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**PEPPERHQ LIMITED**

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**UNAUDITED**

**FINANCIAL STATEMENTS**

**INFORMATION FOR FILING WITH THE REGISTRAR**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

**PEPPERHQ LIMITED**  
**REGISTERED NUMBER: 08695071**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2022**

	Note	2022 £	2021 £
<b>Fixed assets</b>			
Intangible assets	4	2,408,912	1,872,942
Tangible assets	5	25,860	24,830
Investments	6	572,920	572,920
		<u>3,007,692</u>	<u>2,470,692</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	7	302,578	316,168
Cash at bank and in hand	8	308,891	191,917
		<u>611,469</u>	<u>508,085</u>
Creditors: amounts falling due within one year	9	(823,695)	(683,054)
<b>Net current liabilities</b>		<u>(212,226)</u>	<u>(174,969)</u>
<b>Total assets less current liabilities</b>		<u>2,795,466</u>	<u>2,295,723</u>
Creditors: amounts falling due after more than one year	10	(1,220,834)	(593,750)
<b>Net assets</b>		<u><u>1,574,632</u></u>	<u><u>1,701,973</u></u>
<b>Capital and reserves</b>			
Called up share capital	11	86,801	72,892
Share premium account	12	8,075,867	6,609,663
Other reserves	12	500,365	435,981
Merger reserve	12	-	375,940
Profit and loss account	12	(7,088,401)	(5,792,503)
		<u><u>1,574,632</u></u>	<u><u>1,701,973</u></u>

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**PEPPERHQ LIMITED**  
**REGISTERED NUMBER: 08695071**

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**BALANCE SHEET (CONTINUED)**  
**AS AT 31 DECEMBER 2022**

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The directors consider that the Company is entitled to exemption from audit under section 477 of the Companies Act 2006 and members have not required the Company to obtain an audit for the year in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The Company has opted not to file the statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 3 March 2023.

**C E Hall**  
Director

The notes on pages 3 to 16 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**1. General information**

PepperHQ Limited is a private limited company, limited by shares, incorporated in England and Wales. The address of the registered office is 45 Gresham Street, London, England, EC2V 7BG.

**2. Accounting policies**

**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

**2.2 Going concern**

The company recorded a loss for the year and has net current liabilities of £212,226 (2021: £174,969).

The directors have produced forecasts which indicate that the Company should have sufficient resources to continue in operational existence for the foreseeable future and are satisfied that the Company can meet its liabilities as they fall due. This assessment is reliant on funding required within 12 months from the Balance Sheet date which the directors are confident will be received. For this reason the Directors have prepared the financial statements on a going concern basis.

**2.3 Foreign currency translation**

**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

**Transactions and balances**

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 Profit and loss account.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**2. Accounting policies (continued)**

**2.4 Revenue**

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the 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. Exceptional COVID related discounts have been shown separately due to their size and one-off nature. The following criteria must also be met before turnover is recognised:

**Rendering of services**

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

**2.5 Operating leases: the Company as lessee**

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

**2.6 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 is 5 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.

**2.7 Government grants**

Grants are accounted under the accruals model as permitted by FRS 102. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of comprehensive income in the same period as the related expenditure.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**2. Accounting policies (continued)**

**2.8 Interest income**

Interest income is recognised in profit or loss using the effective interest method.

**2.9 Pensions**

**Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company 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 Company in independently administered funds.

**2.10 Share based payments**

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value (excluding the effect of non market-based vesting conditions) at the date of grant. At the end of each reporting period the assumptions underlying the number of awards expected to vest are adjusted for the effects of non market-based vesting conditions to reflect the conditions prevailing at that date. The impact of any revisions to the original estimates is recognised in profit or loss, with a corresponding adjustment to equity. Fair value is measured by the use of a Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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**2. Accounting policies (continued)**

**2.11 Taxation**

The tax receivable represents the sum of the tax currently receivable and any deferred tax.

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and the company intends to settle on a net basis

**2.12 Exceptional items**

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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**2. Accounting policies (continued)**

**2.13 Intangible assets**

Development costs are capitalised within intangible assets where they can be identified with a specific product or project anticipated to produce future benefits, and are amortised on a straight line basis over the anticipated life of the benefits arising from the completed produce or project.

Where intangible assets are acquired by PepperHQ Limited from third parties the costs of acquisition are capitalised. They are amortised from the point at which they are available for use, over their estimated useful lives.

Estimated useful lives for intangible fixed assets are 5 years.

At each balance sheet date, intangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

**2.14 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 lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures and fittings	-	20%
Office equipment	-	20%

The assets' residual values, useful 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 profit or loss.

**2.15 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

**2.16 Holiday pay accrual**

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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**2. Accounting policies (continued)**

**2.17 Financial instruments**

Financial assets and financial liabilities are recognised in the balance sheet when the company becomes a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and measured at initial recognition at transaction price. A provision is established when there is objective evidence that the company will not be able to collect all amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank.

Financial liabilities and equity instruments issued by the company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

**3. Employees**

The average monthly number of employees, including directors, during the year was 26 (2021 - 25).

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PEPPERHQ LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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4. Intangible assets

	Development expenditure £
<b>Cost</b>	
At 1 January 2022	4,094,386
Additions	1,099,848
	<hr/>
At 31 December 2022	5,194,234
	<hr/>
<b>Amortisation</b>	
At 1 January 2022	2,221,444
Charge for the year on owned assets	563,878
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At 31 December 2022	2,785,322
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<b>Net book value</b>	
At 31 December 2022	<u>2,408,912</u>
<i>At 31 December 2021</i>	<u><u>1,872,942</u></u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**5. Tangible fixed assets**

	Fixtures and fittings £	Office equipment £	Total £
<b>Cost or valuation</b>			
At 1 January 2022	5,242	46,758	52,000
Additions	3,038	9,423	12,461
Disposals	-	(2,998)	(2,998)
	<u>8,280</u>	<u>53,183</u>	<u>61,463</u>
At 31 December 2022			
<b>Depreciation</b>			
At 1 January 2022	3,184	23,987	27,171
Charge for the year on owned assets	916	-	916
Charge for the year on financed assets	-	9,549	9,549
Disposals	-	(2,033)	(2,033)
	<u>4,100</u>	<u>31,503</u>	<u>35,603</u>
At 31 December 2022			
<b>Net book value</b>			
At 31 December 2022	<u>4,180</u>	<u>21,680</u>	<u>25,860</u>
<b>At 31 December 2021</b>	<u>2,058</u>	<u>22,772</u>	<u>24,830</u>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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6. Fixed asset investments

	Investments in subsidiary companies £
<b>Cost or valuation</b>	
At 1 January 2022	572,920
At 31 December 2022	<u>572,920</u>

In a previous year the company made a capital contribution to it's subsidiary undertaking for the purchase of the trade and assets of another US entity through the issue of \$500,000 shares at the current valuation of £0.10 per share and \$250,000 cash, \$166,000 of which was paid in 2022. The shares were issued on 1 September 2022.

PEPPERHQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

7. Debtors

	2022 £	2021 £
Trade debtors	57,929	36,794
Amounts owed by group undertakings	211,235	274,745
Other debtors	31,961	26
Prepayments and accrued income	1,453	4,603
	<u>302,578</u>	<u>316,168</u>

8. Cash and cash equivalents

	2022 £	2021 £
Cash at bank and in hand	308,891	191,917
	<u>308,891</u>	<u>191,917</u>

9. Creditors: Amounts falling due within one year

	2022 £	2021 £
Other loans	372,916	156,250
Trade creditors	24,640	29,209
Amounts owed to group undertakings	-	121,621
Other taxation and social security	227,865	263,519
Other creditors	4,986	6,357
Accruals and deferred income	193,288	106,098
	<u>823,695</u>	<u>683,054</u>

On 31 July 2021 the Company took out a CBILS loan of £750,000. The loan is repayable over 3 years, with no repayment due in the first 12 months. Interest is charged on the loan from month 13 at a rate of 9%. The first repayment was made in August 2022.

In May 2022 the Company took out a loan of £1,000,000 from the FSE Group. The loan is repayable over 5 years, with no repayment due in the first 12 months. Interest is charged on the loan from month 13 at a rate of 9.5%. The first repayment is due May 2023.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**10. Creditors: Amounts falling due after more than one year**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Other loans	<b>1,220,834</b>	<b>593,750</b>
	<u><b>1,220,834</b></u>	<u><b>593,750</b></u>

On 31 July 2021 the Company took out a CBILS loan of £750,000. The loan is repayable over 3 years, with no repayment due in the first 12 months. Fixed interest is charged on the loan from month 13 at a rate of 9%. The first repayment was made in August 2022.

In May 2022 the Company took out a loan of £1,000,000. The loan is repayable over 5 years, with no repayment due in the first 12 months. Interest is charged on the loan from month 13 at a rate of 9.5%. The first repayment is due May 2023.

**11. Share capital**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
<b>Allotted, called up and fully paid</b>		
86,800,713 (2021 - 72,892,250) Ordinary shares of £0.001 each	<u><b>86,801</b></u>	<u><b>72,892</b></u>

On 18 March 2022 the company issued 4,238,317 ordinary shares with a nominal value of £0.001 each, for a total consideration of £572,173, resulting in an increase in share premium of £567,935.

On 1 September 2022 the company issued 3,759,398 ordinary shares with a nominal value of £0.001 each, for the assets of the subsidiary, resulting in an increase in share premium of £372,180.

Also on 1 September 2022 the company issued 4,851,858 ordinary shares with a nominal value of £0.001 each, for a total consideration of £436,667, resulting in an increase in share premium of £431,815.

On 20 December 2022 the company issued 1,058,890 ordinary shares with a nominal value of £0.001 each, for a total consideration of £95,300, resulting in an increase in share premium of £94,241.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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12. Reserves

**Share premium account**

The share premium account is used to record the aggregate amount or value of premiums paid when the company's shares are issued at an amount in excess of nominal value.

**Shares to be issued reserve**

This reserve relates to shares to be issued for investments made during the year (see note 8).

**Other reserves**

This reserve relates to the fair value of the share options granted which has been charged to profit or loss over the vesting period of the options.

**Profit and loss account**

This reserve relates to the cumulative retained earnings less amounts distributed to shareholders.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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**13. Share based payments**

On 30 October 2016 the Company granted 2,940 share options to 8 employees. These share options were sub-divided on 18 May 2017 and now total 2,940,000. The options are exercisable at a price of £0.035 per share and had vesting periods of between 0 and 1 year. At 31 December 2022 all share options had vested and 50,000 had been exercised. 550,000 of these share options had been forfeited at the balance sheet date (2021: 550,000). If the options remain unexercised after a period of 10 years from issue, the options expire.

Also on 30 October 2016 the Company granted a further 415,000 share options to 2 employees. The options are exercisable at a price of £0.035 per share and had vesting periods of between 0 and 1 year. At 31 December 2022 all share options had vested but had not been exercised. If the options remain unexercised after a period of 10 years from issue, the options expire.

During 2017 the Company granted a further 750,000 share options to 8 employees. The options are exercisable at a price of between £0.210 and £0.233 per share and have vesting periods of between 0 and 1 year. At 31 December 2022 750,000 share options had vested but had not been exercised (2021: 750,000). 100,000 of these share options had been forfeited at the balance sheet date (2021: 100,000). If the options remain unexercised after a period of 10 years from issue, the options expire.

During 2018 the Company granted a further 100,000 share options to 2 employees. The options are exercisable at a price of £0.233 per share and have vesting periods of between 0 and 1 year. At 31 December 2022 100,000 share options had vested (2020: 100,000) and 50,000 (2021: Nil) been exercised. If the options remain unexercised after a period of 10 years from issue, the options expire.

During 2019 the Company granted a further 2,513,550 share options to 10 employees. The options are exercisable at a price of £0.028 per share and have vesting periods of between 0 and 2 years. At 31 December 2022, 2,493,550 (2021: 1,928,550) share options had vested, and Nil (2021: 585,000) were still to vest. 20,000 of these share options had been forfeited at the balance sheet date (2022: Nil). As at 31 December 2022 no options had been exercised. If the options remain unexercised after a period of 10 years from issue, the options expire.

During 2020 the Company granted a further 5,650,000 share options to 11 employees. The options are exercisable at a price of between £0.02 and £0.028 per share and have vesting periods of between 0 and 3 years. At 31 December 2022 5,460,000 (2021: 5,450,000) share options had vested and Nil (2021: 200,000) were still to vest. As at 31 December 2022 no options had been exercised. If the options remain unexercised after a period of 10 years from issue, the options expire.

During 2022 the Company granted a further 3,913,320 share options to 21 employees. The options are exercisable at a price of £0.02 per share and have vesting periods of between 0 and 1 years. At 31 December 2022 800,000 (2021: Nil) share options had vested, 44,286 share options had been forfeited (2021: Nil) and 3,069,034 (2021: Nil) were still to vest. As at 31 December 2021 no options had been exercised. If the options remain unexercised after a period of 10 years from issue, the options expire.

Options are forfeited if the employee leaves the Company before the options vest.

Charges have been made to the profit and loss during the year in respect of the share options totalling £64,384 (2021: £151,836).



PEPPERHQ LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
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Share based payments (continued)

	Weighted average exercise price (pence) 2022	Number 2022	Weighted average exercise price (pence) 2021	Number 2021
Outstanding at the beginning of the year	6.520	11,668,550	6.520	11,668,550
Granted during the year	2.000	3,913,320	-	-
Forfeited during the year	(2.400)	(64,286)	-	-
Exercised during the year	(2.800)	(50,000)	-	-
	<u>3.320</u>	<u>15,467,584</u>	<u>6.520</u>	<u>11,668,550</u>

14. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £49,150 (2021: £71,642). Contributions totaling £4,989 (2021: £5,979) were payable to the fund at the balance sheet date and are included in creditors.

15. Related party transactions

	2022 £	2021 £
Directors remuneration	227,341	247,464
	<u>227,341</u>	<u>247,464</u>

The highest paid director received remuneration of £158,798 (2021: £176,000).

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.