

Company registration number 08814633 (England and Wales)

CONNEX ONE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

CONNEX ONE LIMITED

COMPANY INFORMATION

| | | |
|------------------|---|--|
| Directors | N Mealey R Mealey A Kirk J Kennedy P Roman J Edwards H Campbell | (Appointed 5 April 2022) (Appointed 5 April 2022) (Appointed 5 April 2022) |
|------------------|---|--|

Company number 08814633

Registered office Seventh Floor Bauhaus
27 Quay Street
Manchester
M3 3GY

Auditor Lopian Gross Barnett & Co
1st Floor, Cloister House
Riverside
New Bailey Street
Manchester
M3 5FS

Business address Seventh Floor Bauhaus
27 Quay Street
Manchester
M3 3GY

CONNEX ONE LIMITED

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CONNEX ONE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present the strategic report of Connex One Limited (the Company) and its subsidiaries (the Group) for the year ended 31 December 2022.

Principal activities

The Group's principal activity is the provision of leading-edge SaaS customer engagement products. Connex One has invested significantly to develop products which have strong artificial intelligence capabilities and that support the Group's clients in the optimisation of their own business' performance. We made substantial progress during the year with growth in revenue and continued, planned, investment into the development of its products.

Review of the business and key performance indicators

Key financial matters to note:

- Turnover for the year was £14.1 million (FY21: £13.9 million)
- Loss after tax for the year was £8.6 million (FY21: £5.3 million loss)
- Cash position at 31 December 2022 was £9.9 million (FY21: £0.9 million)

The planned losses incurred by the Group are typical of a high growth technology business at this stage in its development.

The Group was pleased to complete a Series C round of primary equity funding during the year to December 2022 and is well placed to continue its investment into product development and the expansion of the business.

Principal risks and uncertainties

The directors closely monitor the performance and financial risks of the group by reviewing the detailed monthly management accounts, KPI reports and forecasts that are produced, and if necessary, action is taken.

On behalf of the board

N Mealey
Director

3 April 2024

CONNEX ONE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Results and dividends

The results for the year are set out on page 8.

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

Directors

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

| | |
|------------|--------------------------|
| N Mealey | |
| R Mealey | |
| A Kirk | |
| J Kennedy | |
| P Roman | (Appointed 5 April 2022) |
| G Burns | (Resigned 5 April 2022) |
| J Edwards | (Appointed 5 April 2022) |
| H Campbell | (Appointed 5 April 2022) |

Statement of disclosure to auditor

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

On behalf of the board

N Mealey
Director

3 April 2024

CONNEX ONE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 then 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 ;
- prepare the on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

CONNEX ONE LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CONNEX ONE LIMITED

Opinion

We have audited the financial statements of Connex One Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the group profit and loss account, the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, the company statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the 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's responsibilities for the audit of the financial statements* section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

CONNEX ONE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CONNEX ONE LIMITED

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 their environment obtained in the course of the audit, we have not identified material misstatements in the 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, 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 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 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.

CONNEX ONE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CONNEX ONE LIMITED

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 obtained an understanding of laws and regulations that affect the entity, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations.
- Where considered necessary we enquired of the those charged with governance, reviewed correspondence and reviewed meeting minutes for evidence of non-compliance with relevant laws and regulations.
- We gained an understanding of the controls environment which includes the controls in place to prevent and detect fraud. We enquired of the those charged with governance about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations was discussed within the audit team and tests were planned and performed to address these risks.
- We reviewed financial statements disclosures to assess compliance with relevant laws and regulations.
- We enquired of those charged with governance about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

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

Other matters which we are required to address

The financial statements for the group for the year ended 31 December 2021 were unaudited.

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.

CONNEX ONE LIMITED

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF CONNEX ONE LIMITED**

Nathaniel Davidson BA(Hons) ACA (Senior Statutory Auditor)
For and on behalf of Lopian Gross Barnett & Co

3 April 2024

Chartered Accountants
Statutory Auditor

1st Floor, Cloister House
Riverside
New Bailey Street
Manchester
M3 5FS

CONNEX ONE LIMITED

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2022

| | Notes | 2022 £ | 2021 £ |
|--|-----------|--------------|--------------|
| Turnover | 3 | 14,060,154 | 13,866,987 |
| Cost of sales | | (5,420,021) | (3,259,535) |
| Gross profit | | 8,640,133 | 10,607,452 |
| Administrative expenses | | (21,597,071) | (18,124,414) |
| Operating loss | 4 | (12,956,938) | (7,516,962) |
| Interest receivable and similar income | 8 | 30,978 | - |
| Interest payable and similar expenses | 9 | (952,387) | (630,700) |
| Loss before taxation | | (13,878,347) | (8,147,662) |
| Taxation credit | 10 | 5,253,523 | 2,803,319 |
| Loss for the financial year | | (8,624,824) | (5,344,343) |

Loss for the financial year is all attributable to the owners of the parent company.

CONNEX ONE LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

| | 2022 £ | 2021 £ |
|--|--------------------|--------------------|
| Loss for the year | (8,624,824) | (5,344,343) |
| Other comprehensive income | - | - |
| Total comprehensive income for the year | <u>(8,624,824)</u> | <u>(5,344,343)</u> |

Total comprehensive income for the year is all attributable to the owners of the parent company.

CONNEX ONE LIMITED

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2022

| | | 2022 | | 2021 | |
|--|-------|--------------------|---------------------|--------------------|--------------------|
| | Notes | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Intangible assets | 11 | | 4,931,411 | | 3,644,217 |
| Tangible assets | 12 | | 505,309 | | 372,254 |
| | | | <u>5,436,720</u> | | <u>4,016,471</u> |
| Current assets | | | | | |
| Debtors | 15 | 10,104,631 | | 3,670,175 | |
| Cash at bank and in hand | | 9,936,638 | | 856,672 | |
| | | <u>20,041,269</u> | | <u>4,526,847</u> | |
| Creditors: amounts falling due within one year | 16 | <u>(5,689,478)</u> | | <u>(3,819,988)</u> | |
| Net current assets | | | <u>14,351,791</u> | | <u>706,859</u> |
| Total assets less current liabilities | | | <u>19,788,511</u> | | <u>4,723,330</u> |
| Creditors: amounts falling due after more than one year | 17 | | - | | (11,332,623) |
| Provisions for liabilities | | | | | |
| Deferred tax liability | 19 | 121,750 | | 69,350 | |
| | | <u>(121,750)</u> | | <u>(69,350)</u> | |
| Net assets/(liabilities) | | | <u>19,666,761</u> | | <u>(6,678,643)</u> |
| Capital and reserves | | | | | |
| Called up share capital | 21 | | 139 | | 126 |
| Share premium account | | | 36,856,323 | | 1,886,108 |
| Profit and loss reserves | | | <u>(17,189,701)</u> | | <u>(8,564,877)</u> |
| Total equity | | | <u>19,666,761</u> | | <u>(6,678,643)</u> |

The financial statements were approved by the board of directors and authorised for issue on 3 April 2024 and are signed on its behalf by:

N Mealey
Director

Company registration number 08814633 (England and Wales)

CONNEX ONE LIMITED

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2022

| | | 2022 | | 2021 | |
|--|-------|--------------------|-------------------|--------------------|--------------------|
| | Notes | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Intangible assets | 11 | | 4,931,411 | | 3,644,217 |
| Tangible assets | 12 | | 501,395 | | 372,254 |
| Investments | 13 | | 20 | | 10 |
| | | | <u>5,432,826</u> | | <u>4,016,481</u> |
| Current assets | | | | | |
| Debtors | 15 | 12,129,381 | | 3,670,175 | |
| Cash at bank and in hand | | 9,839,411 | | 856,652 | |
| | | <u>21,968,792</u> | | <u>4,526,827</u> | |
| Creditors: amounts falling due within one year | 16 | <u>(5,684,003)</u> | | <u>(3,819,988)</u> | |
| Net current assets | | | <u>16,284,789</u> | | <u>706,839</u> |
| Total assets less current liabilities | | | <u>21,717,615</u> | | <u>4,723,320</u> |
| Creditors: amounts falling due after more than one year | 17 | | - | | (11,332,623) |
| Provisions for liabilities | | | | | |
| Deferred tax liability | 19 | 121,750 | | 69,350 | |
| | | <u>121,750</u> | <u>(121,750)</u> | <u>69,350</u> | <u>(69,350)</u> |
| Net assets/(liabilities) | | | <u>21,595,865</u> | | <u>(6,678,653)</u> |
| Capital and reserves | | | | | |
| Called up share capital | 21 | | 139 | | 116 |
| Share premium account | | | 36,856,323 | | 1,886,108 |
| Profit and loss reserves | | | (15,260,597) | | (8,564,877) |
| Total equity | | | <u>21,595,865</u> | | <u>(6,678,653)</u> |

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £6,695,720 (2021 - £5,344,343 loss).

These financial statements have been prepared in accordance with the provisions relating to medium-sized companies.

The financial statements were approved by the board of directors and authorised for issue on 3 April 2024 and are signed on its behalf by:

N Mealey
Director

Company registration number 08814633 (England and Wales)

CONNEX ONE LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

| | Share capital | Share premium account | Profit and loss reserves | Total |
|-------------------------------------|---------------|-----------------------|--------------------------|-------------|
| Notes | £ | £ | £ | £ |
| Balance at 1 January 2021 | 113 | 1,496,111 | (3,220,534) | (1,724,310) |
| Year ended 31 December 2021: | | | | |
| Loss and total comprehensive income | - | - | (5,344,343) | (5,344,343) |
| Issue of share capital | 21 | 389,997 | - | 390,010 |
| Balance at 31 December 2021 | 126 | 1,886,108 | (8,564,877) | (6,678,643) |
| Year ended 31 December 2022: | | | | |
| Loss and total comprehensive income | - | - | (8,624,824) | (8,624,824) |
| Issue of share capital | 21 | 34,970,215 | - | 34,970,228 |
| Balance at 31 December 2022 | 139 | 36,856,323 | (17,189,701) | 19,666,761 |

CONNEX ONE LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

| | Share capital | Share premium account | Profit and loss reserves | Total |
|--|---------------|-----------------------|--------------------------|-------------|
| Notes | £ | £ | £ | £ |
| Balance at 1 January 2021 | 113 | 1,496,111 | (3,220,534) | (1,724,310) |
| Year ended 31 December 2021: | | | | |
| Loss and total comprehensive income for the year | - | - | (5,344,343) | (5,344,343) |
| Issue of share capital | 21 | 389,997 | - | 390,000 |
| Balance at 31 December 2021 | 116 | 1,886,108 | (8,564,877) | (6,678,653) |
| Year ended 31 December 2022: | | | | |
| Profit and total comprehensive income | - | - | (6,695,720) | (6,695,720) |
| Issue of share capital | 21 | 23 | 34,970,215 | 34,970,238 |
| Balance at 31 December 2022 | 139 | 36,856,323 | (15,260,597) | 21,595,865 |

CONNEX ONE LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

| | | 2022 | | 2021 | |
|---|-------|---------------------|-----|--------------------|---------|
| | Notes | £ | £ | £ | £ |
| Cash flows from operating activities | | | | | |
| Cash absorbed by operations | 24 | (10,608,523) | | (5,458,546) | |
| Income taxes refunded | | | 859 | | 733,615 |
| Net cash outflow from operating activities | | (10,607,664) | | (4,724,931) | |
| Investing activities | | | | | |
| Purchase of intangible assets | | (2,558,889) | | (2,253,649) | |
| Purchase of tangible fixed assets | | (440,563) | | (202,555) | |
| Interest received | | 30,978 | | - | |
| Net cash used in investing activities | | (2,968,474) | | (2,456,204) | |
| Financing activities | | | | | |
| Proceeds from issue of shares | | 34,947,497 | | 389,383 | |
| Proceeds from borrowings | | - | | 7,945,214 | |
| Repayment of borrowings | | (11,361,737) | | - | |
| Interest paid | | (929,656) | | (629,427) | |
| Net cash generated from financing activities | | 22,656,104 | | 7,705,170 | |
| Net increase in cash and cash equivalents | | 9,079,966 | | 524,035 | |
| Cash and cash equivalents at beginning of year | | 856,672 | | 332,637 | |
| Cash and cash equivalents at end of year | | 9,936,638 | | 856,672 | |

CONNEX ONE LIMITED

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

| | | 2022 | | 2021 | |
|---|-------|---------------------|---|--------------------|---|
| | Notes | £ | £ | £ | £ |
| Cash flows from operating activities | | | | | |
| Cash absorbed by operations | 25 | (10,709,644) | | (5,458,546) | |
| Income taxes refunded | | 859 | | 733,615 | |
| Net cash outflow from operating activities | | (10,708,785) | | (4,724,931) | |
| Investing activities | | | | | |
| Purchase of intangible assets | | (2,558,889) | | (2,253,649) | |
| Purchase of tangible fixed assets | | (436,649) | | (202,555) | |
| Purchase of subsidiaries | | (10) | | (10) | |
| Interest received | | 30,978 | | - | |
| Net cash used in investing activities | | (2,964,570) | | (2,456,214) | |
| Financing activities | | | | | |
| Proceeds from issue of shares | | 34,947,507 | | 389,373 | |
| Proceeds from borrowings | | - | | 7,945,214 | |
| Repayment of borrowings | | (11,361,737) | | - | |
| Interest paid | | (929,656) | | (629,427) | |
| Net cash generated from financing activities | | 22,656,114 | | 7,705,160 | |
| Net increase in cash and cash equivalents | | 8,982,759 | | 524,015 | |
| Cash and cash equivalents at beginning of year | | 856,652 | | 332,637 | |
| Cash and cash equivalents at end of year | | 9,839,411 | | 856,652 | |

CONNEX ONE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

Connex One Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is Seventh Floor Bauhaus, 27 Quay Street, Manchester, M3 3GY.

The group consists of Connex One Limited and all of its subsidiaries.

1.1 Accounting convention

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

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

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

1.2 Business combinations

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

1.3 Basis of consolidation

The consolidated group financial statements consist of the financial statements of the parent company Connex One Limited together with all entities controlled by the parent company (its subsidiaries).

All financial statements are made up to 31 December 2022. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Subsidiaries are consolidated in the group's financial statements from the date that control commences until the date that control ceases.

1.4 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

CONNEX ONE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

1.5 Turnover

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

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

1.6 Intangible fixed assets other than goodwill

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

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

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

| | |
|-----------------------|--------------------|
| Development Costs | 20% Straight Line |
| Intellectual Property | Annual Revaluation |

1.7 Tangible fixed assets

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

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

| | |
|--------------------------------|-------------------|
| Land and buildings Leasehold | 2% Straight Line |
| Fixtures, fittings & equipment | 33% Straight Line |
| Computer Equipment | 33% Straight Line |

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

1.8 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

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

In the parent company financial statements, investments in associates are accounted for at cost less impairment.

CONNEX ONE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

1.9 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

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

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

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

Basic financial assets

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

Derecognition of financial assets

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

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

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

Derecognition of financial liabilities

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

CONNEX ONE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.11 Equity instruments

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

1.12 Taxation

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

Current tax

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

Deferred tax

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

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

1.13 Employee benefits

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

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

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

1.14 Retirement benefits

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

CONNEX ONE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

2 Judgements and key sources of estimation uncertainty

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

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

3 Turnover and other revenue

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

| | 2022 | 2021 |
|---|-----------------------------|-----------------------------|
| | £ | £ |
| Turnover analysed by class of business | | |
| Provision of customer experience software | 14,060,154 | 13,866,987 |
| | <u> </u> | <u> </u> |
| | 2022 | 2021 |
| | £ | £ |
| Other revenue | | |
| Interest income | 30,978 | - |
| | <u> </u> | <u> </u> |

In line with Companies Act the directors have opted not to disclose details of the turnover by geographical market as this would be seriously prejudicial to the interests of the company.

4 Operating loss

| | 2022 | 2021 |
|---|-----------------------------|-----------------------------|
| | £ | £ |
| Operating loss for the year is stated after charging: | | |
| Exchange losses | 3,017 | - |
| Depreciation of owned tangible fixed assets | 307,508 | 249,579 |
| Amortisation of intangible assets | 1,271,695 | 835,502 |
| | <u> </u> | <u> </u> |

5 Auditor's remuneration

| | 2022 | 2021 |
|--|-----------------------------|-----------------------------|
| | £ | £ |
| Fees payable to the company's auditor and associates: | | |
| For audit services | | |
| Audit of the financial statements of the group and company | 50,000 | - |
| | <u> </u> | <u> </u> |
| For other services | | |
| All other non-audit services | 20,000 | 10,850 |
| | <u> </u> | <u> </u> |

CONNEX ONE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

6 Employees

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

| | Group 2022 Number | 2021 Number | Company 2022 Number | 2021 Number |
|--|-------------------------|----------------|---------------------------|----------------|
| | 223 | 174 | 215 | 174 |
| | <u>223</u> | <u>174</u> | <u>215</u> | <u>174</u> |

Their aggregate remuneration comprised:

| | Group 2022 £ | 2021 £ | Company 2022 £ | 2021 £ |
|-----------------------|--------------------|------------------|----------------------|------------------|
| Wages and salaries | 9,204,288 | 5,286,936 | 7,502,315 | 5,286,936 |
| Social security costs | 1,368,359 | 755,342 | 1,102,414 | 755,342 |
| Pension costs | 171,529 | 127,671 | 171,529 | 127,671 |
| | <u>10,744,176</u> | <u>6,169,949</u> | <u>8,776,258</u> | <u>6,169,949</u> |

7 Directors' remuneration

| | 2022 £ | 2021 £ |
|--------------------------------------|----------------|----------------|
| Remuneration for qualifying services | 247,500 | 344,656 |
| | <u>247,500</u> | <u>344,656</u> |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2021 - 3).

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

| | 2022 £ | 2021 £ |
|---|----------------|----------------|
| Remuneration for qualifying services | 150,000 | 150,000 |
| Company pension contributions to defined contribution schemes | 3,391 | 1,623 |
| | <u>153,391</u> | <u>151,623</u> |

8 Interest receivable and similar income

| | 2022 £ | 2021 £ |
|---------------------------|---------------|-----------|
| Interest income | | |
| Interest on bank deposits | 30,978 | - |
| | <u>30,978</u> | <u>-</u> |

CONNEX ONE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

| 8 | Interest receivable and similar income | (Continued) | |
|----|--|--------------------|--------------------|
| | | 2022 | 2021 |
| | | £ | £ |
| | Investment income includes the following: | | |
| | Interest on financial assets not measured at fair value through profit or loss | 30,978 | - |
| | | <u>30,978</u> | <u>-</u> |
| 9 | Interest payable and similar expenses | | |
| | | 2022 | 2021 |
| | | £ | £ |
| | Interest on financial liabilities measured at amortised cost: | | |
| | Interest on bank overdrafts and loans | - | 13,147 |
| | Other interest on financial liabilities | 62,161 | 9,518 |
| | | <u>62,161</u> | <u>22,665</u> |
| | Other finance costs: | | |
| | Exchange differences on financing transactions | 22,731 | 1,273 |
| | Loan interest | 867,495 | 606,762 |
| | | <u>890,226</u> | <u>608,035</u> |
| | Total finance costs | <u>952,387</u> | <u>630,700</u> |
| 10 | Taxation | | |
| | | 2022 | 2021 |
| | | £ | £ |
| | Current tax | | |
| | UK corporation tax on profits for the current period | (949,000) | (784,246) |
| | Adjustments in respect of prior periods | - | (757,559) |
| | | <u>(949,000)</u> | <u>(1,541,805)</u> |
| | Total current tax | <u>(949,000)</u> | <u>(1,541,805)</u> |
| | Deferred tax | | |
| | Origination and reversal of timing differences | (3,676,477) | (1,261,514) |
| | Changes in tax rates | (628,046) | - |
| | | <u>(4,304,523)</u> | <u>(1,261,514)</u> |
| | Total deferred tax | <u>(4,304,523)</u> | <u>(1,261,514)</u> |
| | Total tax credit | <u>(5,253,523)</u> | <u>(2,803,319)</u> |

CONNEX ONE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

10 Taxation

(Continued)

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

| | 2022 £ | 2021 £ |
|--|--------------|-------------|
| Loss before taxation | (13,878,347) | (8,147,662) |
| Expected tax credit based on the standard rate of corporation tax in the UK of 25.00% (2021: 19.00%) | (3,469,587) | (1,548,056) |
| Tax effect of expenses that are not deductible in determining taxable profit | 48,376 | 6,652 |
| Tax effect of utilisation of tax losses not previously recognised | - | (81,434) |
| Effect of change in corporation tax rate | (628,046) | - |
| Permanent capital allowances in excess of depreciation | (65,034) | 9,056 |
| Amortisation on assets not qualifying for tax allowances | 317,924 | 158,968 |
| Research and development tax credit | (949,000) | (784,246) |
| Effect of overseas tax rates | 142,621 | - |
| Deferred tax adjustments in respect of prior years | (730,414) | (589,167) |
| Effect of capitalised development costs | (631,863) | (421,748) |
| Net effect of R&D enhancement and loss surrendered | 711,500 | 446,656 |
| Taxation credit | (5,253,523) | (2,803,319) |

11 Intangible fixed assets

| Group | Development Costs £ | Intellectual Property £ | Total £ |
|------------------------------------|---------------------------|-------------------------------|------------|
| Cost | | | |
| At 1 January 2022 | 5,322,346 | 42,303 | 5,364,649 |
| Additions | 2,527,453 | 31,436 | 2,558,889 |
| At 31 December 2022 | 7,849,799 | 73,739 | 7,923,538 |
| Amortisation and impairment | | | |
| At 1 January 2022 | 1,716,706 | 3,726 | 1,720,432 |
| Amortisation charged for the year | 1,271,695 | - | 1,271,695 |
| At 31 December 2022 | 2,988,401 | 3,726 | 2,992,127 |
| Carrying amount | | | |
| At 31 December 2022 | 4,861,398 | 70,013 | 4,931,411 |
| At 31 December 2021 | 3,605,640 | 38,577 | 3,644,217 |

CONNEX ONE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

11 Intangible fixed assets (Continued)

| Company | Development Costs £ | Intellectual Property £ | Total £ |
|------------------------------------|---------------------------|-------------------------------|------------------|
| Cost | | | |
| At 1 January 2022 | 5,322,346 | 42,303 | 5,364,649 |
| Additions | 2,527,453 | 31,436 | 2,558,889 |
| At 31 December 2022 | <u>7,849,799</u> | <u>73,739</u> | <u>7,923,538</u> |
| Amortisation and impairment | | | |
| At 1 January 2022 | 1,716,706 | 3,726 | 1,720,432 |
| Amortisation charged for the year | 1,271,695 | - | 1,271,695 |
| At 31 December 2022 | <u>2,988,401</u> | <u>3,726</u> | <u>2,992,127</u> |
| Carrying amount | | | |
| At 31 December 2022 | <u>4,861,398</u> | <u>70,013</u> | <u>4,931,411</u> |
| At 31 December 2021 | <u>3,605,640</u> | <u>38,577</u> | <u>3,644,217</u> |

12 Tangible fixed assets

| Group | Land and buildings Leasehold £ | Fixtures, fittings & equipment £ | Computer Equipment £ | Total £ |
|------------------------------------|---|--|----------------------------|------------------|
| Cost | | | | |
| At 1 January 2022 | 35,124 | 166,229 | 958,456 | 1,159,809 |
| Additions | - | - | 440,563 | 440,563 |
| At 31 December 2022 | <u>35,124</u> | <u>166,229</u> | <u>1,399,019</u> | <u>1,600,372</u> |
| Depreciation and impairment | | | | |
| At 1 January 2022 | 23,371 | 68,434 | 695,750 | 787,555 |
| Depreciation charged in the year | (1,717) | - | 309,225 | 307,508 |
| At 31 December 2022 | <u>21,654</u> | <u>68,434</u> | <u>1,004,975</u> | <u>1,095,063</u> |
| Carrying amount | | | | |
| At 31 December 2022 | <u>13,470</u> | <u>97,795</u> | <u>394,044</u> | <u>505,309</u> |
| At 31 December 2021 | <u>11,753</u> | <u>97,795</u> | <u>262,706</u> | <u>372,254</u> |

CONNEX ONE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

12 Tangible fixed assets (Continued)

| Company | Land and buildings Leasehold | Fixtures, fittings & equipment | Computer Equipment | Total |
|------------------------------------|------------------------------------|-----------------------------------|-----------------------|------------------|
| | £ | £ | £ | £ |
| Cost | | | | |
| At 1 January 2022 | 35,124 | 166,229 | 958,456 | 1,159,809 |
| Additions | - | - | 436,649 | 436,649 |
| At 31 December 2022 | <u>35,124</u> | <u>166,229</u> | <u>1,395,105</u> | <u>1,596,458</u> |
| Depreciation and impairment | | | | |
| At 1 January 2022 | 23,371 | 68,434 | 695,750 | 787,555 |
| Depreciation charged in the year | (1,717) | - | 309,225 | 307,508 |
| At 31 December 2022 | <u>21,654</u> | <u>68,434</u> | <u>1,004,975</u> | <u>1,095,063</u> |
| Carrying amount | | | | |
| At 31 December 2022 | <u>13,470</u> | <u>97,795</u> | <u>390,130</u> | <u>501,395</u> |
| At 31 December 2021 | <u>11,753</u> | <u>97,795</u> | <u>262,706</u> | <u>372,254</u> |

13 Fixed asset investments

| | Notes | Group 2022 £ | 2021 £ | Company 2022 £ | 2021 £ |
|-----------------------------|-------|--------------------|-----------|----------------------|-----------|
| Investments in subsidiaries | 14 | - | - | 20 | 10 |

Movements in fixed asset investments

| Company | Shares in subsidiaries £ |
|--------------------------|--------------------------------|
| Cost or valuation | |
| At 1 January 2022 | 10 |
| Additions | 10 |
| At 31 December 2022 | <u>20</u> |
| Carrying amount | |
| At 31 December 2022 | <u>20</u> |
| At 31 December 2021 | <u>10</u> |

14 Subsidiaries

Details of the company's subsidiaries at 31 December 2022 are as follows:

CONNEX ONE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

14 Subsidiaries (Continued)

| Name of undertaking | Registered office | Class of shares held | % Held Direct |
|-------------------------------|-------------------|----------------------|---------------|
| Connex One Solutions Limited | UK | Ordinary | 100.00 |
| Connex One Technology Limited | UK | Ordinary | 100.00 |
| Connex One Pty | AUS | Ordinary | 100.00 |
| Connex One Inc | US | Ordinary | 100.00 |

The parent company, Connex One Limited, has given an undertaking under 479C of the Companies Act 2006 to guarantee the following subsidiary company in respect of the year ended 31 December 2022.

Connex One Technology Limited

The company is exempt from audit under section 479A of the Companies Act 2006.

15 Debtors

| | Group 2022 | 2021 | Company 2022 | 2021 |
|--|-------------------|------------------|-------------------|------------------|
| | £ | £ | £ | £ |
| Amounts falling due within one year: | | | | |
| Trade debtors | 1,645,673 | 252,197 | 1,617,912 | 252,197 |
| Corporation tax recoverable | 2,200,154 | 1,252,013 | 2,200,154 | 1,252,013 |
| Other debtors | 3,928 | 3,115 | 2,529,712 | 3,115 |
| Prepayments and accrued income | 570,204 | 835,101 | 549,805 | 835,101 |
| | <u>4,419,959</u> | <u>2,342,426</u> | <u>6,897,583</u> | <u>2,342,426</u> |
| Amounts falling due after more than one year: | | | | |
| Deferred tax asset (note 19) | <u>5,684,672</u> | <u>1,327,749</u> | <u>5,231,798</u> | <u>1,327,749</u> |
| Total debtors | <u>10,104,631</u> | <u>3,670,175</u> | <u>12,129,381</u> | <u>3,670,175</u> |

16 Creditors: amounts falling due within one year

| | Notes | Group 2022 | 2021 | Company 2022 | 2021 |
|------------------------------------|-------|------------------|------------------|------------------|------------------|
| | | £ | £ | £ | £ |
| Other borrowings | 18 | - | 29,114 | - | 29,114 |
| Trade creditors | | 1,857,231 | 758,550 | 1,632,146 | 758,550 |
| Other taxation and social security | | 862,957 | 1,554,653 | 920,207 | 1,554,653 |
| Other creditors | | 135,619 | - | 360,000 | - |
| Accruals and deferred income | | 2,833,671 | 1,477,671 | 2,771,650 | 1,477,671 |
| | | <u>5,689,478</u> | <u>3,819,988</u> | <u>5,684,003</u> | <u>3,819,988</u> |

CONNEX ONE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

17 Creditors: amounts falling due after more than one year

| | Notes | Group 2022 £ | 2021 £ | Company 2022 £ | 2021 £ |
|------------------|-------|--------------------|------------|----------------------|------------|
| Other borrowings | 18 | - | 11,332,623 | - | 11,332,623 |

18 Loans and overdrafts

| | Group 2022 £ | 2021 £ | Company 2022 £ | 2021 £ |
|-------------------------|--------------------|------------|----------------------|------------|
| Other loans | - | 11,361,737 | - | 11,361,737 |
| Payable within one year | - | 29,114 | - | 29,114 |
| Payable after one year | - | 11,332,623 | - | 11,332,623 |

The long-term loans above were fully repaid within the period of account.

19 Deferred taxation

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

| | Liabilities 2022 £ | Liabilities 2021 £ | Assets 2022 £ | Assets 2021 £ |
|--------------------------------|--------------------------|--------------------------|---------------------|---------------------|
| Group | | | | |
| Accelerated capital allowances | 121,750 | 69,350 | - | - |
| Tax losses | - | - | 5,684,672 | 1,327,749 |
| | 121,750 | 69,350 | 5,684,672 | 1,327,749 |
| Company | | | | |
| Accelerated capital allowances | 121,750 | 69,350 | - | - |
| Tax losses | - | - | 5,231,798 | 1,327,749 |
| | 121,750 | 69,350 | 5,231,798 | 1,327,749 |

CONNEX ONE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

19 Deferred taxation (Continued)

| | Group 2022 | Company 2022 |
|---|-----------------------------|-----------------------------|
| | £ | £ |
| Movements in the year: | | |
| Asset at 1 January 2022 | (1,258,399) | (1,258,399) |
| Credit to profit or loss | (3,917,230) | (3,464,356) |
| Effect of change in tax rate - profit or loss | (387,293) | (387,293) |
| | <u> </u> | <u> </u> |
| Asset at 31 December 2022 | <u>(5,562,922)</u> | <u>(5,110,048)</u> |

The deferred tax asset set out above is expected to reverse within 3-4 years and relates to the utilisation of tax losses against future expected profits of the same period. The deferred tax liability set out above is expected to reverse within 5 years and relates to accelerated capital allowances that are expected to mature within the same period.

20 Retirement benefit schemes

| | 2022 | 2021 |
|---|-----------------------------|-----------------------------|
| | £ | £ |
| Defined contribution schemes | | |
| Charge to profit or loss in respect of defined contribution schemes | 171,529 | 127,671 |
| | <u> </u> | <u> </u> |

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

21 Share capital

| Group and company | 2022 | 2021 | 2022 | 2021 |
|------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Ordinary share capital | Number | Number | £ | £ |
| Issued and fully paid | | | | |
| ordinary shares of 0.1p each | 138,890 | 115,908 | 139 | 116 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

22 Operating lease commitments

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

| | Group 2022 | 2021 | Company 2022 | 2021 |
|----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | £ | £ | £ | £ |
| Within one year | 149,837 | 209,850 | 149,837 | 209,850 |
| Between two and five years | 301,102 | 450,939 | 301,102 | 450,939 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| | <u>450,939</u> | <u>660,789</u> | <u>450,939</u> | <u>660,789</u> |

23 Related party transactions

CONNEX ONE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

| | | | |
|----|---|---------------------|--------------------|
| 23 | Related party transactions | | (Continued) |
| | Included in the year was a repayment of shareholder loans with 10% interest. All loans have now been paid: Capital £12,829,157 Interest £953,770 (2021 interest: £345,889) | | |
| 24 | Cash absorbed by group operations | | |
| | | 2022 | 2021 |
| | | £ | £ |
| | Loss for the year after tax | (8,624,824) | (5,344,343) |
| | Adjustments for: | | |
| | Taxation credited | (5,253,523) | (2,803,319) |
| | Finance costs | 952,387 | 630,700 |
| | Investment income | (30,978) | - |
| | Amortisation and impairment of intangible assets | 1,271,695 | 835,502 |
| | Depreciation and impairment of tangible fixed assets | 307,508 | 249,579 |
| | Movements in working capital: | | |
| | (Increase)/decrease in debtors | (1,129,392) | 96,696 |
| | Increase in creditors | 1,898,604 | 876,639 |
| | Cash absorbed by operations | <u>(10,608,523)</u> | <u>(5,458,546)</u> |
| 25 | Cash absorbed by operations - company | | |
| | | 2022 | 2021 |
| | | £ | £ |
| | Loss for the year after tax | (6,695,720) | (5,344,343) |
| | Adjustments for: | | |
| | Taxation credited | (4,800,649) | (2,803,319) |
| | Finance costs | 952,387 | 630,700 |
| | Investment income | (30,978) | - |
| | Amortisation and impairment of intangible assets | 1,271,695 | 835,502 |
| | Depreciation and impairment of tangible fixed assets | 307,508 | 249,579 |
| | Movements in working capital: | | |
| | (Increase)/decrease in debtors | (3,607,016) | 96,696 |
| | Increase in creditors | 1,893,129 | 876,639 |
| | Cash absorbed by operations | <u>(10,709,644)</u> | <u>(5,458,546)</u> |

CONNEX ONE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

26 Analysis of changes in net funds/(debt) - group

| | 1 January 2022 | Cash flows | 31 December 2022 |
|---------------------------------|---------------------|-------------------|---------------------|
| | £ | £ | £ |
| Cash at bank and in hand | 856,672 | 9,079,966 | 9,936,638 |
| Borrowings excluding overdrafts | (11,361,737) | 11,361,737 | - |
| | <u>(10,505,065)</u> | <u>20,441,703</u> | <u>9,936,638</u> |

27 Analysis of changes in net funds/(debt) - company

| | 1 January 2022 | Cash flows | 31 December 2022 |
|---------------------------------|---------------------|-------------------|---------------------|
| | £ | £ | £ |
| Cash at bank and in hand | 856,652 | 8,982,759 | 9,839,411 |
| Borrowings excluding overdrafts | (11,361,737) | 11,361,737 | - |
| | <u>(10,505,085)</u> | <u>20,344,496</u> | <u>9,839,411</u> |

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