures include network firewalls, secure access controls, encryption protocols, and intrusion detection systems. Regular security audits and vulnerability assessments are conducted to identify and address any potential vulnerabilities.

##### **2. Data Privacy and Compliance**

The Group adheres to applicable data protection laws and regulations to ensure the privacy of customer and employee data. The company maintains strict data governance practices, including data classification, access controls, and data retention policies. The Group regularly reviews and updates its privacy practices to align with evolving legal requirements.

##### **3. Employee Awareness and Training**

The Group recognises that employees play a vital role in maintaining information security. The Group provides comprehensive training programs to educate employees on best practices for data protection, safe computing, and the identification of social engineering attempts. Regular awareness campaigns and simulated phishing exercises are conducted to reinforce good security practices among staff members.

##### **4. Incident Response and Business Continuity**

The Group has a robust incident response plan in place to effectively handle security incidents and minimise potential impact. The plan includes procedures for timely detection, containment, eradication, and recovery from security breaches. Additionally, the company maintains a comprehensive business continuity and disaster recovery strategy to ensure the continued availability of critical systems and data.

##### **5. Third-Party Security Management**

The Group recognises the importance of evaluating and managing the security posture of third-party vendors and partners. The company conducts due diligence assessments to ensure that third parties handling sensitive data adhere to the same high standards of information security. Contracts with third-party vendors include specific security requirements and regular audits to maintain compliance.

##### **6. Continuous Improvement**

The Group remains committed to continuously improving its information security practices. The company actively monitors industry trends, emerging threats, and evolving regulatory requirements to stay ahead of potential risks. Regular risk assessments, penetration testing, and security awareness programs are conducted to enhance the company's overall security posture.

## **NAPIER TECHNOLOGIES LIMITED**

### **Strategic Report for the Year Ended 31 December 2022**

By prioritising information security, the Group aims to protect its customers, employees, and stakeholders from potential cyber threats. The Group's commitment to robust security measures, compliance with data protection regulations, and ongoing employee training ensures that information security remains a top priority across all aspects of its operations.

Please note that as threats and technology evolve, the Group will continue to invest in information security measures, adapt its practices, and stay at the forefront of cybersecurity to ensure the protection of critical data and maintain customer trust.

The year ended 31 December 2022 was a year of growth and strategic advancement for the Group. Despite challenges, the Group achieved remarkable financial results and successfully executed key strategic initiatives. With a customer-centric approach, focus on innovation, and commitment to sustainability, the Group is well-prepared for continued growth and success.

Approved by the Board on 20 June 2023 and signed on its behalf by:

R T Styles  
Company secretary

## **NAPIER TECHNOLOGIES LIMITED**

### **Directors' Report for the Year Ended 31 December 2022**

The directors present their report and the for the year ended 31 December 2022.

#### **Directors of the company**

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

J A Dixon

R K Howard

R J Miller

N J Smith

S C Gray

G C C Watson (appointed 29 March 2022)

#### **Future developments**

In the future the Group intend to invest in research and development, expand into new markets, and drive innovation.

#### **Financial instruments**

##### **Objectives**

The primary objectives of the Group's financial instruments management are to:

##### **1. Safeguard Assets**

Ensure the prudent and effective management of financial instruments to protect the Group's assets from unnecessary risks and potential losses.

##### **2. Optimise Returns**

Seek opportunities to optimise returns from financial instruments while considering the associated risks and maintaining an appropriate balance between risk and reward.

##### **3. Liquidity Management**

Maintain adequate liquidity levels to meet operational and financial obligations in a timely manner, taking into account the Group's projected cash flows and potential funding requirements.

##### **4. Compliance with Regulations**

Ensure compliance with relevant laws, regulations, accounting standards, and best practices governing the management and disclosure of financial instruments.

##### **Policies**

To achieve the above objectives, the Group has established the following policies for the management of financial instruments:

##### **1. Risk Management**

Implement a robust risk management framework to identify, assess, monitor, and mitigate risks associated with financial instruments. This includes establishing appropriate risk limits and regularly reviewing risk exposures.

##### **2. Credit Risk Management**

Assess the creditworthiness of counterparties and monitor credit exposures to minimise the risk of default. Establish and maintain appropriate credit limits for each counterparty, and regularly review credit ratings and financial information to ensure ongoing creditworthiness.

##### **3. Interest Rate Risk Management**

Monitor and manage the potential impact of interest rate fluctuations on the Group's financial instruments, including loans and borrowings. Implement hedging strategies, such as interest rate swaps or derivatives, where appropriate, to mitigate interest rate risks.

## **NAPIER TECHNOLOGIES LIMITED**

### **Directors' Report for the Year Ended 31 December 2022**

#### **4. Foreign Exchange Risk Management**

Evaluate and manage the foreign exchange risk associated with financial instruments denominated in foreign currencies. Develop appropriate strategies, such as hedging or natural hedging, to minimise the impact of currency fluctuations on the Group's financial position.

#### **5. Compliance and Reporting**

Ensure compliance with applicable accounting standards, legal requirements, and regulatory guidelines related to financial instruments. Maintain accurate and reliable records of financial instruments, including fair value measurements, and provide transparent and timely disclosures in financial statements and reports.

#### **6. Internal Controls and Governance**

Establish and maintain robust internal controls and governance mechanisms to ensure the effective management and oversight of financial instruments. This includes segregation of duties, regular reporting to management and periodic internal and external audits.

#### **7. Continuous Monitoring and Review**

Regularly monitor the performance, risks, and compliance of financial instruments through ongoing assessments, reporting, and periodic reviews. Identify areas for improvement and take appropriate actions to enhance the effectiveness of financial instruments management.

### ***Credit risk, liquidity risk and cash flow risk***

#### **Credit Risk**

Credit risk refers to the potential loss arising from the failure of counterparties to fulfil their financial obligations. It primarily affects the Group's trade debtors and bankers. The Group adopts a strategy of detailed counterparty evaluation and ongoing monitoring of customer credit reviews.

#### **Cash Flow & Liquidity Risk**

Cash flow risk refers to the potential volatility or unpredictability of cash flows arising from various sources, such as customer payments, investments, and financing activities. Liquidity risk refers to the risk of being unable to meet financial obligations when they become due or to execute transactions in a timely manner without incurring significant costs. The Group manages cash flow and liquidity risk through the following strategies:

##### **a. Cash Flow Management**

Maintain robust cash flow management practices to ensure the availability of sufficient funds to meet operational and financial obligations. Monitor cash flows regularly and forecast future cash flow requirements to optimise liquidity.

##### **b. Cash Flow Forecasting**

Maintain robust cash flow forecasting processes to project future cash inflows and outflows accurately. This enables proactive management of cash flow mismatches and facilitates effective liquidity planning.

##### **c. Contingency Planning**

Develop contingency plans and access to credit facilities to address potential liquidity shortfalls during periods of financial stress or unforeseen events. Maintain appropriate levels of cash reserves and liquid assets to cover short-term obligations.

##### **d. Monitoring and Stress Testing**

Regularly monitor liquidity positions and conduct stress testing to assess the potential impact of adverse scenarios on liquidity. This helps identify potential vulnerabilities and supports proactive liquidity risk management.

##### **e. Working Capital Management**

Optimise working capital management practices to ensure the efficient utilisation of cash resources. This includes effective accounts receivable and payable management, and cash conversion cycle optimisation.

##### **f. Financing Strategy**

Maintain a prudent financing strategy that matches cash flow generation with cash flow requirements. Evaluate funding needs, access to credit facilities, and capital structure to ensure sufficient liquidity and financial flexibility.

## **NAPIER TECHNOLOGIES LIMITED**

### **Directors' Report for the Year Ended 31 December 2022**

#### **Going concern**

The directors have prepared cash flow forecasts for the Group for more than 12 months from the approval of these financial statements. After reviewing the Group's forecasts, and on the assumption that the investors continue to support the Group, which they have indicated an intention to do, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

The investors' financial backing provides the Group with the necessary resources to execute its strategic plans, invest in research and development, expand into new markets, and drive innovation. Their long-term perspective aligns with the Group's goals and ensures the stability and continuity of operations.

While uncertainties and risks may exist in the business environment, the Group remains confident in its ability to manage these challenges effectively, supported by its investors. The unwavering support of its investors coupled with a strong financial position and effective management practices, provides assurance that the Group is well-positioned as a going concern.

#### **Important non adjusting events after the financial period**

Post year end, amounts totalling £2,000,000 have been drawn down under an additional £2,900,000 facility. The loan attracts interest at a rate of 10% per annum above the Bank of England's base rate.

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

Each director has taken the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

#### **Reappointment of auditors**

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Hazlewoods LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 20 June 2023 and signed on its behalf by:

R T Styles  
Company secretary

## **NAPIER TECHNOLOGIES LIMITED**

### **Statement of Directors' Responsibilities**

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

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

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **NAPIER TECHNOLOGIES LIMITED**

### **Independent Auditor's Report to the Members of Napier Technologies Limited**

#### **Opinion**

We have audited the financial statements of Napier Technologies Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022, which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2022 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor responsibilities for the audit of the financial statements section of our report. We are independent of the group 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 group's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were 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 directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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 or apparent material misstatements, 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.

#### **Opinion on other matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

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

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

## **NAPIER TECHNOLOGIES LIMITED**

### **Independent Auditor's Report to the Members of Napier Technologies Limited**

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, 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 group's and the parent 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 group or the parent 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.

#### *Extent to which the audit was capable of detecting irregularities, including fraud*

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

We considered the nature of the group's and company's industry and their control environment and reviewed the group's and company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the group and company operates in and identified the key laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements, including the UK Companies Act and tax legislation, and those that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's and company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgments made in accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatements due to fraud;

enquiring of management concerning actual and potential litigation and claims and instances of non-compliance with laws and regulations; and

## **NAPIER TECHNOLOGIES LIMITED**

### **Independent Auditor's Report to the Members of Napier Technologies Limited**

- reading minutes of meetings of those charged with governance.

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

A further description of our responsibilities is available 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.

#### **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.

Paul Fussell (Senior Statutory Auditor)

For and on behalf of Hazlewoods LLP, Statutory Auditor

Staverton Court

Staverton

Cheltenham

GL51 0UX

21 June 2023

**NAPIER TECHNOLOGIES LIMITED****Consolidated Profit and Loss Account for the Year Ended 31 December 2022**

	<b>Note</b>	<b>2022 £</b>	<b>2021 £</b>
Turnover	<u>3</u>	14,274,625	10,970,748
Cost of sales		<u>(6,287,495)</u>	<u>(4,505,560)</u>
Gross profit		7,987,130	6,465,188
Administrative expenses		(16,531,656)	(12,504,922)
Other operating income	<u>4</u>	<u>110,954</u>	<u>-</u>
Operating loss	<u>5</u>	(8,433,572)	(6,039,734)
Other interest receivable and similar income	<u>6</u>	-	88,460
Interest payable and similar charges	<u>7</u>	<u>(2,652,140)</u>	<u>(1,053,354)</u>
Loss before tax		(11,085,712)	(7,004,628)
Taxation	<u>11</u>	<u>1,858,585</u>	<u>1,294,464</u>
Loss for the financial year		<u><u>(9,227,127)</u></u>	<u><u>(5,710,164)</u></u>

The above results were derived from continuing operations.

**NAPIER TECHNOLOGIES LIMITED**

**Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2022**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Loss for the year	(9,227,127)	(5,710,164)
Foreign currency translation losses	<u>(100,966)</u>	<u>(20,953)</u>
Total comprehensive income for the year	<u><u>(9,328,093)</u></u>	<u><u>(5,731,117)</u></u>

The notes on pages 19 to 36 form an integral part of these financial statements.

**NAPIER TECHNOLOGIES LIMITED**

(Registration number: 09901129)

Consolidated Balance Sheet as at 31 December 2022

	Note	2022 £	2021 £
<b>Fixed assets</b>			
Intangible assets	<u>12</u>	18,968,885	15,473,470
Tangible assets	<u>13</u>	<u>123,409</u>	<u>168,313</u>
		<u>19,092,294</u>	<u>15,641,783</u>
<b>Current assets</b>			
Debtors	<u>15</u>	8,538,603	3,207,682
Cash at bank and in hand		<u>228,477</u>	<u>3,172,505</u>
		8,767,080	6,380,187
Creditors: Amounts falling due within one year	<u>16</u>	<u>(20,578,530)</u>	<u>(5,711,523)</u>
Net current (liabilities)/assets		<u>(11,811,450)</u>	668,664
Total assets less current liabilities		7,280,844	16,310,447
Creditors: Amounts falling due after more than one year	<u>16, 17</u>	(15,133,399)	(10,740,253)
Provisions for liabilities	<u>18</u>	<u>(6,099,230)</u>	<u>(10,193,886)</u>
Net liabilities		<u>(13,951,785)</u>	<u>(4,623,692)</u>
<b>Capital and reserves</b>			
Called up share capital	<u>21</u>	143	143
Share premium reserve		2,818,166	2,818,166
Profit and loss account	<u>20</u>	<u>(16,770,094)</u>	<u>(7,442,001)</u>
Equity attributable to owners of the company		<u>(13,951,785)</u>	<u>(4,623,692)</u>
Total equity		<u>(13,951,785)</u>	<u>(4,623,692)</u>

Approved and authorised by the Board on 20 June 2023 and signed on its behalf by:

R T Styles  
Company secretary

The notes on pages 19 to 36 form an integral part of these financial statements.

**NAPIER TECHNOLOGIES LIMITED****(Registration number: 09901129)****Balance Sheet as at 31 December 2022**

	<b>Note</b>	<b>2022 £</b>	<b>2021 £</b>
<b>Fixed assets</b>			
Intangible assets	<u>12</u>	18,968,885	15,473,470
Tangible assets	<u>13</u>	106,361	156,347
Investments	<u>14</u>	128	128
		<u>19,075,374</u>	<u>15,629,945</u>
<b>Current assets</b>			
Debtors	<u>15</u>	7,544,461	3,350,632
Cash at bank and in hand		<u>166,416</u>	<u>2,936,192</u>
		7,710,877	6,286,824
Creditors: Amounts falling due within one year	<u>16</u>	<u>(18,710,649)</u>	<u>(5,096,780)</u>
Net current (liabilities)/assets		<u>(10,999,772)</u>	<u>1,190,044</u>
Total assets less current liabilities		8,075,602	16,819,989
Creditors: Amounts falling due after more than one year	<u>16, 17</u>	<u>(15,133,399)</u>	<u>(10,740,253)</u>
Provisions for liabilities	<u>18</u>	<u>(6,099,230)</u>	<u>(10,193,886)</u>
Net liabilities		<u>(13,157,027)</u>	<u>(4,114,150)</u>
<b>Capital and reserves</b>			
Called up share capital	<u>21</u>	143	143
Share premium reserve		2,818,166	2,818,166
Profit and loss account	<u>20</u>	<u>(15,975,336)</u>	<u>(6,932,459)</u>
Total equity		<u>(13,157,027)</u>	<u>(4,114,150)</u>

The company made a loss after tax for the financial year of £9,042,877 (2021 - loss of £5,216,105).

Approved and authorised by the Board on 20 June 2023 and signed on its behalf by:

R T Styles  
Company secretary

The notes on pages 19 to 36 form an integral part of these financial statements.

**NAPIER TECHNOLOGIES LIMITED**

**Consolidated Statement of Changes in Equity for the Year Ended 31 December 2022**  
**Equity attributable to the parent company**

	Share capital £	Share premium £	Profit and loss account £	Total £
At 1 January 2022	143	2,818,166	(7,442,001)	(4,623,692)
Loss for the year	-	-	(9,227,127)	(9,227,127)
Other comprehensive income	-	-	(100,966)	(100,966)
Total comprehensive income	-	-	(9,328,093)	(9,328,093)
At 31 December 2022	143	2,818,166	(16,770,094)	(13,951,785)

	Share capital £	Share premium £	Profit and loss account £	Total £
At 1 January 2021	124	2,377,976	(1,710,884)	667,216
Loss for the year	-	-	(5,710,164)	(5,710,164)
Other comprehensive income	-	-	(20,953)	(20,953)
Total comprehensive income	-	-	(5,731,117)	(5,731,117)
New share capital subscribed	19	440,190	-	440,209
At 31 December 2021	143	2,818,166	(7,442,001)	(4,623,692)

The notes on pages 19 to 36 form an integral part of these financial statements.

**NAPIER TECHNOLOGIES LIMITED**

**Statement of Changes in Equity for the Year Ended 31 December 2022**

	Share capital £	Share premium £	Profit and loss account £	Total £
At 1 January 2022	143	2,818,166	(6,932,459)	(4,114,150)
Loss for the year	-	-	(9,042,877)	(9,042,877)
At 31 December 2022	<u>143</u>	<u>2,818,166</u>	<u>(15,975,336)</u>	<u>(13,157,027)</u>

	Share capital £	Share premium £	Profit and loss account £	Total £
At 1 January 2021	124	2,377,976	(1,716,354)	661,746
Loss for the year	-	-	(5,216,105)	(5,216,105)
New share capital subscribed	19	440,190	-	440,209
At 31 December 2021	<u>143</u>	<u>2,818,166</u>	<u>(6,932,459)</u>	<u>(4,114,150)</u>

The notes on pages 19 to 36 form an integral part of these financial statements.

# NAPIER TECHNOLOGIES LIMITED

## Consolidated Statement of Cash Flows for the Year Ended 31 December 2022

	Note	2022 £	2021 £
<b>Cash flows from operating activities</b>			
Loss for the year		(9,227,127)	(5,710,164)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	<u>5</u>	5,127,140	3,406,234
Finance income	<u>6</u>	-	(88,460)
Finance costs	<u>7</u>	2,652,140	1,053,354
Income tax expense	<u>11</u>	(1,858,585)	(1,276,084)
		(3,306,432)	(2,615,120)
Working capital adjustments			
Increase in trade debtors		(3,184,635)	(404,217)
Increase in trade creditors		15,888,400	2,913,060
(Decrease)/increase in provisions		(4,094,656)	587,973
Cash generated from operations		5,302,677	481,696
Income taxes received		-	304,244
Net cash flow from operating activities		<u>5,302,677</u>	<u>785,940</u>
<b>Cash flows from investing activities</b>			
Interest received	<u>6</u>	-	88,460
Acquisitions of tangible assets		(48,987)	(130,685)
Acquisition of intangible assets		(8,527,627)	(4,621,357)
Net cash flows from investing activities		<u>(8,576,614)</u>	<u>(4,663,582)</u>
<b>Cash flows from financing activities</b>			
Interest paid	<u>7</u>	(2,652,140)	(1,053,363)
Proceeds from issue of ordinary shares, net of issue costs		-	440,209
Proceeds from other borrowing draw downs		4,770,000	5,280,000
Repayment of other borrowing		(1,800,000)	(500,000)
Proceeds from issue of convertible debt, net of issue costs		-	(235,440)
Net cash flows from financing activities		<u>317,860</u>	<u>3,931,406</u>
Net (decrease)/increase in cash and cash equivalents		(2,956,077)	53,764
Cash and cash equivalents at 1 January		3,172,505	3,122,632
Effect of exchange rate fluctuations on cash held		12,049	(3,891)
Cash and cash equivalents at 31 December		<u><u>228,477</u></u>	<u><u>3,172,505</u></u>

The notes on pages 19 to 36 form an integral part of these financial statements.

# **NAPIER TECHNOLOGIES LIMITED**

## **Notes to the Financial Statements for the Year Ended 31 December 2022**

### **1 General information**

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:  
22 Charterhouse Square  
London  
EC1M 6DX

### **2 Accounting policies**

#### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **Statement of compliance**

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' and the Companies Act 2006.

#### **Basis of preparation**

These financial statements have been prepared using the historical cost convention except for, where disclosed in these accounting policies, certain items that are shown at fair value.

The presentational currency of the financial statements is Pounds Sterling, being the functional currency of the primary economic environment in which the company operates. Monetary amounts in these financial statements are rounded to the nearest Pound.

#### **Summary of disclosure exemptions**

Napier Technologies Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in relation to presentation of a statement of cash flows and financial instruments..

#### **Basis of consolidation**

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2022.

No profit and loss account is presented for the company, as permitted by section 408 of the Companies Act 2008.

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

The results of subsidiaries acquired or disposed of during the year are included in the Profit and Loss Account from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

## **NAPIER TECHNOLOGIES LIMITED**

### **Notes to the Financial Statements for the Year Ended 31 December 2022**

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination.

#### **Going concern**

The group has reported a loss for the year ended 31 December 2022 of £9,227,127 (2021 - £5,710,164) and as at 31 December 2022 had net current liabilities of £11,810,450 (2021 - net current assets of £668,664).

On the basis of the group accounts, and having received a letter of support from a shareholder confirming their intent to continue supporting the group under existing facilities and to provide further required financial facilities, the directors consider it appropriate to prepare the financial statements on a going concern basis. The forecasts assume that existing facilities will continue on no less favourable terms than current arrangements. The financial statements do not include any adjustments that would result from insufficient facilities being made available to the group.

#### **Critical accounting 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 amounts 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.**

#### **Judgements**

No significant judgements have been made by management in preparing these financial statements.

#### **Key sources of estimation uncertainty**

Certain intellectual property, customer contracts and goodwill are capitalised and recognised as the net present value of amounts payable over a period until April 2023 over which the group is expected to benefit from these assets. The corresponding entry has been recognised as deferred consideration on acquisition of these intangibles. In performance of the review of the carrying value the directors consider estimates of future sales expected to be achieved, as well as the discount factor used in the calculation, a change in which could have a material effect on the future results of the group. Whilst the directors are comfortable that the assumptions used in the calculation of the carrying value of the intangible assets and deferred consideration are based on current expectations, a small change in the assumptions could give rise to a requirement for an adjustment to the carrying value of intangible assets and the deferred consideration.

#### **Revenue recognition**

Turnover comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the group's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities.

Revenue from licences, hosting, support and maintenance is deferred over the term of the agreement. Revenue from other services is recognised in the period in which services are rendered.

## **NAPIER TECHNOLOGIES LIMITED**

### **Notes to the Financial Statements for the Year Ended 31 December 2022**

#### **Foreign currency transactions and balances**

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Foreign exchange gains and losses that relate to deferred consideration and cash and cash equivalents are presented in profit or loss within finance income or costs. All other foreign exchange gains and losses are presented in profit or loss within administrative expenses.

#### **Tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a charge attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the group operates and generates taxable income.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the group. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

#### **Tangible assets**

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

#### **Depreciation**

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Computer equipment	33.33% of cost per annum

#### **Business combinations**

Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquired, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the group includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

#### **Goodwill**

Goodwill is amortised over its useful life, which shall not exceed five years if a reliable estimate of the useful life cannot be made.

#### **Intangible assets**

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Trademarks, licences and customer-related intangible assets have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses.

## **NAPIER TECHNOLOGIES LIMITED**

### **Notes to the Financial Statements for the Year Ended 31 December 2022**

#### **Amortisation**

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

<b>Asset class</b>	<b>Amortisation method and rate</b>
Development costs	33.33% of cost per annum
Intellectual property	10% of cost per annum
Goodwill	10% of cost per annum
Customer contracts	10% of cost per annum

#### **Investments**

Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimate recoverable value of the asset has reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

#### **Cash and cash equivalents**

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

#### **Trade debtors**

Trade debtors are amounts due from customers for services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. All trade debtors are repayable within one year and hence are included at the undiscounted cost of cash expected to be received. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the debtors.

#### **Trade creditors**

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the group does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and all are repayable within one year and hence are included at the undiscounted amount of cash expected to be paid.

#### **Borrowings**

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the profit and loss account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

#### **Provisions**

Provisions are recognised when the group has an obligation at the reporting date as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

#### **Leases**

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

## **NAPIER TECHNOLOGIES LIMITED**

### **Notes to the Financial Statements for the Year Ended 31 December 2022**

#### **Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

#### **Defined contribution pension obligation**

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the group has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

#### **Share based payments**

The company operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the entity. The fair value of the employee services received is measured by reference to the estimated fair value at the grant date of equity instruments granted and is recognised as an expense over the vesting period. The estimated fair value of the option granted is calculated using the Black Scholes option pricing model. The directors have appropriately assessed the fair value using the Black Scholes model and consider the adjustment to be immaterial in respect of the share based payment transactions.

#### **Financial Instruments**

##### ***Classification***

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability on the balance sheet. The corresponding dividends relating to the liability component are charged as interest expenses in the profit and loss account.

##### ***Recognition and measurement***

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

##### ***Impairment***

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

A non financial asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units ('CGUs') of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets (other than goodwill) of the CGU on a pro-rata basis and then to any goodwill allocated to that CGU.

## NAPIER TECHNOLOGIES LIMITED

### Notes to the Financial Statements for the Year Ended 31 December 2022

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

#### 3 Turnover

The analysis of the group's Turnover for the year from continuing operations is as follows:

	<b>2022</b>	<b>2021</b>
	£	£
Rendering of services	<u>14,274,625</u>	<u>10,970,748</u>

The analysis of the group's Turnover for the year by market is as follows:

	<b>2022</b>	<b>2021</b>
	£	£
UK	2,928,659	1,999,521
Europe	2,040,250	1,966,533
Rest of world	<u>9,305,716</u>	<u>7,004,694</u>
	<u>14,274,625</u>	<u>10,970,748</u>

#### 4 Other operating income

The analysis of the group's other operating income for the year is as follows:

	<b>2022</b>	<b>2021</b>
	£	£
Miscellaneous other operating income	<u>110,954</u>	<u>-</u>

Other operating income of £110,954 (2021 - £nil) comprises amounts received from the Singapore Government under a job support scheme.

#### 5 Operating profit

Arrived at after charging:

	<b>2022</b>	<b>2021</b>
	£	£
Depreciation expense	95,086	72,725
Amortisation expense	5,032,212	3,334,375
Foreign exchange losses	99	19,560
Operating lease expense - property	187,363	187,363
Operating lease expense - other	<u>97,423</u>	<u>91,137</u>

## NAPIER TECHNOLOGIES LIMITED

### Notes to the Financial Statements for the Year Ended 31 December 2022

#### 6 Other interest receivable and similar income

	2022	2021
	£	£
Other interest receivable	-	84
Foreign exchange gain on deferred consideration	-	88,376
	<u>-</u>	<u>88,460</u>

#### 7 Interest payable and similar expenses

	2022	2021
	£	£
Unwinding of discount of deferred consideration	-	412,115
Foreign exchange loss on deferred consideration	1,213,537	-
Interest expense on other borrowings	1,438,603	641,239
	<u>2,652,140</u>	<u>1,053,354</u>

#### 8 Staff costs

##### Group

The aggregate payroll costs (including directors' remuneration) were as follows:

	2022	2021
	£	£
Wages and salaries	9,415,272	7,033,974
Social security costs	674,524	593,750
Pension costs, defined contribution scheme	162,493	148,932
	<u>10,252,289</u>	<u>7,776,656</u>

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

	2022	2021
	No.	No.
Administration and support	110	91
Contractors	85	69
	<u>195</u>	<u>160</u>

##### Company

The aggregate payroll costs (including directors' remuneration) were as follows:

	2022	2021
	£	£
Wages and salaries	6,749,971	5,172,272
Social security costs	674,524	593,750
Pension costs, defined contribution scheme	162,493	148,932
	<u>7,586,988</u>	<u>5,914,954</u>

## NAPIER TECHNOLOGIES LIMITED

### Notes to the Financial Statements for the Year Ended 31 December 2022

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

	<b>2022</b>	<b>2021</b>
	<b>No.</b>	<b>No.</b>
Administration and support	86	72
Contractors	85	69
	<u>171</u>	<u>141</u>

#### 9 Directors' remuneration

The directors' remuneration for the year was as follows:

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Remuneration	386,924	200,171
Contributions paid to money purchase schemes	1,662	-
	<u>388,586</u>	<u>200,171</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	<b>2022</b>	<b>2021</b>
	<b>No.</b>	<b>No.</b>
Accruing benefits under money purchase pension scheme	<u>1</u>	<u>-</u>

In respect of the highest paid director:

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Remuneration	<u>200,845</u>	<u>200,171</u>

#### 10 Auditors' remuneration

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Audit of these financial statements	<u>32,500</u>	<u>18,500</u>

## NAPIER TECHNOLOGIES LIMITED

### Notes to the Financial Statements for the Year Ended 31 December 2022

#### 11 Taxation

Tax charged/(credited) in the consolidated profit and loss account

	2022 £	2021 £
<b>Current taxation</b>		
UK corporation tax	(1,883,756)	(1,278,076)
UK corporation tax adjustment to prior periods	25,171	-
	<u>(1,858,585)</u>	<u>(1,278,076)</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	-	(21,564)
Arising from changes in tax rates and laws	-	5,176
	<u>-</u>	<u>(16,388)</u>
Total deferred taxation	<u>-</u>	<u>(16,388)</u>
Tax receipt in the income statement	<u>(1,858,585)</u>	<u>(1,294,464)</u>

The tax on loss before tax for the year is higher than the standard rate of corporation tax in the UK (2021 - higher than the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	2022 £	2021 £
Loss before tax	<u>(11,085,712)</u>	<u>(7,004,628)</u>
Corporation tax at standard rate	(2,106,285)	(1,330,879)
Fixed asset timing differences	234,337	231,243
Expenses not deductible for tax purposes	263,653	33,036
Other permanent differences	(10,282)	(109,097)
Additional deduction for R&D expenditure	(1,395,212)	(926,486)
Surrender of tax losses for R&D tax credit refund	584,633	388,224
Effect of foreign tax credits	35,285	31,501
Adjustment in respect of prior periods	25,171	-
Remeasurement of deferred tax for changes in tax rates	(161,089)	(122,524)
Movement in deferred tax not recognised	671,204	510,518
Total tax credit	<u>(1,858,585)</u>	<u>(1,294,464)</u>

**NAPIER TECHNOLOGIES LIMITED**

**Notes to the Financial Statements for the Year Ended 31 December 2022**

12 Intangible assets

**Group and company**

	Goodwill £	Customer contracts £	Intellectual property £	Development costs £	Total £
<b>Cost</b>					
At 1 January 2022	833,584	942,854	10,668,835	9,291,512	21,736,785
Additions acquired separately	-	-	-	8,527,627	8,527,627
At 31 December 2022	833,584	942,854	10,668,835	17,819,139	30,264,412
<b>Amortisation</b>					
At 1 January 2022	185,715	153,343	1,735,154	4,189,103	6,263,315
Amortisation charge	83,358	94,285	1,066,883	3,787,686	5,032,212
At 31 December 2022	269,073	247,628	2,802,037	7,976,789	11,295,527
<b>Carrying amount</b>					
At 31 December 2022	564,511	695,226	7,866,798	9,842,350	18,968,885
At 31 December 2021	647,869	789,511	8,933,681	5,102,409	15,473,470

# NAPIER TECHNOLOGIES LIMITED

## Notes to the Financial Statements for the Year Ended 31 December 2022

### 13 Tangible assets

#### Group

	<b>Computer equipment £</b>
<b>Cost</b>	
At 1 January 2022	284,982
Additions	49,904
Disposals	(2,114)
Foreign exchange movements	427
	<hr/>
At 31 December 2022	333,199
<b>Depreciation</b>	
At 1 January 2022	116,669
Charge for the year	95,086
Eliminated on disposal	(2,114)
Foreign exchange movements	149
	<hr/>
At 31 December 2022	209,790
<b>Carrying amount</b>	
At 31 December 2022	<hr/> <hr/> 123,409
At 31 December 2021	<hr/> <hr/> 168,313

#### Company

	<b>Computer equipment £</b>
<b>Cost</b>	
At 1 January 2022	268,878
Additions	37,242
Disposals	(2,114)
	<hr/>
At 31 December 2022	304,006
<b>Depreciation</b>	
At 1 January 2022	112,531
Charge for the year	87,228
Eliminated on disposal	(2,114)
	<hr/>
At 31 December 2022	197,645
<b>Carrying amount</b>	
At 31 December 2022	<hr/> <hr/> 106,361
At 31 December 2021	<hr/> <hr/> 156,347

## NAPIER TECHNOLOGIES LIMITED

### Notes to the Financial Statements for the Year Ended 31 December 2022

#### 14 Investments

##### Company

	2022	2021
	£	£
Investments in subsidiaries	128	128

##### Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2022	2021
<b>Subsidiary undertakings</b>				
Napier Technologies Pte Ltd	160 Robinson Road, #14-04, Singapore, 068914 Singapore	Ordinary	100%	100%
Napier Technologies Pty Ltd	Level 2, 33 George Street, Launceston, Tasmania, 7250 Tasmania	Ordinary	100%	100%
Napier Technologies (US) Inc	251 Little Falls Drive, Wilmington, New Castle County, Delaware, 19808 United States	Ordinary	100%	100%

#### 15 Debtors

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Trade debtors	4,030,334	921,353	2,915,830	774,724
Amounts owed by group undertakings	-	-	172,631	357,153
Other debtors	614,764	299,906	601,175	287,127
Prepayments	584,736	558,672	546,056	503,877
Accrued income	174,007	151,636	174,007	151,636
Corporation tax asset	3,134,762	1,276,115	3,134,762	1,276,115
	<u>8,538,603</u>	<u>3,207,682</u>	<u>7,544,461</u>	<u>3,350,632</u>

## NAPIER TECHNOLOGIES LIMITED

### Notes to the Financial Statements for the Year Ended 31 December 2022

#### 16 Creditors

	Note	Group		Company	
		2022 £	2021 £	2022 £	2021 £
<b>Due within one year</b>					
Trade creditors		3,259,760	1,722,810	3,123,990	1,505,857
Amounts due to group undertakings		-	-	1,258,491	362,878
Social security and other taxes		1,695,567	980,409	1,680,142	940,993
Outstanding defined contribution pension costs		88,403	67,775	64,853	48,959
Other creditors		5,829,426	198,963	5,687,060	88,233
Accrued expenses		1,955,085	799,446	1,954,271	795,219
Deferred income		7,750,289	1,942,120	4,941,842	1,354,641
		<u>20,578,530</u>	<u>5,711,523</u>	<u>18,710,649</u>	<u>5,096,780</u>
<b>Due after one year</b>					
Loans and borrowings	17	<u>15,133,399</u>	<u>10,740,253</u>	<u>15,133,399</u>	<u>10,740,253</u>

Amounts due to and from group undertakings are repayable on demand.

#### 17 Loans and borrowings

	Group		Company	
	2022 £	2021 £	2022 £	2021 £
<b>Non-current loans and borrowings</b>				
Other borrowings	<u>15,133,399</u>	<u>10,740,253</u>	<u>15,133,399</u>	<u>10,740,253</u>

Other borrowings of £248,215 (2021 - £222,695) relate to convertible loan notes, including unpaid interest of £64,274 (2021 - £38,754). The remaining principal amount of £183,941 (2021 - £183,941) may be redeemed in the event of a change of control. The facility attracts interest at a rate of 10% per annum. During the year, interest of £25,520 (2021 - £18,344) has been charged.

Other borrowings of £11,899,242 (2021 - £10,517,558) comprise convertible loan notes under a £12.5 million instrument. During the year, advances of £1,870,000 (2021 - £4,780,000) have been received by the group and repayments of £1,800,000 (2021 - £nil) made. These loan notes are repayable on the earlier of: 1) completion of a transaction which changes control, 2) 31 December 2024; or 3) in the event of a material breach. Alternatively, the loan notes can be converted to equity on completion of a fundraising or 20 April 2024. The facility attracts interest at a rate of 10% per annum and a redemption fee of 3.95%. During the year, interest of £1,176,994 (2021 - £32,905) and redemption fees of £134,689 (2021 - £15,129) has been charged, which is included in the other borrowings balance.

Other borrowings of £2,985,942 (2021 - £nil) comprise loan notes under a £2.9 million instrument. During the year, advances of £2,900,000 (2021 - £nil) have been received by the group. The facility attracts interest at a rate of 10% per annum and a redemption fee are based on interest rates at time of repayment. During the year, interest of £85,942 (2021 - £nil) and redemption fees of £nil (2021 - £nil) has been charged, which is included in the other borrowings balance.

The loan instruments are secured by a fixed and floating charge over the assets of the group.

## NAPIER TECHNOLOGIES LIMITED

### Notes to the Financial Statements for the Year Ended 31 December 2022

#### 18 Provisions for liabilities

##### Group and company

	<b>Deferred consideration £</b>
At 1 January 2022	10,193,886
Movement in foreign exchange	1,213,537
Provisions used	<u>(5,308,193)</u>
At 31 December 2022	<u><u>6,099,230</u></u>

The provision for deferred consideration arose on the acquisition of assigned intellectual property rights, customer contracts and goodwill acquired during 2020. Intellectual property rights, customer contracts and goodwill have been capitalised as an intangible fixed asset (see note 12).

#### 19 Pension and other schemes

##### Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £162,493 (2021 - £148,932). Contributions totalling £88,403 (2021 - £67,775) were payable to the scheme at the end of the year and are included in creditors.

#### 20 Reserves

##### Group and company

###### Called up share capital

This represents the nominal value of the issued share capital.

###### Share premium

This represents the share premium arising on the issue of shares.

###### Retained earnings

This represents the cumulative profit or losses, net of dividends and other adjustments.

#### 21 Share capital

##### Allotted, called up and fully paid shares

	<b>2022</b>		<b>2021</b>	
	<b>No.</b>	<b>£</b>	<b>No.</b>	<b>£</b>
Ordinary shares of £0.0001 each	1,347,018	134.70	1,347,018	134.70
B Preference Shares of £0.0001 each	85,615	8.56	85,615	8.56
B Share of £0.0001 each	-	-	1	-
	<u>1,432,633</u>	<u>143</u>	<u>1,432,634</u>	<u>143</u>

On 31 May 2022, a resolution was passed to extinguish the B Share. The number of shares in issue after this transaction was 1,432,633.

## NAPIER TECHNOLOGIES LIMITED

### Notes to the Financial Statements for the Year Ended 31 December 2022

#### 22 Obligations under leases and hire purchase contracts

##### Group

##### Operating leases

The total of future minimum lease payments is as follows:

	2022 £	2021 £
Not later than one year	106,275	142,233
Later than one year and not later than five years	-	66,407
	<u>106,275</u>	<u>208,640</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £299,255 (2021 - £321,907).

##### Company

##### Operating leases

The total of future minimum lease payments is as follows:

	2022 £	2021 £
Not later than one year	106,275	127,764
Later than one year and not later than five years	-	66,407
	<u>106,275</u>	<u>194,171</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £284,786 (2021 - £278,500).

**NAPIER TECHNOLOGIES LIMITED**

**Notes to the Financial Statements for the Year Ended 31 December 2022**

Group	23	Analysis of changes in net debt				
		At 1 January 2022 £	Cash flows £	Foreign exchange movements £	Other non-cash changes £	At 31 December 2022 £
<b>Cash and cash equivalents</b>						
Cash		3,172,723	(2,956,295)	12,049	-	228,477
<b>Borrowings</b>						
Other borrowings		(10,740,253)	(2,970,000)	-	(1,423,146)	(15,133,399)
		(7,567,530)	(5,926,295)	12,049	(1,423,146)	(14,904,922)

Non-cash movements comprise accrued interest on other borrowings.

## NAPIER TECHNOLOGIES LIMITED

### Notes to the Financial Statements for the Year Ended 31 December 2022

#### 24 Share-based payments

##### Share options

##### Scheme details and movements

Options have been granted between 1 July 2018 and 2 November 2022 under a share option scheme over shares in the company. Share options are exercisable at prices between £0.11 and £100 per share. The options have differing conditions, with some vesting on an exit event and others vesting 1/24th monthly from 1 April 2022.

The group has used the Black-Scholes-Merton model to value options granted. No expense has been recognised on the basis that any charge is immaterial to the group.

The movements in the number of share options during the year were as follows:

	<b>2022</b>	<b>2021</b>
	<b>Number</b>	<b>Number</b>
Outstanding, start of period	166,514	72,812
Granted during the period	54,962	93,702
Forfeited during the period	(3,008)	-
Outstanding, end of period	<u>218,468</u>	<u>166,514</u>

The movements in the weighted average exercise price of share options during the year were as follows:

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Outstanding, start of period	727,170.00	404,835.00
Granted during the period	335,268.20	322,335.00
Forfeited during the period	(10,347.52)	-
Outstanding, end of period	<u>1,052,090.68</u>	<u>727,170.00</u>

#### 25 Related party transactions

During the year, the Group has had the following related party transactions.

##### Entities owned by common shareholders

During the year the company made purchases of £195,750 (2021 - £258,861) from companies owned by common shareholders. At the balance sheet date, the amount due to these entities was £46,205 (2021 - £85,525).

During the year, entities owned by common shareholders advanced loans of £2,970,000 (2021 - £32,635) to the company. Interest charged on these loans amounted to £555,905 (2021 - £32,365). The amount due to entities owned by common shareholders at the balance sheet date was £7,858,540 (£4,332,635).

#### 26 Financial instruments

##### Group

##### Items of income, expense, gains or losses

	<b>Income</b>	<b>Expense</b>	<b>Net gains</b>	<b>Net losses</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>2022</b>				
Financial liabilities measured at amortised cost	-	1,438,571	-	-
	<u>-</u>	<u>1,438,571</u>	<u>-</u>	<u>-</u>
<b>2021</b>				
Financial liabilities measured at amortised cost	-	1,053,363	-	-
	<u>-</u>	<u>1,053,363</u>	<u>-</u>	<u>-</u>

## **NAPIER TECHNOLOGIES LIMITED**

### **Notes to the Financial Statements for the Year Ended 31 December 2022**

#### **27 Non adjusting events after the financial period**

Post year end, amounts totalling £2,000,000 have been drawn down under an additional £2,900,000 facility. The loan attracts interest at a rate of 10% per annum above the Bank of England's base rate.

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.