

Registered number: 11955013

VALIDIS GROUP HOLDINGS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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VALIDIS GROUP HOLDINGS LIMITED

COMPANY INFORMATION

Directors	Mr D Robert Mrs L McMurray Mr R Hodson Mr E Vitucci Mr P Thomas Mr J Curry (resigned 31 December 2021)
Registered number	11955013
Registered office	Waterloo House Waterloo Road London SE1 8XD
Independent auditors	Cooper Parry Group Limited Chartered Accountants & Statutory Auditor 9 Appold Street London EC2A 2AP

VALIDIS GROUP HOLDINGS LIMITED

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VALIDIS GROUP HOLDINGS LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

About Validis

Validis is a dynamic UK based fintech business with operations also spanning the US. The group provides an industry leading, cloud-based software platform for the extraction and standardisation of accounting data. Validis has a blue-chip client base, who utilise the service to gather financial information from their SME clients. The group has experienced significant growth since its inception in 2015.

The directors aim to present a balanced and comprehensive review of the group during the year and its position at the year end. The review is consistent with the size and nature of the business and is written in the context of the risks and uncertainties which are faced.

Business review

The financial results of the group show growth in revenue of 9%, growing from £3.5m in 2020 to £3.8m in 2021. As expected, the EBITDA continued to improve with 2021 reducing to £2.2m from £2.4m in 2020. Shareholder funds at the year-end are £1.5m (2020: Shareholder funds of £3.1m), the reduction in the year represents the level of investment made in new technologies and engineering for the future of the group.

Principal risks and uncertainties

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. Where risks are identified that are not acceptable, action plans are developed to mitigate these with clear allocation of responsibilities and progress towards completion is monitored and reported on. The directors have identified the following key business risks that could have a material impact on the future performance of the group and the controls in place to manage this risk:

Liquidity risk

The group is funded by a combination of shareholder funds and loan notes. The group prepares frequent cash flow forecasts to monitor progress and to ensure appropriate cash headroom is always maintained.

Technological risk

The group is primarily a technology company, providing software services to its customers. This exposes the business to the risk of technological failure for whatever reason. To mitigate this, the group invests in its technical workforce and the robustness of its technology and delivery mechanisms, including disaster recovery.

Financial risk

The group has exposure to risks in respect of recoverability of trade debtors and fluctuations in exchange rates.

The directors routinely monitor all these risks and uncertainties and appropriate actions are taken to mitigate the risks of the potential outcomes.

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

DocuSigned by:

Paul Thomas

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Mr P Thomas
Director

Date: 15 June 2022

VALIDIS GROUP HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

Directors' responsibilities statement

The directors are responsible for preparing the group strategic report, the directors' report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group 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 for the group's financial statements 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 group 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 the group and to 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The loss for the year, after taxation, amounted to £2,792,000 (2020: loss £3,090,000).

Dividends amounting to £Nil (2020: £Nil) were paid during the year.

Directors

The directors who served during the year were as stated on the company information page.

Strategic report

The group has chosen in accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out in the group's Strategic Report information required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 Schedule 7 to be contained in the directors' report.

VALIDIS GROUP HOLDINGS LIMITED

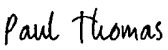
**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Disclosure of information to auditors

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company and the group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the group's auditors are aware of that information.

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

DocuSigned by:

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Mr P Thomas
Director

Date: 15 June 2022

VALIDIS GROUP HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VALIDIS GROUP HOLDINGS LIMITED

Opinion

We have audited the financial statements of Validis Group Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021, which comprise the group statement of comprehensive income, the group and company balance sheets, the group statement of cash flows, the group and company statement of changes in equity and the related notes, 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 of the parent company's affairs as at 31 December 2021 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 Auditors' 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 United Kingdom, including the Financial Reporting Council'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 or the parent 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.

VALIDIS GROUP HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VALIDIS GROUP HOLDINGS LIMITED (CONTINUED)

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.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the group 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 group strategic report and the 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 the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the group strategic report or the directors' report.

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

- adequate accounting records have not been kept 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 directors' responsibilities statement set out on page 2, 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.

VALIDIS GROUP HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VALIDIS GROUP HOLDINGS LIMITED (CONTINUED)

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 Group financial statements.

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 are not responsible for preventing irregularities. Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, include, but was not limited to, the following:

- obtaining an understanding of the legal and regulatory framework applicable to the entity and how the group is complying with that framework, including enquiries of management, review of legal and professional nominal codes and board minutes in the year and post year end;
- obtaining an understanding of the group's policies and procedures and how the entity has complied with these, through discussions and sample testing of controls;
- obtaining an understanding of the entity's risk assessment process, including the risk of fraud;
- we enquired with management as to where they considered there was susceptibility to fraud, and their knowledge of actual, suspected or alleged fraud;
- designing audit procedures to respond to our risk assessment; and
- performing audit testing over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business, the review of cash books post year end and reviewing accounting estimates for bias.

In response to risk of irregularities in relation to non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims;
- reviewing correspondence with HMRC and associated parties.

Whilst considering how our audit work addressed the detection of irregularities, we also consider the likelihood of detection based on our approach. Irregularities arising from fraud are inherently more difficult to detect than those arising from error.

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 is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

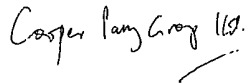
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

VALIDIS GROUP HOLDINGS LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VALIDIS GROUP HOLDINGS LIMITED
(CONTINUED)**

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.



Steven Leith (senior statutory auditor)

for and on behalf of
Cooper Parry Group Limited

Chartered Accountants
Statutory Auditor

9 Appold Street
London

EC2A 2AP

Date: 15 June 2022

VALIDIS GROUP HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Turnover	1,3	3,813	3,494
Other operating income	4	-	12
Other overheads		(727)	(1,049)
Technology costs		(754)	(655)
Staff costs		(4,496)	(4,161)
Depreciation and amortisation		(943)	(945)
Operating loss	5	(3,107)	(3,304)
Interest payable and expenses	9	(60)	(68)
Loss before tax		(3,167)	(3,372)
Tax on loss	10	375	282
Loss for the financial year		(2,792)	(3,090)
Currency translation differences		(54)	129
Total comprehensive income for the year		(2,846)	(2,961)

There were no recognised gains and losses for 2021 or 2020 other than those included in the consolidated statement of comprehensive income.

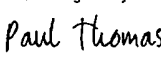
The notes on pages 15 to 28 form part of these financial statements.

VALIDIS GROUP HOLDINGS LIMITED
REGISTERED NUMBER: 11955013

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Fixed assets			
Intangible assets	11	3,501	4,435
Tangible assets	12	29	6
		<u>3,530</u>	<u>4,441</u>
Current assets			
Debtors: amounts falling due within one year	14	1,384	2,152
Cash at bank and in hand		136	753
		<u>1,520</u>	<u>2,905</u>
Creditors: amounts falling due within one year	15	<u>(3,486)</u>	<u>(3,791)</u>
Net current liabilities		<u>(1,966)</u>	<u>(886)</u>
Total assets less current liabilities		1,564	3,555
Creditors: amounts falling due after more than one year	16	<u>(21)</u>	<u>(418)</u>
Net assets		<u>1,543</u>	<u>3,137</u>
Capital and reserves			
Called up share capital	18	44	42
Share premium account	19	10,728	10,728
Other equity reserves	19	3,270	1,578
Profit and loss account	19	(12,499)	(9,211)
Shareholders' funds		<u>1,543</u>	<u>3,137</u>

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

DocuSigned by:

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Mr P Thomas
Director

Date: 15 June 2022

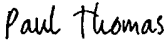
The notes on pages 15 to 28 form part of these financial statements.

VALIDIS GROUP HOLDINGS LIMITED
REGISTERED NUMBER: 11955013

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Fixed assets			
Investments	13	-	-
Current assets			
Debtors: amounts falling due within one year	14	10,654	9,403
Cash at bank and in hand		1	-
Net assets		10,655	9,403
Capital and reserves			
Called up share capital	18	44	42
Share premium account	19	10,728	10,728
Other equity reserves	19	3,270	1,578
Profit and loss account		(3,387)	(2,945)
Shareholders' funds		10,655	9,403

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

DocuSigned by:

 86CB66E2C98C4F7...

Mr P Thomas
 Director

Date: 15 June 2022

The notes on pages 15 to 28 form part of these financial statements.

VALIDIS GROUP HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital £000	Share premium account £000	Other equity reserves £000	Merger reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2020	26	-	2,041	23,529	(29,435)	(3,839)
Loss for the year	-	-	-	-	(3,090)	(3,090)
Currency translation differences	-	-	-	-	129	129
Interest charged on convertible loans	-	-	344	-	(344)	-
Shares issued during the year	1	542	-	-	-	543
On disposal of subsidiary	-	-	-	(23,529)	23,529	-
Recognition of convertible loan notes as equity	-	-	1,702	-	-	1,702
Convertible loans converted during the year	15	10,186	(2,509)	-	-	7,692
At 1 January 2021	42	10,728	1,578	-	(9,211)	3,137
Loss for the year	-	-	-	-	(2,792)	(2,792)
Currency translation differences	-	-	-	-	(54)	(54)
Interest charged on convertible loans	-	-	442	-	(442)	-
Shares issued during the year	2	-	-	-	-	2
Recognition of convertible loan notes as equity	-	-	1,250	-	-	1,250
At 31 December 2021	44	10,728	3,270	-	(12,499)	1,543

The notes on pages 15 to 28 form part of these financial statements.

VALIDIS GROUP HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital £000	Share premium account £000	Other equity reserves £000	Profit and loss account £000	Total equity £000
At 1 January 2020	-	-	-	-	-
Loss for the year	-	-	-	(2,843)	(2,843)
Interest charged on convertible loans	-	-	102	(102)	-
Shares issued during the period	27	542	-	-	569
Recognition of convertible loan notes as equity	-	-	1,702	-	1,702
Convertible loan notes converted during the year	15	10,186	(2,509)	-	7,692
Convertible loan notes novated on acquisition of subsidiary	-	-	2,283	-	2,283
At 1 January 2021	42	10,728	1,578	(2,945)	9,403
Interest charged on convertible loans	-	-	442	(442)	-
Shares issued during the year	2	-	-	-	2
Recognition of convertible loan notes as equity	-	-	1,250	-	1,250
At 31 December 2021	44	10,728	3,270	(3,387)	10,655

The notes on pages 15 to 28 form part of these financial statements.

VALIDIS GROUP HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £000	2020 £000
Cash flows from operating activities		
Loss for the financial year	(2,792)	(3,090)
Adjustments for:		
Amortisation of intangible assets	934	933
Depreciation of tangible assets	9	11
Interest paid	60	68
Taxation charge/(credit)	(375)	(282)
Decrease/(increase) in debtors	871	(573)
(Decrease)/increase in creditors	(416)	366
Corporation tax received	268	452
Net cash used in operating activities	<u>(1,441)</u>	<u>(2,115)</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(32)	(4)
Net cash used in investing activities	<u>(32)</u>	<u>(4)</u>
Cash flows from financing activities		
Issue of shares	2	543
New loans received	-	720
Repayment of loans	-	(236)
Repayment of other loans	(337)	-
Interest paid	(60)	(68)
Convertible loan notes issued	1,250	1,702
Net cash from financing activities	<u>855</u>	<u>2,661</u>
Net (decrease)/increase in cash and cash equivalents	<u>(618)</u>	<u>542</u>
Cash and cash equivalents at beginning of year	753	230
Foreign exchange gains and losses	1	(19)
Cash and cash equivalents at the end of year	<u>136</u>	<u>753</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	136	753
	<u>136</u>	<u>753</u>

The notes on pages 15 to 28 form part of these financial statements.

VALIDIS GROUP HOLDINGS LIMITED

**CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2021**

	At 1 January 2021 £000	Cash flows £000	Other non- cash changes £000	At 31 December 2021 £000
Cash at bank and in hand	753	(618)	1	136
Debt due after 1 year	(271)	-	250	(21)
Debt due within 1 year	(229)	190	(250)	(289)
	<u>253</u>	<u>(428)</u>	<u>1</u>	<u>(174)</u>

The notes on pages 15 to 28 form part of these financial statements.

VALIDIS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. Accounting policies

Validis Group Holdings Limited (the 'company') and its subsidiaries ('the group') are limited liability companies. All subsidiaries, with the exception of Validis LLC, are incorporated and domiciled in the United Kingdom. The address of the company's registered office is disclosed on the company information page.

The financial statements are prepared in Sterling (£), which is the functional currency of the parent company and are presented in round thousands (£'000). The financial statements are for the year ended 31 December 2021 (2020: year ended 31 December 2020).

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102), the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions or estimates are significant to the financial statements are disclosed in note 2.

The following principal accounting policies have been applied:

1.2 Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate.

The group has incurred a loss before tax for the year of £3,167,000 and has net assets of £1,543,000 as it continues to invest in the development and marketing of its software. Both the losses and development of the software have to date been funded by the issuance of convertible loan notes, as well as other shareholder support and external loans. The group's customer base has grown during the year with more opportunities expected to arise as the business progresses forward.

The directors have considered the effect of the various macroeconomic uncertainties arising on the going concern position and consider that the group will continue to trade for a period of at least 12 months from the date of signing these financial statements with the current level of funding and support available to it. The performance of the group is reviewed monthly and at the time of signing these financial statements the group is forecasted to remain on target for the next 12 months.

1.3 Basis of consolidation

The consolidated financial statements present the results of Validis Group Holdings Limited and its group undertakings ('the group') as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements.

VALIDIS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. Accounting policies (continued)

1.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the group and turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Turnover in respect of license income is recognised on a straight line basis over the period of the contract. Turnover in relation to professional services rendered such as development work and training is recognised in the accounting period in which the services are rendered, by reference to the stage of completion of the specific transaction.

1.5 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is provided on the following basis:

Software	-	10% straight line
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At each reporting date the group assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

1.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful economic lives.

Depreciation is provided on the following basis:

Office equipment & furniture	-	33% straight line
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The assets' residual values, useful economic lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of comprehensive income.

1.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

VALIDIS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. Accounting policies (continued)

1.8 Operating leases

Rentals paid under operating leases are charged to the consolidated statement of comprehensive income on a straight line basis over the lease term.

1.9 Financial instruments

The group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other debtors and creditors, loans from banks and other third parties and loans with related parties.

All financial assets and liabilities are initially measured at transaction price and subsequently measured at amortised cost.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the group would receive for the asset if it were to be sold at the balance sheet date.

1.10 Provision for liabilities

Provisions are made where an event has taken place that gives the group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the consolidated statement of comprehensive income in the year that the group becomes aware of the obligation, and are measured as the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

1.11 Borrowing costs

All borrowing costs are recognised in the consolidated statement of comprehensive income in the year in which they are incurred.

1.12 Government grants

Grants of a revenue nature are recognised in the consolidated statement of comprehensive income in the same period as the related expenditure. Grants relating to the Coronavirus Job Retention Scheme (CJRS) are recognised when the requirements are met and recognised in the consolidated statement of comprehensive income in the period to which it relates.

1.13 Pensions

Defined contribution pension plan

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the group in independently administered funds.

VALIDIS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. Accounting policies (continued)

1.14 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

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

On consolidation, the results of overseas operations are translated into sterling at rates of exchange approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at the opening rate and the result of the overseas operations at the actual rate are recognised in other comprehensive income.

1.15 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

1.16 Taxation

The tax charge for the period comprises current tax.

Current tax is recognised for the amount of corporation tax payable in respect of the taxable profit for the current year or past reporting periods using the tax rates and laws that have been enacted or subsequently enacted by the reporting date.

VALIDIS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Judgements in applying accounting policies and key sources of estimation uncertainty

The directors make estimates and assumptions concerning the future, they are also required to exercise judgement in the process of applying the group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of fixed assets

The group assesses the impairment of intangible assets subject to amortisation or depreciation whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors considered important that could trigger an impairment review include the following:

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

Amortisation and residual values

The directors have reviewed the asset lives and associated residual values of all fixed asset classes and have concluded that asset lives and residual values are 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.

Recoverability of trade debtors

Trade and other debtors are recognised to the extent that they are judged recoverable. The directors review is performed to estimate the level of reserves required for irrecoverable debt. Provisions are made specifically against invoices where recoverability is uncertain. The directors make allowances for doubtful debts based on an assessment of the recoverability of debtors. Allowances are applied to debtors where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The directors specifically analyse historical bad debts, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the provision for doubtful debts. Where the expectation is different from the original estimate, such difference will impact the carrying value of debtors and the charge in the consolidated statement of comprehensive income.

Provisions

A provision is recognised when the group has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flow at a rate that reflects the time value of money and the risks specific to the liability. Whether a present obligation is probable or not requires judgement. The nature and type of risks for these provisions differ and the directors' judgement is applied regarding the nature and extent of obligations in deciding if an outflow of resources is probable or not.

Taxation

There are many transactions and calculations for which the ultimate taxation determination is uncertain. The group takes professional advice on its taxation affairs and recognises liabilities for anticipated taxation based on estimates of whether additional taxation will be due. Management estimation is required to determine the amount of any deferred taxation assets that can be recognised, based upon likely timing and level of future taxable profits.

VALIDIS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

3. Turnover

The whole of the turnover is attributable to the principal activity of the business, being the provision of software.

Analysis of turnover by country of destination:

	2021 £000	2020 £000
United Kingdom	1,844	1,391
Rest of the world	1,969	2,103
	<u>3,813</u>	<u>3,494</u>

4. Other operating income

	2021 £000	2020 £000
Government grants receivable	-	12
	<u>-</u>	<u>12</u>

Government grants receivable relate to income received under the UK Government's Coronavirus Job Retention Scheme.

5. Operating loss

The operating loss is stated after charging:

	2021 £000	2020 £000
Depreciation of tangible fixed assets	9	11
Amortisation of intangible fixed assets	934	934
Exchange differences	34	159
Other operating lease rentals	61	149
	<u>1,038</u>	<u>1,253</u>

6. Auditor's remuneration

	2021 £000	2020 £000
Fees payable to the group's auditor and its associates for the audit of the group's annual financial statements	26	24
	<u>26</u>	<u>24</u>

VALIDIS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

7. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Wages and salaries	3,988	3,735	-	-
Social security costs	339	278	-	-
Pension costs	152	139	-	-
	<u>4,479</u>	<u>4,152</u>	<u>-</u>	<u>-</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2021 No.	2020 No.
Administrative and operational	<u>40</u>	<u>37</u>

The company has no employees other than the directors, who did not receive any remuneration (2020: £Nil).

8. Directors' remuneration

	2021 £000	2020 £000
Directors' emoluments	226	234
Pension costs	19	-
	<u>245</u>	<u>234</u>

During the year retirement benefits were accruing to no directors (2020: 0) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £191,000 (2020: £201,000).

The value of the group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £19,000 (2020: £Nil).

9. Interest payable and similar expenses

	2021 £000	2020 £000
Other loan interest payable	<u>60</u>	<u>68</u>

VALIDIS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

10. Taxation

	2021 £000	2020 £000
Corporation tax		
Current tax on losses for the year	(385)	(278)
Adjustments in respect of previous periods	-	(4)
	<u>(385)</u>	<u>(282)</u>
Foreign tax		
Foreign tax on income for the year	10	-
	<u>(375)</u>	<u>(282)</u>
Taxation on loss on ordinary activities	<u>(375)</u>	<u>(282)</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020: higher than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £000	2020 £000
Loss on ordinary activities before tax	(3,167)	(3,373)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	(602)	(641)
Effects of:		
Expenses not deductible for tax purposes	4	21
Adjustments to tax charge in respect of prior periods	-	(4)
Additional deduction for R&D expenditure	(285)	(206)
Surrender of tax losses for R&D tax credit refund	119	86
Foreign tax on income	10	-
Deferred tax not recognised	379	462
Total tax charge for the year	<u>(375)</u>	<u>(282)</u>

Factors that may affect future tax charges

The group has tax losses carried forward of £22,307,000 (2020: £21,936,000).

On 3 March 2021, the Chancellor of the Exchequer announced that the corporation tax rate would increase to a maximum of 25% from 1 April 2023. On 24 May 2021 this rate was substantively enacted and so the deferred tax rate applicable at 31 December 2021 is 25%.

VALIDIS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

11. Intangible assets

Group

	Software £000
Cost	
At 1 January 2021	9,337
At 31 December 2021	<u>9,337</u>
Amortisation	
At 1 January 2021	4,902
Charge for the year	934
At 31 December 2021	<u>5,836</u>
Net book value	
At 31 December 2021	<u><u>3,501</u></u>
At 31 December 2020	<u><u>4,435</u></u>

VALIDIS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

12. Tangible fixed assets

Group

	Office equipment and furniture £000
Cost	
At 1 January 2021	131
Additions	32
At 31 December 2021	<u>163</u>
Depreciation	
At 1 January 2021	125
Charge for the year	9
At 31 December 2021	<u>134</u>
Net book value	
At 31 December 2021	<u><u>29</u></u>
At 31 December 2020	<u><u>6</u></u>

VALIDIS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

13. Fixed asset investments

Company

	Investments in subsidiary companies £000
Cost	
At 1 January 2021 and 31 December 2021	-

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding
Validis UK Limited	Ordinary	100%
Validis LLC	Ordinary	100%

The registered office of the subsidiaries is the same as Validis Group Holdings Limited which is shown on the company information page with the exception of Validis LLC.

The registered office of Validis LLC is 2301 W Anderson Lane, Suite 102, Austin, Texas, TX 78757 and is a company registered in the United States of America.

14. Debtors

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Trade debtors	881	1,801	-	-
Amounts owed by group undertakings	-	-	10,654	9,403
Other debtors	386	279	-	-
Prepayments and accrued income	117	72	-	-
	<u>1,384</u>	<u>2,152</u>	<u>10,654</u>	<u>9,403</u>

VALIDIS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

15. Creditors: Amounts falling due within one year

	Group 2021 £000	Group 2020 £000
Other loans	289	229
Trade creditors	439	324
Other taxation and social security	214	198
Other creditors	24	30
Accruals and deferred income	2,520	3,010
	<u>3,486</u>	<u>3,791</u>

Other loans are secured by a fixed and floating charge over the assets of the group.

Other loans are subject to interest charged at 13.5% per annum. Repayments of other loans commenced in May 2021 with a final repayment date of February 2023.

16. Creditors: Amounts falling due after more than one year

	Group 2021 £000	Group 2020 £000
Other loans	21	271
Other creditors	-	147
	<u>21</u>	<u>418</u>

For details in respect of Other loans please see note 15.

17. Loans

Analysis of the maturity of loans is given below:

	Group 2021 £000	Group 2020 £000
Amounts falling due within one year		
Other loans	289	229
Amounts falling due 1-2 years		
Other loans	21	271
	<u>310</u>	<u>500</u>

VALIDIS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

18. Share capital

	2021 £000	2020 £000
Allotted, called up and fully paid		
36,312,595 (2020: 36,312,595) Ordinary shares of £0.001 each	36	36
4,637,600 (2020: 2,702,307) B Ordinary shares of £0.001 each	5	3
2,524,360 (2020: 2,524,360) Founder shares of £0.001 each	3	3
	<hr/>	<hr/>
	44	42
	<hr/> <hr/>	<hr/> <hr/>

On 8 June 2021, 1,935,293 B Ordinary shares were issued at their nominal value of £0.001 for a total consideration of £1,935.

The Founder shares have equal rights with the Ordinary shares over any distributions, however they have no voting rights. The B Ordinary shares right to participate in any distributions depends on the value of the company at the time of the distribution. The B Ordinary shares have no voting rights.

19. Reserves

Share premium account

The share premium account includes any premiums received on issue of share capital. Any costs associated with the issuing of shares are deducted from share premium.

Other equity reserves

Other equity reserves relate to convertible loan notes held by the group. The loan notes have mandatory conversion rights and will be converted into Ordinary shares in June 2022. Interest is accrued at 10% per annum on the face value of the loan note. The accrued interest also converts into Ordinary shares in June 2022. The face value and the accrued interest has been recognised within Other equity reserves.

Profit and loss account

The profit and loss account includes all current and prior period retained profits and losses.

20. Pension commitments

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 £152,000 (2020: £139,000).

Contributions totaling £10,000 (2020: £7,000) were payable to the scheme at the end of the year and are included in creditors.

VALIDIS GROUP HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

21. Commitments under operating leases

At 31 December 2021 the group and the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2021 £000	Group 2020 £000
Not later than 1 year	1	36
	<u>1</u>	<u>36</u>
	<u><u>1</u></u>	<u><u>36</u></u>

22. Related party transactions

The directors consider there to be no key management personnel, other than the directors, who have authority and responsibility for planning, directing and controlling the activities of the group.

23. Controlling party

In the opinion of the directors, there is no ultimate controlling party.