Registered number: 10873661

NEW VECTOR LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

NEW VECTOR LIMITED

COMPANY INFORMATION

Directors	J Batiz-Benet M Hodgson A Le Pape J C White
Registered number	10873661
Registered office	10 Queen Street Place London EC4R 1AG
Independent auditors	Haysmacintyre LLP 10 Queen Street Place London EC4R 1AG

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GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2023

Introduction

The principal business activity of New Vector Limited ("New Vector" or "the Company"), together with its subsidiaries ("Element" or "the Group") is the development and sale of Element Software which is an end-to-end encrypted messenger and secure collaboration app built on the Matrix Protocol ("Matrix"). The group primarily serves public sector and enterprise customers. The Group expects this to continue to be the principal activity of the business for the foreseeable future.

Business review

Element's revenue increased to $10.2m in 2023 (2022: $8.8m). This revenue growth was driven both by an increase in revenues from existing customers in the year as well as the addition of new customers.

During the year, the Group has continued to invest in developing its core technology and expanding its customer base across the UK, Europe and the USA.

The headcount in the year grew to 171 in November 2022 and declined to 154 employees at the year-end in June 2023 (2022: 156) after the Group restructured its operations in December 2022 to align the resources with lower than anticipated revenue growth. Administrative expenses in the year were $19.8m (2022: $17.6m). The sequential increase in the administrative expenses was primarily driven by the increase in the average headcount vs the prior year, as well as the restructuring in the year.

At 30 June 2023 the Group's net assets were $4.1m (2022: $18.3m) with a loss for the financial year of $14.1m (2022: $13.7m).

Principal risks and uncertainties

The Principal risks for Element are financial losses or other material adverse impacts on our ability to scale the business arising from;

Competition
We face competition from other software companies developing communications software on Matrix, the pressure from this competition is increased due to Matrix being an open-source protocol. As a Group we are focused on the continued innovation and enhancement of our product offering in order to maintain our market-leading position in light of increasing competition in the market.

Reduced Adoption of Matrix in the Market
Whilst the appeal of our product offering is primarily based on the quality, security and resilience of the software it is also supported by the widespread market adoption of Matrix which allows us to leverage the unique interoperability of our product. Should the market trend against Matrix adoption this could have an impact on our growth potential, although the impact on the Group's core ongoing operations would be limited.

Critical Supplier Dependencies
Our ability to provide our products and services could be negatively impacted by interruption or failure of services provided by certain key third-party infrastructure partners, primarily server hosts. Interruption to our service as a result of such events could harm our reputation and operating results.

Recruitment & Retention of Talent
As a Group, we rely on having a team of highly capable and specialised engineering personnel to continue to develop and improve our product offering, If we were unable to recruit and retain these individuals this could harm our business performance.

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2023

Financial key performance indicators

The Group monitors performance using the following financial metrics;

- Turnover - $10.2m (2022 $8.8m)
- Gross Profit - $5.6m (2022 $4.8m)
- Operating Loss - $15.7m (2022 $13.5m)

The key financial performance indicators together with other financial performance indicators and non-financial key performance indicators are monitored by management on a regular basis.

Other key performance indicators

As outlined above the Group monitors performance using a number of non-financial key performance indicators such as;

- Employee Retention
- Development Progress vs Roadmap

This report was approved by the board on 22 February 2024 and signed on its behalf.

A Le Pape
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2023

The directors present their report and the financial statements for the year ended 30 June 2023.

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 judgments 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 $12,891,001 (2022 - loss $13,739,900).

Directors

The directors who served during the year were:

J Batiz-Benet
M Hodgson
A Le Pape
J C White

Future developments

New Vector Limited is continuing to focus on the development and sale of Element Software to public sector and enterprise customers and enhancing the product offering in order to maintain our market leading position and gain customers in new sectors.

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.

Post balance sheet events

The Group raised $7.2m of SAFE financing from July to September 2023 from existing and new investors.

In reaction to the declining economic outlook the Group announced and implemented business restructuring in July 2023 and in December 2023. These actions cumulatively reduced the headcount to 80 employees in February 2024.

Auditors

The auditors, Haysmacintyre LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 22 February 2024 and signed on its behalf.

A Le Pape
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEW VECTOR LIMITED

Opinion

We have audited the financial statements of New Vector Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2023, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity, the 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 30 June 2023 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEW VECTOR LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' 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 3, 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.

Auditors' 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 Auditors' 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:

- Inspecting correspondence with regulators and tax authorities;
- Discussions with management including consideration of known or suspected instances of non- compliance with - Laws and regulation and fraud;
- Evaluating management's controls designed to prevent and detect irregularities;
- Identifying and testing accounting journal entries, in particular those journal entries which exhibited the characteristics we had identified as possible indicators of irregularities; and
- Challenging assumptions and judgements made by management in their critical accounting estimates

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 Auditors' Report.

Other matters

In the previous accounting period, the directors of the Group took advantage of the audit exemption under s477 of the Companies Act. Therefore, the prior period financial statements were not subject to audit.

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 Auditors' 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.

Jon Dawson

Jon Dawson (Senior Statutory Auditor)

for and on behalf of
Haysmacintyre LLP

10 Queen Street Place
London
EC4R 1AG
Date: 22 February 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $	2022 $
Turnover	4	10,205,352	8,754,543
Cost of sales		(4,658,727)	(3,996,965)
Gross profit		5,546,625	4,757,578
Distribution costs		(1,408,899)	(670,590)
Administrative expenses		(19,442,584)	(17,633,906)
Exceptional administrative expenses		(375,254)	-
Operating loss	5	(15,680,112)	(13,546,918)
Interest receivable and similar income	9	38,153	7,631
Loss before tax		(15,641,959)	(13,539,287)
Tax credit/(charge) on loss	10	2,750,958	(200,613)
Loss for the financial year		(12,891,001)	(13,739,900)
Profit for the year attributable to:			
Owners of the parent company		12,891,001	13,739,900
		12,891,001	13,739,900

The notes on pages 14 to 32 form part of these financial statements.

NEW VECTOR LIMITED
REGISTERED NUMBER: 10873661

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Note		2023 $		2022 $
Fixed assets					
Intangible assets	12		52,005		78,040
Tangible assets	13		321,660		262,030
			373,665		340,070
Current assets					
Debtors: amounts falling due within one year	15	7,166,581		4,945,803	
Cash at bank and in hand	16	1,301,759		18,244,896	
		8,468,340		23,190,699	
Creditors: amounts falling due within one year	17	(3,466,541)		(5,239,328)	
Net current assets			5,001,799		17,951,371
Total assets less current liabilities			5,375,464		18,291,441
Net assets			5,375,464		18,291,441
Capital and reserves					
Called up share capital	18		3,318		3,311
Share premium account	19		46,724,106		46,713,856
Foreign exchange reserve	19		(1,847,704)		(1,367,048)
Other reserves	19		589,190		143,767
Profit and loss account	19		(40,093,446)		(27,202,445)
			5,375,464		18,291,441

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 22 February 2024

A Le Pape
Director

The notes on pages 14 to 32 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	Note		2023 $		2022 $
Fixed assets					
Intangible assets	12		52,005		78,040
Tangible assets	13		175,174		179,125
Fixed asset investments	14		36,518		36,518
			263,697		293,683
Current assets					
Debtors: amounts falling due within one year	15	4,855,214		3,242,005	
Cash at bank and in hand	16	712,511		17,609,805	
		5,567,725		20,851,810	
Creditors: amounts falling due within one year	17	(1,817,593)		(3,745,479)	
Net current assets			3,750,132		17,106,331
Total assets less current liabilities			4,013,829		17,400,014
Net assets			4,013,829		17,400,014
Capital and reserves					
Called up share capital	18		3,318		3,311
Share premium account	19		46,724,106		46,713,856
Foreign exchange reserve	19		(1,744,216)		(1,236,134)
Other reserves	19		589,190		143,767
Profit and loss account brought forward		(28,224,786)		(14,259,413)	
Loss for the year		(13,333,783)		(13,965,373)	
Profit and loss account carried forward			(41,558,569)		(28,224,786)
			4,013,829		17,400,014

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 22 February 2024.

A Le Pape
Director

The notes on pages 14 to 32 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Called up share capital	Share premium account	Foreign exchange reserve	Share based payment reserve	Profit and loss account	Total equity
	$	$	$	$	$	$
At 1 July 2021	2,797	16,914,895	1,542,589	85,230	(13,462,545)	5,082,966
Comprehensive income for the year						
Loss for the year	-	-	-	-	(13,739,900)	(13,739,900)
Shares issued during the year	514	29,798,961	-	-	-	29,799,475
Movement in foreign exchange	-	-	(2,909,637)	-	-	(2,909,637)
Share based payment charge	-	-	-	58,537	-	58,537
At 1 July 2022	3,311	46,713,856	(1,367,048)	143,767	(27,202,445)	18,291,441
Loss for the year	-	-	-	-	(12,891,001)	(12,891,001)
Movement in foreign exchange	-	-	(480,656)	-	-	(480,656)
Shares issued during the year	7	10,250	-	-	-	10,257
Share based payment charge	-	-	-	445,423	-	445,423
At 30 June 2023	3,318	46,724,106	(1,847,704)	589,190	(40,093,446)	5,375,464

The notes on pages 14 to 32 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Called up share capital	Share premium account	Foreign exchange reserve	Share based payment reserve	Profit and loss account	Total equity
	$	$	$	$	$	$
At 1 July 2021	2,797	16,914,895	1,479,850	85,230	(14,259,413)	4,223,359
Comprehensive income for the year						
Loss for the year	-	-	-	-	(13,965,373)	(13,965,373)
Shares issued during the year	514	29,798,961	-	-	-	29,799,475
Movement in foreign exchange	-	-	(2,715,984)	-	-	(2,715,984)
Share based payment charge	-	-	-	58,537	-	58,537
At 1 July 2022	3,311	46,713,856	(1,236,134)	143,767	(28,224,786)	17,400,014
Loss for the year	-	-	-	-	(13,333,783)	(13,333,783)
Movement in foreign exchange	-	-	(508,082)	-	-	(508,082)
Shares issued during the year	7	10,250	-	-	-	10,257
Share based payment charge	-	-	-	445,423	-	445,423
At 30 June 2023	3,318	46,724,106	(1,744,216)	589,190	(41,558,569)	4,013,829

The notes on pages 14 to 32 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	2023 $	2022 $
Cash flows from operating activities		
Loss for the financial year	(12,891,001)	(13,739,900)
Adjustments for:		
Amortisation of intangible assets	26,035	26,267
Depreciation of tangible assets	155,692	79,688
Loss on disposal of tangible assets	35,044	-
Interest received	(38,153)	(7,631)
Taxation (credit)/charge	(2,750,958)	200,613
Increase in debtors	(491,807)	(2,708,031)
(Decrease)/increase in creditors	(1,817,689)	3,023,673
Corporation tax received/(paid)	1,066,888	(32,470)
Share based payment charge	445,423	58,537
Net cash used in operating activities	(16,260,526)	(13,099,254)
Cash flows from investing activities		
Purchase of tangible fixed assets	(257,697)	(227,810)
Sale of tangible fixed assets	7,332	-
Interest received	38,153	7,631
Acquisition of shares in newly incorporated subsidiaries	-	(24,178)
Net cash used in investing activities	(212,212)	(244,357)
Cash flows from financing activities		
Issue of ordinary shares	10,257	29,799,475
Effect of foreign exchange rates	(480,656)	(2,901,598)
Net cash (used in)/from financing activities	(470,399)	26,897,877
Net (decrease)/increase in cash and cash equivalents	(16,943,137)	13,554,266
Cash and cash equivalents at beginning of year	18,244,896	4,690,630
Cash and cash equivalents at the end of year	1,301,759	18,244,896
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,301,759	18,244,896
	1,301,759	18,244,896

1. General information

New Vector Limited is a private limited company, incorporated in the United Kingdom and registered in England and Wales, registered number 10873661. The registered office address is 10 Queen Street Place, London, EC4R 1AG.

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 Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK 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 Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Going concern

As at the period end the group had net assets of $4.1m (2022: $18.3m). The financial statements have been prepared on the going concern basis. An evaluation of New Vector Limited's ability to continue as a going concern was completed, considering conditions and events that are relevant to the entity's ability to meet its obligations as they become due during the assessment period. The directors have recognised the declining economic outlook in the Group and have obtained $7.2m of SAFE funding from July to September 2023. A further restructuring of the business as well as mitigating actions that the directors have available to them ensure that the business continue to grow and improve its position and performance over the next 12 months.

Based on the director's assessment of the Group's ability to continue as a going concern it has been concluded there are no material uncertainties that cast significant doubt about the Group's ability to continue as a going concern for 12 months from the date of these financial statements.

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the Functional Currency"), as a result the Company's functional currency is GBP. This differs from the presentational currency which is USD. The reason for the difference is that the directors have chosen to report to shareholders in USD.

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.

On consolidation, the results of overseas operations are translated into Dollars at rates 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 opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue 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 for non-recurring revenue when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group 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.

For recurring revenue, revenue from a contract to provide services is recognised in the period which the services are provided in accordance with the term of the contract. The conditions above remain applicable with the exception of the stage of completion, with revenue being recognised over the term of the contract on a straight-line basis.

2. Accounting policies (continued)

2.6 Research and development

Research and development is written off as incurred. There is no capitalisation of research and development costs.

2.7 Interest income

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

2.8 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 Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

2.9 Share-based payments

The Group issues employee equity settled stock options. The share based payment expense is recorded over the vesting period of the options based on the fair value of the options at grant date. The fair value of the share options are determined utilising the Black-Scholes valuation model, which takes into account the fair value of the underlying shares and the conditions attached to the vesting and exercise of the equity instruments. The fair value of the underlying shares is an estimate which involves management applying significant judgement, taking into consideration a number of factors including recent equity transactions. The fair value of the underlying shares may differ to the estimated value which could have a significant impact on the share based payment expense charge recognised.

2.10 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

2.11 Exceptional items

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

2. Accounting policies (continued)

2.12 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.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.13 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	- 5 years straight line
Office equipment	- 3 years straight line
Computer equipment	- 3 years straight line

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.

2.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.15 Debtors

Short-term debtors are measured at transaction price, less any impairment.

2.16 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

2.17 Creditors

Short-term creditors are measured at the transaction price.

2. Accounting policies (continued)

2.18 Financial instruments

The Group has elected to apply the provisions of Section 11 "Basic Financial Instruments" of FRS 102 to all of its financial instruments.

Basic financial assets

Basic financial assets, which include trade and other receivables, cash and bank balances, are initially measured at their transaction price including transaction costs and are subsequently carried at their amortised cost using the effective interest method, less any provision for impairment, 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.

Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables due with the operating cycle fall into this category of financial instruments.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date.

Financial assets are impaired when events, subsequent to their initial recognition, indicate the estimated future cash flows derived from the financial asset(s) have been adversely impacted. The impairment loss will be the difference between the current carrying amount and the present value of the future cash flows at the asset(s) original effective interest rate.

If there is a favourable change in relation to the events surrounding the impairment loss then the impairment can be reviewed for possible reversal. The reversal will not cause the current carrying amount to exceed the original carrying amount had the impairment not been recognised. The impairment reversal is recognised in the profit or loss.

Financial liabilities

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

Basic financial liabilities, which include trade and other payables, bank loans, other loans and loans due to fellow group companies are initially measured at their transaction price after transaction costs. When this constitutes a financing transaction, whereby the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Discounting is omitted where the effect of discounting is immaterial.

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

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if the payment is due within one year. If not, they represent non-current liabilities. Trade payables are initially recognised at their transaction price and subsequently are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

2. Accounting policies (continued)

2.18 Financial instruments (continued)

Derecognition of financial instruments

Derecognition of financial assets

Financial assets are derecognised when their contractual right to future cash flow expire, or are settled, or when the Group transfers the asset and substantially all the risks and rewards of ownership to another party. If significant risks and rewards of ownership are retained after the transfer to another party, then the Group will continue to recognise the value of the portion of the risks and rewards retained.

Derecognition of financial liabilities

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

3. Judgments in applying accounting policies 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.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities as follows:

Amortisation rates and the useful economic lives of intangible fixed assets
The annual amortisation charge for the intangible assets is sensitive to changes to the estimated lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. See note 12 for the carrying amount of the intangible assets.

Depreciation rates and useful economic lives of tangible fixed assets
The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 13 for the carrying amount of the tangible fixed assets.

Revenue recognition
Non-recurring revenue is recognised according the the stage of completion of the contract at the end of the reporting period. The Group has shifted its revenue focus to recurring revenue with all non-recurring contracts completing by the end of the reporting period. Recurring revenue is recognised on a straight-line basis over the period which the services are provided in accordance with the term of the contract.

Commissions
Commissions recognised in the Group relate to both internal and external commissions incurred as part of the new sales achieved. External commissions relate to third parties who have been engaged to source customers and successfully convert these into new contracts, whereas internal commissions relate to employees who have been involved in the closing of new contracts. In both cases, commissions that are paid are recognised and spread over the life of the sales contract to correlate with the revenue being recognised. At the balance sheet date, commissions paid but relating to future periods are recognised as prepaid commissions and are released as and when the revenue is recognised.

Share option charge
Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of Comprehensive Income over the vesting period. The Group uses the Black-Scholes valuation model to estimate fair value at each exercise and period end date, to calculate the share option charge recognised in the year. The key assumptions used in the model are the expected future volatility in the price of the Company's shares and the expected life of the options. See note 19 for the key inputs for the share option charge.

4. Turnover

	2023 $	2022 $
Provision of services	10,205,352	8,754,543

Analysis of turnover by country of destination:

	2023 $	2022 $
United Kingdom	2,333,213	4,343,261
Rest of Europe	6,794,091	4,131,542
Rest of the world	1,078,048	279,740

5. Operating loss

The operating loss is stated after charging:

	2023 $	2022 $
Research & development charged as an expense	8,885,590	9,761,660
Exchange differences	37,139	26,985
Depreciation	79,688	54,508
Share-based payment	445,423	58,537

6. Auditors' remuneration

During the year, the Group obtained the following services from the Company's auditors:

	2023 $	2022 $
Fees payable to the Company's auditors for the audit of the consolidated and parent Company's financial statements	39,500	29,000

7. Employees

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

	Group 2023 $	Group 2022 $	Company 2023 $	Company 2022 $
Wages and salaries	14,828,642	12,867,378	9,261,341	9,570,444
Social security costs	2,276,278	2,008,774	1,397,667	1,431,084
Pension costs	616,716	477,856	346,508	259,853
	17,721,636	15,354,008	11,005,516	11,261,381

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

	2023 No.	2022 No.
Employees	158	128

8. Directors' remuneration

	2023 $	2022 $
Directors' emoluments	368,596	401,135

The highest paid director received remuneration of $202,000 (2022 - $200,000).

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to $6,600 (2022 - $7,800).

9. Interest receivable

	2023 $	2022 $
Other interest receivable	38,153	7,631

10. Taxation

	2023 $	2022 $
Corporation tax		
Current tax on profits for the year	(2,750,958)	200,613
	(2,750,958)	200,613
Total current tax	(2,750,958)	200,613
Deferred tax		
Total deferred tax	-	-
Taxation on (loss)/profit on ordinary activities	(2,750,958)	200,613

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2022 - higher than) the standard rate of corporation tax in the UK of 19% (2022 - 19%). The differences are explained below:

	2023 $	2022 $
Loss on ordinary activities before tax	(15,641,959)	(13,539,287)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2022 - 19%)	(3,199,449)	(2,572,465)
Effects of:		
Fixed asset differences	(2,765)	(5,731)
Expenses not deductible for tax purposes	111,298	82,472
Capital allowances for year in excess of depreciation	-	220,162
Adjustment to losses	-	(226,387)
Remeasurement of deferred tax for changes in tax rates	(603,252)	(828,866)
Current tax (prior period) exchange differences arising on movement between opening and closing spot rates	-	77,365
Movement in deferred tax not recognised	3,411,212	3,454,063
Income not taxable for tax purposes	(164,000)	-
Adjustments in respect of prior periods	(1,998,966)	-
Other permanent differences	(11,710)	-
Additional deduction for R&D expenditure	(780,468)	-
Surrender of tax losses for R&D tax credit refund	487,142	-
Total tax charge for the year	(2,750,958)	200,613

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

11. Exceptional administrative expenses

	2023 $	2022 $
Restructuring settlement costs	375,254	-
	375,254	-

12. Intangible assets

Group and Company

	Intellectual Property $	Domain Name $	Total $
Cost			
At 1 July 2022	99,652	27,023	126,675
At 30 June 2023	99,652	27,023	126,675
Amortisation			
At 1 July 2022	37,444	11,191	48,635
Charge for the year	19,811	6,224	26,035
At 30 June 2023	57,255	17,415	74,670
Net book value			
At 30 June 2023	42,397	9,608	52,005
At 30 June 2022	62,208	15,832	78,040

13. Tangible fixed assets

Group

	Fixtures and fittings $	Office equipment $	Computer equipment $	Total $
Cost or valuation				
At 1 July 2022	41,013	33,612	395,355	469,980
Additions	67,481	1,979	188,237	257,697
Disposals	-	-	(55,244)	(55,244)
At 30 June 2023	108,494	35,591	528,348	672,433
Depreciation				
At 1 July 2022	7,647	12,488	187,815	207,950
Charge for the year on owned assets	16,236	11,660	127,796	155,692
Disposals	-	-	(12,869)	(12,869)
At 30 June 2023	23,883	24,148	302,742	350,773
Net book value				
At 30 June 2023	84,611	11,443	225,606	321,660
At 30 June 2022	33,366	21,124	207,540	262,030

13. Tangible fixed assets (continued)

Company

	Fixtures and fittings $	Office equipment $	Computer equipment $	Total $
Cost or valuation				
At 1 July 2022	27,905	20,562	290,952	339,419
Additions	-	-	114,064	114,064
Disposals	-	-	(25,379)	(25,379)
At 30 June 2023	27,905	20,562	379,637	428,104
Depreciation				
At 1 July 2022	3,674	5,088	151,532	160,294
Charge for the year	5,581	6,854	90,647	103,082
Disposals	-	-	(10,446)	(10,446)
At 30 June 2023	9,255	11,942	231,733	252,930
Net book value				
At 30 June 2023	18,650	8,620	147,904	175,174
At 30 June 2022	24,231	15,474	139,420	179,125

14. Fixed asset investments

Company

	Investments in subsidiary companies $
Cost or valuation	
At 1 July 2022	36,518
At 30 June 2023	36,518

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Holding
Element Software SARL	16 Esplanade du Champs de Mars, 35000 Rennes	100%
Element Software GmbH	Breckheimer Karrenbock Rechtsanwälte, Partnerschaftsgesellschaft mbB, Düsseldorf	100%
Element Software Inc	Element Software Inc.,1209 Orange Street, City of Wilmington, Delaware 19801	100%

15. Debtors

	Group 2023 $	Group 2022 $	Company 2023 $	Company 2022 $
Trade debtors	2,251,567	1,360,908	191,039	379,788
Amounts owed by group undertakings	-	-	678,036	199,111
Other debtors	320,025	594,522	229,711	489,638
Prepayments and accrued income	2,363,390	2,487,743	1,524,829	1,670,839
Tax recoverable	2,231,599	502,630	2,231,599	502,629
	7,166,581	4,945,803	4,855,214	3,242,005

16. Cash and cash equivalents

	Group 2023 $	Group 2022 $	Company 2023 $	Company 2022 $
Cash at bank and in hand	1,301,759	18,244,896	712,511	17,609,805

17. Creditors: Amounts falling due within one year

	Group 2023 $	Group 2022 $	Company 2023 $	Company 2022 $
Trade creditors	329,080	653,281	242,601	389,360
Amounts owed to group undertakings	-	-	162,390	30,936
Corporation tax	126,552	81,653	-	-
Other taxation and social security	576,776	548,296	353,761	349,504
Other creditors	52,233	5,944	674	5,944
Accruals and deferred income	2,381,900	3,950,154	1,058,167	2,969,735
	3,466,541	5,239,328	1,817,593	3,745,479

18. Share capital

	2023 $	2022 $
Allotted, called up and fully paid		
272,868 (2022 - 272,309) Ordinary shares of £0.01 each	3,318	3,311

During the year the Company issued 559 Ordinary shares with a nominal value of £0.01 per share.

19. Reserves

Share premium account

Includes any premiums received by the Company on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Other reserves

As at 30 June 2023 other reserves represents the cumulative balance recognised as charges under the Group's share option scheme of $589,190 (2022: $143,767).

Profit and loss account

Includes all current and prior period retained profits and losses.

20. Share-based payments

The Group operates an Enterprise Management Incentive Scheme and a non Enterprise Management Incentive Scheme for the purpose of incentivising key members of staff.

All share options issued by the Group are valued at the fair value at the grant date. As at the date of the grant, management have considered the likelihood of vesting conditions being met. Based on these, management have adjusted the number of equity instruments expected to vest. The share based remuneration expense for the period ended 30 June 2023 was $445,423 (2022: $58,537).

	Weighted average exercise price (dollars) 2023	Number 2023	Weighted average exercise price (dollars) 2022	Number 2022
Outstanding at the beginning of the year	24	32,045	25	24,757
Granted during the year	129	19,984	22	7,288
Forfeited during the year	78	(1,620)		-
Outstanding at the end of the year	64	50,409	24	32,045

	2023	2022
Option pricing model used	Black Scholes	Black Scholes
Weighted average share price (dollars)	64	24
Weighted average contractual life (months)	48	36
Expected volatility	64%	64%
Risk-free interest rate	3.66%	0.72%
	-	-

21. Contingent liabilities

The Group has a contingent liability relating to an external commission arrangement in place. Under this agreement up to $1,000k is payable to a third-party for revenue referrals based on future revenue for historic customer introductions being realised. As this amount will not be due to the third-party if the revenue is not realised and there is uncertainty regarding this future event, the Group has not provided for this amount within the financial statements.

22. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to $618,321 (2021 - $477,855). Contributions totalling $131,402 (2022 - $125,521) were payable to the fund at the reporting date and are included in creditors.

23. Commitments under operating leases

At 30 June 2023 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2023 $	Group 2022 $	Company 2023 $	Company 2022 $
Not later than 1 year	90,490	154,146	56,065	121,126
Later than 1 year and not later than 5 years	137,698	162,944	-	30,862
Later than 5 years	39,612	71,016	-	-
	267,800	388,106	56,065	151,988

24. Related party transactions

The entities within the group transact with each other in the regular course of business in line with the terms of the transfer pricing arrangements in place. Transactions and balances relating to these arrangements have been eliminated for the purposes of consolidation. Additionally the Company provides a line of credit to each subsidiary entity, at an interest rate of Libor +2%.

25. Post balance sheet events

The Group raised $7.2m of SAFE financing from July to September 2023 from existing and new investors.

In reaction to the declining economic outlook the Group announced and implemented business restructuring in July 2023 and in December 2023. These actions cumulatively reduced the headcount to 80 employees in February 2024.

26. Controlling party

The directors are of the opinion that there is no one ultimate Controlling Party.