PELATRO

Be Relevant

ANNUAL REPORT

2019

DEEPENING THE CONNECTIONS

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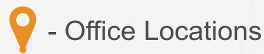
- Office Locations

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SHARE CAPITAL

The ordinary share capital of Pelatro Plc is admitted to trading on AIM, a market operated by London Stock Exchange Group plc. The shares are quoted under the trading ticker PTRO.

The ISIN number is GB00BYXH8F66 and the SEDOL number is BYXH8F6.

SHAREHOLDER ENQUIRIES

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lines are open from 8.30am to 5.30pm Monday to Friday

http://www.pelatro.com/investors/

FIVE YEAR TRACK RECORD

Year to/as at 31 December		2019	2018	2017	2016	2015
Revenue	*$'000*	6,667	6,123	3,146	1,205	353
Revenue growth	*%*	9%	95%	161%	241%	n/a
Adjusted EBITDA	*$'000*	2,893	3,776	2,004	498	77
EBITDA margin	*%*	43%	61%	64%	41%	22%
Operating profit (before exceptional costs)	*$'000*	883	2,861	1,801	360	30
Operating margin	*%*	13%	47%	57%	30%	8%
Statutory profit before tax	*$'000*	1,009	2,513	1,096	360	30
Adjusted earnings per share (basic and diluted)	*¢*	4.2¢	10.2¢	8.9¢	2.0¢	0.2¢
Statutory earnings per share (basic and diluted)[1]	*¢*	2.5¢	8.0¢	4.8¢	2.0¢	0.2¢
Net cash flow from operating activities (pre-exceptional items)	*$'000*	1,361	881	(33)	447	56
Net cash used in investing activities	*$'000*	(2,393)	(9,092)	(744)	(401)	(149)
Net cash used in/(from) financing activities	*$'000*	(246)	6,814	4,707	54	214
Net cash at year end	*$'000*	484	1,823	3,086	196	119

1: from continuing operations

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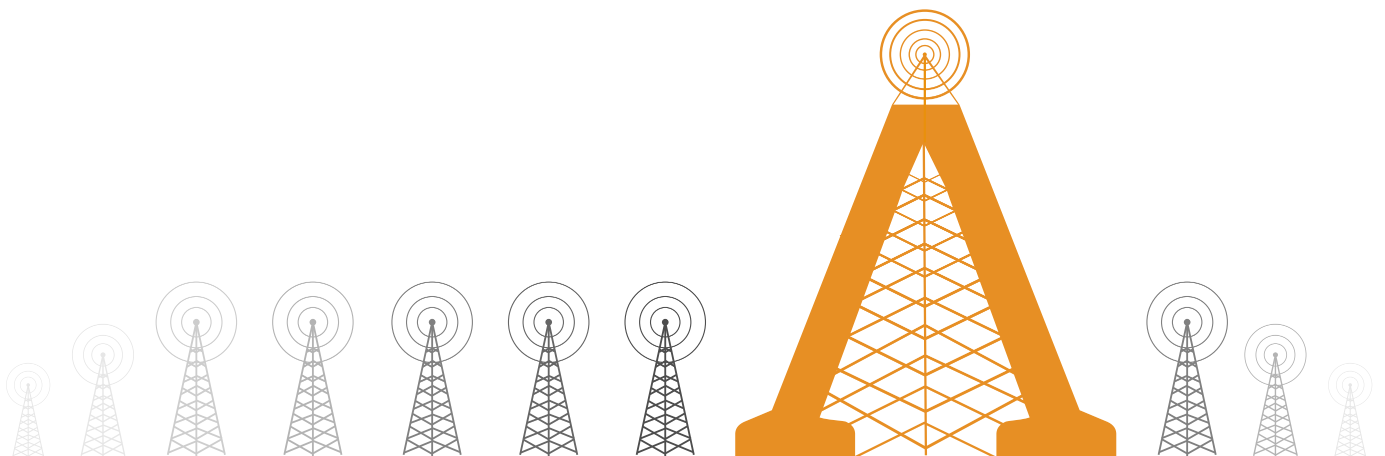
01

ABOUT PELATRO

Pelatro is a focused and specialised player in the telecom marketing space. We provide enterprise-class software solutions that help our customers, the telecom operators, to increase revenue and reduce churn. This is achieved by analysing the behaviour of each subscriber in the telecom network, creating their profile and suggesting appropriate products and promotions to each subscriber in a *segment of one* manner to enable higher consumption and an increased level of customer satisfaction.

Given the extremely high volume of data that is generated in each telecom network, our solutions employ Big Data technology to collect and process all the data in real time. Our technologically advanced products are telco-grade with significant *scalability, security* and *high availability*. As data is processed in real time, the output from our solutions is also in real time and is relevant and contextual. This output leads to relevant, contextual and personalised interventions in real time, in the form of marketing campaigns and promotions to subscribers, resulting in improved results as compared to legacy solutions. In order to provide high quality marketing campaigns and promotions, our solutions employ AI/ML techniques coupled with various algorithms, models etc. This has resulted in a high level of predictive and prescriptive analytics in our solutions.

We have offices in five countries and serve large telco groups (including Telenor, SingTel, Axiata etc.) in 17 countries. The largest single network that we serve has about 350 million subscribers, one of the largest globally. As all telcos will have some solution for campaigning purposes, we aim to replace the incumbents to win customers. Given the advanced nature and uniqueness of our products and the fact that we have successfully replaced legacy solutions from IBM, SAS, Oracle, FlyTxt, Evolving Systems etc. in multiple telcos, the market opportunity is huge with over 300 telcos to be addressed around the world.

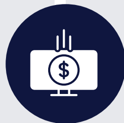


02

HIGHLIGHTS OF 2019

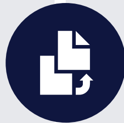
Won our largest contract to date, from one of the largest global telcos

Added 5 customers organically, the highest number of customers in any year to date



Won the first customer for our Data Monetisation Platform (Tele2, Kazakhstan)

More than doubled the number of subscribers being processed by our solutions from 350m to 800m



Launched the next version of mViva Contextual Marketing Solution: v.6

Established sales presence in Latin America and Central America

Enhanced sales presence in Asia

Set up a dedicated team to focus on Customer Engagement

03

mViva: A COMPREHENSIVE SUITE OF SOLUTIONS

After decades of unprecedented growth, telecommunications is starting to mature as a business. The old days of guaranteed growth are gone and network coverage has become ubiquitous, leading to commoditisation: thus differentiation is becoming more and more of a challenge with customers tending to look at telecommunications service as a utility with a corresponding decrease in margins for telcos. To add to this, the emergence of Over-The-Top (OTT) players has accelerated the pace of commoditisation and customer disintermediation. Further, the industry has almost reached saturation with respect to customer base with penetration in excess of 100% in most markets.

Hence the need is to grow revenue from existing customers. In essence, the lever for managing revenue growth has changed from customer acquisition to maximizing value from existing customers. To derive increased value from customers, it is also important to deliver increased value. Interactions with customers should be based on this new paradigm and this means individualized and personalized attention.

This calls for a three - pronged strategy:

- Increase Average Revenue Per User
- Increase retention
- Increase share of wallet

Pelatro's mViva suite of solutions is designed to help telcos achieve these objectives. The suite consists of the following solutions:

mViva CONTEXTUAL MARKETING SOLUTION (CMS)

Customer centricity is the new watchword for telcos, and deep understanding of each individual customer is needed for telcos to be able to provide relevant offers that customers can appreciate and take advantage of. mViva CMS is integrated with various different network elements and consumes data regarding all transactions that each customer generates. This information is then converted into a multi-dimensional profile for each individual customer. This profile information is then utilized to generate micro-segments and offers targeted at N=1 granularity. mViva CMS also provides cutting edge AI/ML features in the form of Descriptive, Predictive and Prescriptive Analytics. The solution is fully integrated into the telco ecosystem and provides end-to-end capability of segmentation, campaign design, configuration, execution, fulfilment, provisioning, reporting and analytics.

mViva LOYALTY MANAGEMENT SYSTEM (LMS)

Retaining customers is an important requirement for telcos, as new customers are extremely difficult and expensive to sign on. mViva LMS rewards each customer with points based on various activities such as revenue generation, early bill payment, referral etc. and these points can then be exchanged for various rewards. This ensures continuous engagement with customers and quick cycles of gratification that leads to customer satisfaction. The LMS also provides for various tiers and badges and differentiated benefits based on the value that each customer represents to the telco. It is a comprehensive solution that provides for points earning, redemption, segmentation, tiering, campaigning, fulfilment, provisioning and reporting.

mViva DATA MONETIZATION PLATFORM (DMP)

Telcos generate a great volume of contextual and relevant data about their customers. This is an industry that enjoys very frequent customer activity and thus very rich data. mViva DMP organizes this data into customer-centric profiles and this means that there is in-depth information available about the behaviour and demography of each individual customer. This provides an opportunity for telcos to monetise this rich asset through targeted advertisement, after taking into account anonymisation and such necessary data privacy requirements. For enterprises that partner with telcos, this is of great interest as they now have reach to the exact profile of customers that they want to advertise to and thus the value for money is far better than the traditional "spray-and-pray" approach. The DMP offers a complete solution with partner management, portal, offer design, execution and reporting.

mViva UNIFIED COMMUNICATION MANAGER (UCM)

Today, telco customers are inundated with various messages from a large number of organisations. This means that the telco itself has to be very careful about the quantity of messages they send to their customers to ensure that they do not antagonise them. Messages could be of various types like emergency messages (say in case of a natural disaster), informational messages, offers for telco products, reminders, offers for third party products etc. Given this complexity, it is essential that the telco has a policy governing the maximum number of such messages that may be sent to customers with priority for each type of message, control of verbiage etc. In many telcos, this is managed by various individual solutions that generate such messages and hence there is often conflict or violation of the corporate policy. mViva UCM ensures that telcos have centralised control of their messaging policy and privacy settings of customers and thus customers are disturbed with messages they do not want. This is an important requirement in these days of zealously guarded privacy concerns of customers. The UCM provides for message policy monitoring, store-and-forward, whitelisting, blacklisting, DND, pre-crafted message patterns and reporting.

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

DEAR SHAREHOLDER,

Significant progress has been made by Pelatro this year in developing our product suite, expanding our customer base and broadening our business offering. Our software is now handling and processing the data for over 800 million subscribers of our various telco customers, reflecting a step change in our capacity and a clear validation by the industry of the quality of our mViva system.

- 2017 subscriber base: 138m
- 2018 subscriber base: 325m
- 2019 subscriber base: 800m

Richard Day
Chairman

In our early days, notwithstanding that between them our team had many years of experience in the telecoms industry, building a business to sales of over $100m, we were obliged to pursue a licence fee-based business offering to help establish our operations. This course has been lucrative and successful to date but has meant that historically we were focused on converting opportunities for an initial, up front reward. As we have grown and developed, we have consciously moved towards a recurring revenue model which can be aligned with a gain share participation in the upside we generate for our customers. I am pleased to say that with their support, we have made significant progress in realigning our earnings more in line with this model, and we were delighted to be able to announce in December last year a significant contract win with one of the largest global telcos. This is on a managed service basis for an initial period of five years, with a significant proportion of the revenue on a fixed basis as well as an element of gain share. The overall returns to Pelatro over the life of the contract are expected to be significantly more than we could have earned from an initial licence fee alone. It also ensures we are entrenched with our customer over the longer term, as well as providing us with better quality and higher visibility of our future revenues, which in turn allows us to invest confidently in our product offering, our business and our people. So far this year, we have taken on over 70 new employees.

We operate in a competitive market, serving the telcos who need to retain their customers. Through our mViva system, we are able to gather data from each caller and construct marketing campaigns focussed on the usage and requirements of each person. The marketing they then receive is relevant and appropriate for that person; they like it and the telco is providing added value. For example, an individual who makes international calls at random times, can be offered cheaper international calls in a time window which coincides with a cheaper rate time for the telco, so increasing profitability for the telco in an otherwise downtime trough period.

We are winning new business with the telcos and expect to be able to announce further contract wins over the coming months. In February this year, we announced the launch of the new version of our flagship mViva Platform. This has various new advanced features compared to the previous version, which itself was only launched in 2018, reflecting the

rapid evolution of our software products. We currently operate in 18 countries around the world serving 19 telco customers with over 800m subscribers, with plenty more opportunity to grow and expand. Although it is still early in our year, revenue visibility[1] already stands at $4.1m, with an encouraging pipeline of around $18m; despite some uncertainties introduced by the current coronavirus pandemic (which is discussed further below), we are maintaining our momentum in moving towards a revenue sharing business model alongside our licence offering, which gives us every confidence in the coming year and our future.

1: Revenue visibility comprises revenue contractually due or reasonably expected under contract in the following 12 months

RICHARD DAY

Chairman

MANAGING DIRECTOR AND CEO'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

DEAR SHAREHOLDER,

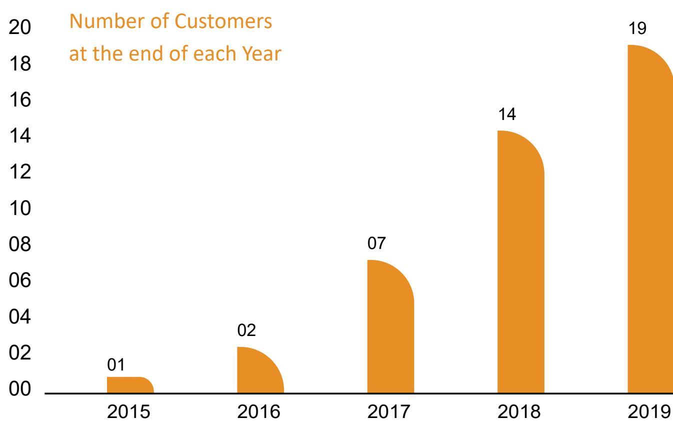
"Deepening connections" is a very powerful theme in our industry. We serve telcos who, in turn, serve tens of millions of people. The telecom market has reached saturation point and has also become highly commoditised. In such a scenario, growth depends entirely on engaging with the subscribers in a very deep manner to understand them thoroughly with the objective of providing a superior customer experience leading to higher revenue and lower churn for the telcos. Your company empowers the marketers to achieve this.

DEEPENING THE CONNECTIONS

While empowering the telcos to deepen their relationships, Pelatro too has been forging deeper relationships with its customers, the telcos. This has meant a strategic shift in our revenue model leading to a more stable, sustainable and predictable future.

Subash Menon
Managing Director, CEO & Co-Founder

In its infancy, Pelatro depended mainly on a license model for various reasons, not least an initial lack of credibility to win multi-year contracts and a pressing need to win customers as quickly as possible. Telcos run extremely complex networks with a variety of dependencies and as a result are highly risk averse. Given this, Pelatro could not win large contracts from leading telcos without first building credibility. That in turn, called for customers who could be showcased, thus leading to a "Catch 22" situation. Pelatro opted to pursue one-time license contracts to break out of this situation and, as has been well demonstrated over the past few years, this strategy bore fruit resulting in several large customers. The advanced nature of our products, coupled with superior customer engagement, stood us in good stead in those initial stages. The growth in customer base, from inception to date, shown in the graph given below, is evidence of the success of this strategy.



Winning these customers and serving them well helped establish Pelatro as a credible player in the industry. Furthermore, our products kept evolving in keeping with our vision which was well aligned with that of the telcos. Progressively, Pelatro invested in other capabilities to slowly build a market-leading suite of services to make its offering complete. By the start of 2019, Pelatro was ready to embark on a new strategy – to deepen its connections.

STRATEGIC SHIFT

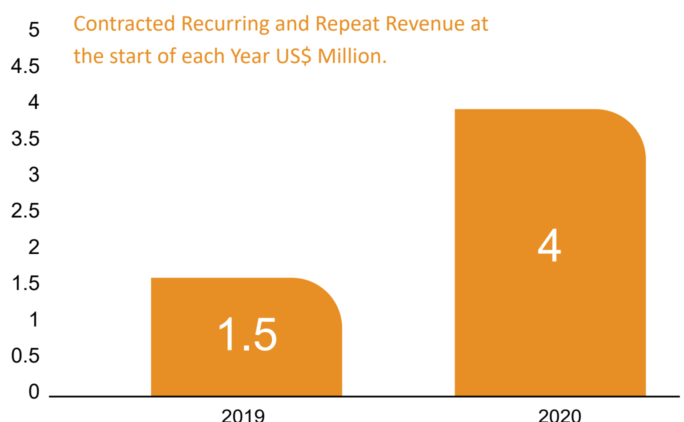
Investing in an excellent product offering alone does not help telcos to meet their objectives. Proper, consistent and continued utilisation of the product is equally critical. This has been a major challenge for telcos for a number of reasons, such as inability to attract and retain talent, and to keep up with the evolution of the industry and its practices etc. Consequently, telcos have always relied on specialists to help leverage acquired technology and products. We therefore decided to pursue a strategy of transitioning to such a specialist offering, and offering our products primarily on revenue models other than licensing. This shift in focus towards recurring and repeat revenue was the highlight of last year.

Contracts of a recurring and repeat revenue nature lead to deeper engagement between Pelatro and our customers, as we are able to deliver higher value over several years. Owing to the very nature of the model, cash flow improves along with visibility. However, this shift impacts revenue in the near term as large license contracts that bring in spikes in revenue will be absent resulting in a shortfall in revenue in the initial years. Pelatro's management opted for the long term future upside against the short term and the Board is confident this strategy will prove to be correct and the benefits are starting to show.

Managed services being provided by Pelatro can be categorized as:

- Business Operations – configuring campaigns, executing campaigns, provisioning and reporting
- Business Consultancy – defining strategy and designing campaigns
- IT Operations – monitoring the application on a 24 x 7 basis

This revenue model, which results in a gross margin of about 50%, is either a fixed monthly fee or a combination of a fixed monthly fee and revenue gain share. Contracts typically have an initial term of 3 to 5 years and are renewable at the end of the term. Given the nature of such contracts, the Group benefits from a cumulative effect with every passing year. Thus, the exit "run rate" of recurring and repeat revenue in each year will be higher than the entry level in that particular year - in 2019, the Group won recurring and repeat revenue contracts worth about $15-17m over their term, resulting in the exit level in 2019 being more than twice the entry level. The graph given below charts this growth.



As can be seen from the graph, while the Group at the start of 2019 had $1.5m of recurring and repeat revenue to be recognised in that year; we started 2020 with $4m. With the increasing success of our new strategy, we expect this figure to climb steadily each year directly

resulting in visibility for each year improving. Consequently, the proportion of recurring and repeat revenue in the total revenue of a particular year will keep rising as time progresses.

PRODUCT DIFFERENTIATION

The mViva Platform comprises a number of products and modules relating to Contextual Marketing, Loyalty Management and Data Monetisation. The platform has always been advanced, in comparison to similar products from other vendors and we endeavour constantly to maintain the differentiation of mViva and launched version 6 recently. This updated version further differentiates mViva from competing products. Some of the key benefits that the new features in mViva V6 will deliver to our customers are detailed below:

State Flows

Managing and influencing the journey of every subscriber is increasingly critical. mViva V6 delivers a brand new campaign orchestration framework called State Flows. State Flows can be used to manage a complex journey for any customer over a long period of time resulting in higher revenue, improved customer experience and lower churn.

DPeU

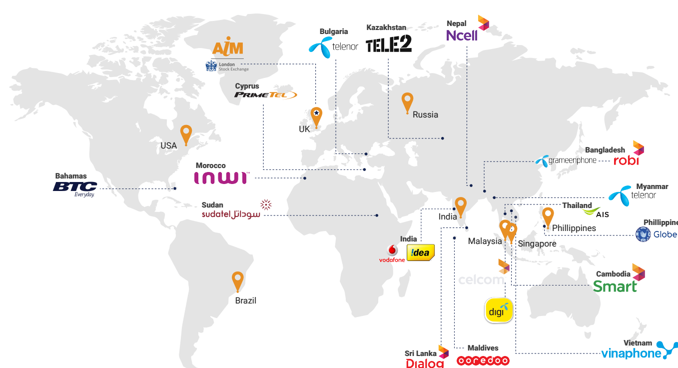
Telcos are experiencing an explosion in transaction volume due to increasing consumption of data and a significant increase in online transactions. In large telcos, streaming data for such transactions by subscribers results in billions of transactions each day. mViva V6 employs various new concepts and technologies including DPeU (Distributed Partitioned Execution Unit), which facilitates its application to collect and process such transactions.

Glue

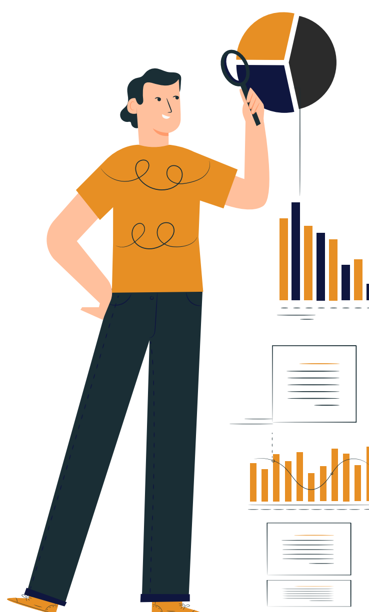
Real time interventions by the telcos, with respect to their subscribers, is a key element in Contextual Marketing. For example, if a special offer is to be sent to a subscriber when near a particular retail outlet or when the subscriber has just performed a specific action on the phone, the offer has to be sent at that moment. A delay in such intervention will not help. Hence the need for real time. This requirement means that the solution has to have "high availability". Glue is a proprietary and patent pending technology from Pelatro to achieve this.

EXPANDING FOOTPRINT

The growth in the number of customers has resulted in expansion of the geographic footprint. mViva currently handles the data of over 800 million subscribers. The map given below has the locations of our 19 customers.



I thank every one of our stakeholders for the support extended during the last year while the Group was deepening our connections. We will continue to build Pelatro into a global leader in our chosen space.



SUBASH MENON

Managing Director,
CEO & Co-Founder

06

PELATRO AND mViva: A UNIQUE COMBINATION

Customer Experience is the most important lever that telcos have today for gaining competitive advantage. Consistent, positive experiences can ensure continuity with the customer and provides protection against price pressures. Telecoms is truly a VUCA ("volatility, uncertainty, complexity and ambiguity") world and the volume, velocity and veracity of the data involved makes it even more complex. Telco products are largely customised and differentiation on products is near impossible. In this scenario, revenue increase is possible only through a truly customer-centric approach which is contextual, relevant and in real time.

Sudeesh Yezhuvath
COO and Co-Founder

The product-vendor combination is thus very important to deliver a successful project. The product has to be comprehensive, dynamic and futuristic while the vendor has to be a thought leader with the ability to envision the future and the challenges that will come up, while having diligent focus on customer support and an attitude to support that. Pelatro is one such unique combination, as is obvious from the sizeable number of deployments that we have added in a short time. Here are a few factors that cause telcos to prefer Pelatro over its competition:

DEEP TELECOM EXPERTISE

The core team at Pelatro boasts of hundreds of years of cumulative experience delivering business critical solutions to telecom solution providers across the world. This team has experience in different sizes of telcos (Vodafone, BT, AT&T, Verizon, Bharti etc.) and all telecom business models (post-paid, prepaid, quad play etc.). Hence there is in-depth understanding and appreciation of the complexities and issues that telecom operators face and the type of solutions they need. Telecoms is an industry that is very different from others like banking or retail because of the sheer volume of transactions (running to billions) that happen each day. This scale itself poses a challenge of a different magnitude and not many vendors can provide solutions that can scale to handle hundreds of millions of customers generating 60-70 billion transactions a day, as Pelatro does.

DOMAIN EXPERTISE

With the deep telecom experience as mentioned above, comes a very comprehensive understanding of the domain; this has resulted in Pelatro coming up with a suite of solutions that address the needs of the telco very well. We have experience with all types of telecom business models and developed and developing markets and thus mViva has features and functionalities designed to meet these needs.

COMPREHENSIVE SUITE

The mViva suite comprises four solutions that address the two most important priorities of telcos: ARPU increase and churn reduction. Telcos benefit significantly from the availability of all these solutions in an integrated suite as this leads to cost synergies on implementation and maintenance. Further, the interplay between these solutions can also result in several business benefits. These products present in the mViva suite are:

- Contextual Marketing Solution
- Loyalty Management Solution
- Data Monetization Platform
- Unified Communication Manager

SOLUTION STRENGTH

mViva facilitates telcos to change orbits in business maturity. Increased business velocity, enhanced customer-centricity, empowered users, agile methodologies are all benefits telcos derive from the use of the mViva suite. In today's world of instant gratification and compressed business cycles, these are very important differentiators. mViva bridges the gap between business and technology and provides a unique combination of AI/ML based Analytics with strong customer segmentation and workflow capabilities. This is a very unusual combination in the industry, which is matched by very few competitors.

CUSTOMER FACILITATION

It is an old adage in the industry that even the best solution will fail if not supported by a capable vendor. This is where Pelatro makes a big difference. Armed with deep knowledge of telecoms and the experience of having built a large company from scratch, the core team at Pelatro fully understands the value of customer support and how that becomes a core differentiator. Customer support is an attitude and success in being able to win contracts from large telcos (including some of the largest globally) itself is a testament of our attitude. This is a very significant advantage that Pelatro offers to customers and, in many cases, is the prime reason for telcos to select Pelatro over its competition.

SUDEESH YEZHUVATH

COO and Co-Founder

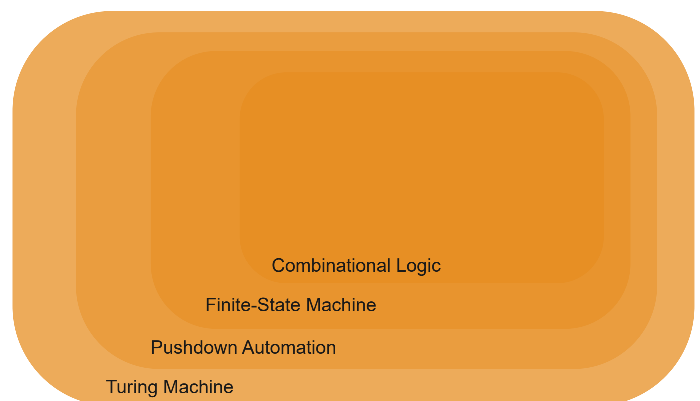
07 THE STATELESS STATE-FLOWS

The dynamics of customer targeting change by the hour and the ability to quickly adapt to those nuances using flexible yet robust campaigning mechanics is at the heart of modern-day marketing. Customers go through various micro-moments of experience during their engagement with the telco and it is important to track such journeys closely so as to latch on those moments before they are lost, also suggesting to them appropriate offers that can shape their future journeys. To this end Pelatro has implemented a stateless Journey Management Framework (JMF) that can simultaneously accommodate millions of state flows, each catering to tailored customer needs. This framework is inspired by proven, classical instruction set and instruction queue based computer architecture that is extremely robust, inherently stateless yet powerful enough to model all stateful computing needs.

JMF comprises of an instruction set with around a dozen symbols that includes states, connectors, branches, splits, asynchronous jumps and joins. These instructions are modelled on CISC (Complex Instruction Set Computer) and take up fairly sophisticated, complex yet well detailed units of work. A JMF processor that fully implements the JMF instruction set leveraging on the services of a Data Bus for fetching state data and Message Waiting Hall for capture and relay of events. There is also an Instruction Queue with the Instruction Pointer at its head which serves as the marker for the next instruction to be executed.

Business Logic and Flows, no matter how complex they are, are modelled using a simple GUI based state flow configuration engine. Depending on the skillset, end users may configure seemingly simple business flows such as do-this-and-get-that as well as innately complex flows with hundreds of symbols and connectors depicting a typical customer journey with branches, conditional logic, splits and regrouping including timers and waits for customer events in isolation or in combination.

AUTOMATA THEORY



In computability theory, a system of data-manipulation rules such as a computer's instruction set, a programming language, or a cellular automaton is said to be Turing complete or computationally universal if it can be used to simulate any Turing Machine. JMF is Turing Complete. As such, any structured business flow can be realized using JMF and this is complemented with an easy to use GUI.

Instruction Execution starts with the first instruction on the queue and as part of its execution further instructions may be added to the same queue. The queue itself is common whereas flows may be executed on behalf of different customers in line with their definitions. It is quite possible that adjacent instructions in the queue may belong to unrelated customers and could have landed there from distinct customer flows. JMF can be deployed using various schemes such as single execution unit with single instruction queue resembling an older generation

computer, multiple execution units with single instruction queue or even multiple execution units with multiple instruction queues resembling a hyper threaded, hyper core computer.

JMF is built using open scalable microservices model and deployed using mViva Containers. The Instruction Set is extensible to support future business needs and is not constrained to any particular programming language. This effectively allows adding newer symbols encapsulating domain intelligence with higher levels of abstraction as and when needed. Pelatro JMF scales out seamlessly to handle deep journeys involving several tens of decision-making points yielding hundreds of potential paths with their own tailored offer and communication constructs. It scales smoothly without a glitch handling around a three hundred and fifty million concurrent journeys spanning over sixty million subscribers and nearly a billion symbols in one of our existing installations.

ARUN KUMAR KRISHNA
Head of Engineering

PRAMOD KP
Chief Architect

ASSESSMENT AND DEVELOPMENT CENTRE INITIATIVE AT PELATRO

Organisations grow when the individuals who are part of the organisation grow as leaders and managers; accordingly the Group identified a need for its potential leaders to go through an Assessment and Development programme, with the objective of "Leadership Development".

LEADERSHIP DEVELOPMENT

Eighty two percent of managers, peers and direct reports of trained people witness positive behaviors among leaders after they have been through a leadership development programme. Top talent and effective leaders are required to address a myriad of challenges to position the organization towards success. When a company improves their approach to training and developing managers and leaders, the results are astounding, and organizations that use assessment centers to develop their managers report higher sales, lower staff turnover, higher customer satisfaction and lower absenteeism.

WHAT IS AN ASSESSMENT CENTRE?

Assessment centers are a combination of various tasks and exercises (e.g. outbound challenging situations, role plays, group discussions, presentations, interviews, etc.) which are designed to examine the extent to which your skills, personality and interests match with organization needs.

WHAT IS A DEVELOPMENT CENTRE?

A development centre is similar to an assessment centre in content but is instead a method to provide an insight into strengths and development areas with the help of trained assessors. Any development areas identified are then usually targeted with suggestions for development activities. The approach can vary, but generally the focus is on development and growth of skills.

Feedback from assessment centres help organizations identify if the person can handle the challenges they will face in their next higher position. They act as a catalyst for change, as leaders learn about the gap between their mindsets and skills and what is required of them to lead effectively. At an organizational level, this information can target specific growth and development programmes. This can lead to important information for succession planning by allowing the organization to see if it has the number of employees required to move into key roles in the future.

PARTNER FOR THE PROGRAMME

The Pegasus Institute of Learning was identified as partner for this program, with the programme to be carried out in their Outbound Center.

Methodology

- Pelatro identified the competencies required for all individuals.
- 18 individuals with potential across various functions and roles up to middle management were identified as participants.
- A programme design was agreed, consisting of Individual interviews, 16PF psychometric profiling, identification of outbound activities, role plays, reflection on tasks, interviews and feedback. Two Pelatrans were observed by each senior faculty of Pegasus.
- The assessment was carried out in two batches of 9 individuals each. One senior member of management was present for observations for each batch. Each assessment in the Out Bound location was for two days.

- Each individual was interviewed before the start of the programme and was given feedback on each area of competency at the end of the programme.
- After the outbound activity, the observations from their 16PF assessment were also shared individually by a senior psychologist.
- Based on the observations from outbound program and 16 PF assessments, a comprehensive assessment was prepared and shared with each individual in person at the end of the program.
- A development plan was identified and common development needs are being planned for further actions by Pegasus.

List of competencies Identified and assessed

NO.	WORK BEHAVIOURS
1.	**COMMUNICATION SKILLS** ▶ Speaks clearly and concisely to get point across ▶ Listens to people without interruption ▶ Clarifies what people say to ensure understanding
2.	**INTERPERSONAL SKILLS** ▶ Treats people with respect ▶ Can be approached easily ▶ Expresses disagreements ▶ Works towards win-win solutions whenever possible
3.	**LEADERSHIP** **PROVIDES DIRECTION** ▶ Provides clear direction and defines priorities for the team ▶ Clarifies roles and responsibilities with team members **LEADS COURAGEOUSLY** ▶ Takes a stand and resolves important issues ▶ Confronts problems early, before they get out of hand **INFLUENCES OTHERS** ▶ Readily commands attention and respect in groups ▶ Gives compelling reasons for ideas ▶ Influences and shapes the decisions of peers **FOSTERS TEAM WORK** ▶ Involves others in shaping plans and decisions that affect them ▶ Uses team approach to solve problems when appropriate ▶ Fosters collaboration among groups - discourages "we" vs "they"

- **MOTIVATES OTHERS**
  - Inspires people to excel
- **COACHES AND DEVELOPS**
  - Gives specific and constructive feedback
- **CHAMPIONS CHANGE**
  - Champions new initiatives within and beyond the scope of own job
  - Prepares people to understand change
  - Sets up systems and structures to support changes

4. SELF - MOTIVATION

- Demonstrates a sense of urgency
- Persists in the face of obstacles
- Initiates activities without being asked to do so

5. MANAGEMENT FACTOR

- **ESTABLISHES PLANS**
  - Translates business strategies in to clear objectives and tactics
  - Prepares realistic estimates of budgets
  - Anticipates problems and develops contingency plans
- **MANAGES EXECUTIONS**
  - Monitors progress and redirects efforts when goals are not met

6. THINKING FACTOR

- **ANALYSES ISSUES**
  - Understands complex concepts and relationships
  - Focuses on important information without getting bogged down in unnecessary details
  - Analyses problems from different points of view
- **USES SOUND JUDGEMENT**
  - Makes timely decisions in the face of uncertainty
  - Makes sound decisions based on adequate information

7. CUSTOMER ORIENTATION

- Understands client needs
- Works with clients to define problems and desired outcomes
- Follows up with clients to make sure that results meet or exceed expectations

ANURADHA
Chief Mentor

KEY PERFORMANCE INDICATORS

FOR THE YEAR ENDED 31 DECEMBER 2019

INTRODUCTION

The Directors consider that revenue, adjusted EBITDA (Earnings Before Interest, Depreciation and Amortisation) and profit before tax, and the related margins as a percentage of revenue, are key performance indicators ("KPIs") in measuring Group financial performance. We track revenue as it is an indicator of the Group's overall size and complexity, and adjusted EBITDA as it is a key measure of the Group's effectiveness in converting revenue to earnings, excluding the effects of certain non-operational and/or exceptional transactions.

With an increasing focus on repeating and contractually recurring revenue, the proportion of such revenue to total revenue is also a KPI for the Group. This KPI provides a forward-looking view of the minimum expected revenues in the next twelve months, which gives confidence to business planning and investment decisions. In addition, the Directors believe that further important KPIs are the Group's cash flows, including operating cash flow and expenditure on investing activities (principally on capitalised development costs). Performance of these KPIs is discussed within the Chairman's Statement, CEO's Statement and Financial Review.

NON- FINANCIAL PERFORMANCE INDICATORS

The Group monitors certain non-financial performance indicators at an operational level, including the number of new customers in the year, Requests for Proposal received, movement of sales pipeline and Change Requests. However, none of these are currently considered to be individually appropriate as a measure of overall strategy execution success. All KPIs are reviewed annually and this includes consideration of appropriate non-financial KPIs.

In a growing business with a high proportion of well qualified and experienced staff the rate of staff retention is seen as an important KPI: in 2019 we recruited 75 new members of staff and 20 left the business (2018: 30 joined and 11 left, with 33 new members of staff joining as a result of the Danateq Acquisition).

As the business develops the Board will consider adding, as appropriate, further KPIs to monitor progress against a broader range of objectives.

PRINCIPAL RISKS AND UNCERTAINTIES

FOR THE YEAR ENDED 31 DECEMBER 2019

INTRODUCTION

Our aim is to recognise and address the key risks and uncertainties facing the Group at all levels of our business.

There are a number of risk factors that could adversely affect the Group's execution of its strategic plan and, more generally, the Group's operations, business model, financial results, future performance, solvency, or the value or liquidity of its equity. The Board is committed to addressing these risks by implementing systems for effective risk management and internal control.

The Board continually assesses the principal risks and uncertainties that could threaten Pelatro's business, business model, strategies, financial results, future performance, solvency or liquidity. The items listed below represent the known principal risks and uncertainties but does not list all known or potential risks and uncertainties exhaustively. Where possible, steps are taken to mitigate risks.

PRINCIPAL RISK	MITIGATION
TECHNOLOGY	
The industry in which Pelatro operates is in the process of continual change reflecting technical developments as industry and government standards and practices change and emerge.	The Group employs highly qualified software engineers and senior management who monitor closely developments in technology that might affect its research capability and product evolution.
The markets in which Pelatro operates are competitive and rapidly evolving. The Group's existing products may become less competitive or even obsolete if competitors introduce new products and/or customer behaviour or requirements change.	New products and features are assessed against their target markets and in response to customer feedback prior to development. As Pelatro engages with more customers with an increased product portfolio, a broader spread of feedback is obtained enabling the business to engage with customers more quickly and effectively.

PRINCIPAL RISK	MITIGATION
BUILDING SALES	
Central to our strategic growth plan is winning new mViva contracts, increasingly those which deliver recurring revenue over a period of years. Failure to do so would directly impact our achievement of overall objectives or lengthen the period taken to achieve them. Sales cycles are often very lengthy and may sometimes be delayed or restructured late in the process.	We have strengthened our sales and marketing operations in order to build greater pipeline visibility and grow revenues faster. In addition to existing efforts (particularly in South and South-East Asia) we are concentrating new sales investment in Latin America where we see significant opportunity for new business and rapid growth. We continue to develop and extend the mViva offering across a number of products as a Multichannel Marketing Hub to extend market reach, including the release of v.6 early in 2020.
MISDIRECTED PRODUCT, OPERATIONAL OR STRATEGIC INVESTMENTS	
We are continually investing in product development and operational requirements to support mViva-led growth. Failure to achieve meaningful returns on investments would hinder the Group's strategic growth plan and potentially jeopardise the Group's position in the market and its prospects.	Strong communication lines between relevant stakeholders are ensured through regular formal meetings and monthly reporting. The Board reviews and challenges all strategic investments.
IP, DATA AND CYBER RISKS	
A significant IP loss, third party IP challenge, data loss, security breach or cyber-attack could significantly threaten Pelatro's ability to do business, particularly in the short term, and could result in significant financial loss.	We implement robust processes across IP and IT systems, which are overseen by the Head of Engineering.
REPUTATIONAL RISK	
Maintaining a strong reputation is vital to the Group's success as a business. A loss of confidence in the Group's ability to undertake new client opportunities may be caused by an adverse impact to the Group's reputation which may, in turn significantly affect our financial performance and growth prospects. Significant impact to the Group's reputation could be caused by an incident involving major harm to one of	Strong corporate governance and dedicated senior management remain the key elements of effective reputational management. Senior management provide a model of best practice and guidance to ensure the Group's values and expected behaviours are clear and understood by everyone. As our business continues to grow and develop, we will remain strongly focused on protecting the strength of the Group's reputation through effective governance,

PRINCIPAL RISK	MITIGATION
of our people or customers, inadequate financial control processes or failure to comply with regulatory requirements. Impact of this type would potentially result in financial penalties, losses of key contracts, inability to win new business and challenges in retaining key staff and recruiting new staff.	leadership, and through cultivating open and transparent relationships with all stakeholders.
PRODUCT AND SERVICE DELIVERY FAILURES	
Issues or failures with our software products or services could lead to failed implementations, project delays, cost overruns, data loss, security issues, customer dissatisfaction, early termination, service level breaches and contractual claims, all of which could adversely impact the Group's revenues, earnings and reputation. The risks of servicing large telcos are significant but generally stable and well understood, and the Group has not suffered any material product or service failures since inception. Risks are generally greater with new clients, but formal RFP processes are routinely carried out by telcos, which provides clarity as to requirements and expectations.	Pelatro mitigates inherent product and service risks through robust quality assurance and project governance processes. Product releases are unit tested prior to delivery and subjected to further customer testing prior to first use. Customer testing and acceptance sign-offs are required prior to go-live.
ATTRACTING AND RETAINING SKILLED PEOPLE	
Attracting and retaining the best skilled people at all levels of the business is critical. This is particularly the case in ensuring we have access to a diverse range of views and experience and in attracting specific expertise at both managerial and operational levels where the market may be highly competitive. Failure to attract new talent, or to develop and retain the Group's existing employees, could impact the Group's ability to achieve the Group's strategic growth objectives. As we continue to grow and diversify into new areas, this risk will continue to be a focus for the Board.	Our business model has created a pipeline of opportunities for staff at every level of the business. This will continue to be the case as the Group develops. The Group's focus on competency at all levels of the business continues to ensure that we develop the Group's people and enable them to successfully manage the changing profile of the Group's business. Incentive programmes are also in place to ensure that key individuals are retained.

PRINCIPAL RISK	MITIGATION
ECONOMIC, INTERNATIONAL TRADE AND MARKET CONDITIONS	
The Group is generally exposed to economic, trade and market risk factors, such as global or localised economic downturn, changing international trade relationships, foreign exchange fluctuations, consolidation or insolvency of existing or prospective customers or competitor products, all of which could significantly threaten Pelatro's performance and prospects. Pelatro's current focus on emerging markets customers may increase such risks.	Mitigation against the short-term impact of such risks is provided through an increasing spread of geographies and customers. Pelatro monitors political developments and will seek to mitigate emerging risks where possible. Pelatro's high margin revenues provide a level of protection against volatile economic or market conditions and our policy of ongoing product development helps us to maintain our competitive advantage.
CREDIT RISKS	
The Group is exposed to the credit risk of an increasing range of counterparties with whom it does business, often in respect of considerable amounts. Extended delivery, installation and sales cycles may cause the Group to be so exposed for considerable periods of time.	The Group's principal financial assets comprise cash and cash equivalents and trade and other receivables. As these instruments are conventional risks, they are managed on the simple basis of credit terms, credit worthiness and cash collection or settlement. The Group only contracts with major (often regional or global) telcos who have sound credit ratings. The Group did not enter into derivative transactions during the year. It is the Group's policy that no speculative trading in financial instruments will be undertaken.
LIQUIDITY RISKS	
Fluctuations in working capital may leave the Group with inadequate cash resources to fund its operations.	Group cash balances are monitored on a weekly basis to ensure that the Group has sufficient funds to meet its needs. Cash flow forecasts are generated and reviewed regularly by management. The Directors have prepared projected cash flow information for the coming year. The projections take into account the new business opportunities highlighted in the Chief Executive's Statement, the timing and quantum of which will affect the Group's cash requirements, which are continually monitored by the

PRINCIPAL RISK	MITIGATION
	Board. The projections also include sensitivities for risks arising from COVID-19 as discussed below. On the basis of these projections, the Group has sufficient working capital facilities for the foreseeable future.
IMPACT OF BREXIT	
The United Kingdom ("UK") formally left the European Union ("EU") on 31 January 2020. The period of time from when the UK voted to exit the EU on 23 June 2016 and the formal process initiated by the UK government to withdraw from the EU, or Brexit, created volatility in the global financial markets. The UK now enters a transition period, being an intermediary arrangement covering matters like trade and border arrangements, citizens' rights and jurisdiction on matters including dispute resolution, taking account of The EU (Withdrawal Agreement) Act 2020, which ratified the Withdrawal Agreement, as agreed between the UK and the EU. The transition period is currently due to end on 31 December 2020 and ahead of this date, negotiations are ongoing to determine and conclude a formal agreement between the UK and EU, on the aforementioned matters.	The Directors currently deem that the effects of the UK's current transitional period outside the EU and the impact of ongoing discussions with the EU will not have a significant impact on the Group's operations due to the global geographical footprint of the business and the nature of its operations. However, the Directors are constantly monitoring the situation to manage the risk of the return of any volatility in the global financial markets and impact on global economic performance.
CORONAVIRUS/COVID-19	
COVID-19 is a novel illness caused by a specific virus which is part of the coronavirus family. The World Health Organization has announced that COVID-19 is a pandemic, and many countries have imposed restrictions on travel and other day-to-day business and social interactions which are curtailing, in some cases severely, economic activity in those countries with consequent impact on countries and companies trading with them. Such consequences may adversely affect the Group's operations and/or ability to sell or maintain its software.	As a software business, the Group's activities can continue to function efficiently even if most of the employees are working from home. The Group has no supply chain dependencies and its software products continue to be available without interruption. Furthermore, the Directors believe that the telecommunications industry is likely to be less affected by any economic downturn, whether local or global, than most, particularly as certain telecoms activities tend to increase in "stay at home" periods such as end of year holidays and festivals such as Christmas and Ramadan, generating more user spending and more targeted marketing.

PRINCIPAL RISK	MITIGATION
	With regard to travel restrictions, whilst traveling is generally helpful to progress sales opportunities, video conferencing is effective as a tool to replace physical meetings and customers are of course understanding of the current situation; sales efforts are therefore progressing as expected. With respect to implementation and support, the Group has always been keen to minimise the need for on-site activity to minimise costs, hence implementation and support processes lend themselves very well to remote handling. The only special requirement is additional VPNs which are easily provided by customers. As almost all of them are working from home, protocols have been established to ensure that work is not impacted. In summary therefore, to date the situation for the Group is broadly "business as usual". Accordingly, current COVID-19 related travel restrictions are having a relatively limited effect on our business. However, the Directors are constantly monitoring the situation and local developments to manage this risk.

STRATEGIC REPORT - FINANCIAL REVIEW

FOR THE YEAR ENDED 31 DECEMBER 2019

INTRODUCTION

For the year, total revenue increased by 9 per cent. to $6.67m, including some $4.51m repeat revenue (which comprises gain share, change requests and managed services, as well as PCS) accounting for around 68% of the total. This result highlights the pivot of the Group's revenues towards a repeating revenue base, and increasingly a longer-term managed services model which, with a maintenance and support base which builds with every new license, means that we benefit from truly contractually recurring revenue as well ($2.96m of this was contractually recurring, compared to $1.82m in 2018). This shift has been enhanced by the contract win announced in December 2019 to deliver our Contextual Marketing Platform and Unified Communication Manager software to a major global telco on a managed service basis for an initial period of 5 years; as noted in that announcement, the timing of conversion of certain other pipeline opportunities was impacted by the increasing focus on building such recurring and repeating revenue contracts in line with the Group's stated strategy, and hence the result for the year was below original expectations.

KEY PERFORMANCE INDICATORS

	2019	2018	Growth
Revenue	$6.67m	$6.12m	9%
Repeat revenue	$4.51m	$3.10m	45%
Repeat revenue as percentage of total	68%	51%	
Adjusted EBITDA (see Note 7)	$2.89m	$3.78m	-23%
Adjusted EBITDA margin	43%	61%	
Profit before tax (before exceptional items)	$0.77m	$2.82m	-73%
Cash generated from operating activities (before exceptional items)	$1.37m	$0.88m	56%
Contracted customers (at year end)	19	14	36%

INCOME STATEMENT

Revenue

Out of the total revenue of $6.67m, approximately $1.9m arose from sales of licenses and the associated implementation (2018: $2.5m) and some $4.5m arose from repeat revenue, notably from gain share contracts and in particular change requests (2018: $3.1m) which are driven from the underlying license base – as we add more licenses so the diversity and activity of the customer base increases, resulting in more change requests and continually improving the product suite. The geographic spread of income has also increased with new customer acquisitions; however, for the reported year customer concentration increased somewhat, driven largely by a strong growth in repeat revenues from one particular customer. We expect this trend to reverse as diverse contracts won in 2019 begin to generate revenue in 2020.

Whilst all the Group's revenue is currently in US Dollars (and hence there is currently no impact on revenue arising from foreign exchange movements) with recent contract wins a proportion of future revenue will be in Indian Rupees ("INR") which will form a natural hedge against the Group's cost base, of which just over 50% (in cash terms) is in INR.

Cost of sales

Cost of sales of $1.0m (2018: $0.56m) comprises principally (i) the direct salary costs of providing software support and maintenance, professional services and consultancy; as well as (ii) sales commissions payable; (iii) expensed customer integration and software maintenance costs. The increase reflects the diversification of revenue streams into managed services and PCS, as an increasing proportion of costs is allocated to cost of sales as the direct costs of service and support for the relevant contracts. However, as the constituents of cost of sales vary markedly depending on the product or service sold, this is not a KPI for the Group.

Overheads

Pre-exceptional overheads (excluding depreciation and amortisation) increased to $2.8m (2018: $1.8m; the 2019 figure reflects approximately $0.2m of lease costs allocated to depreciation and interest as a result of the adoption of IFRS 16). This increase results largely from increases in salary costs concomitant with the growth of the number of employees in the Group, as well as travel and marketing costs which also reflect the Group's growth. We continue to target investment in our staff and the infrastructure of the business to support a high level of customer service and to provide a strong, scalable platform for continued organic growth.

Exceptional gains

As previously notified to shareholders, certain contracts within the pipeline of potential revenue which was acquired from Danateq took longer to complete than originally expected; as a result the related revenue did not fall within the first year earn out period (the 12 months to end of July 2019), and hence the contingent cash payment of $2m pursuant to the terms of the acquisition was not payable in respect of that period. As the year progressed, the forecast of revenue deemed likely to arise from the pipeline on which the remaining earn-out payment was contingent became more certain and hence the Board was better able to assess the probable outturn revenue for the year. Given the structure of the earn-out terms (i.e. that a payout is fixed based on revenue between certain thresholds rather than being directly proportional) the Board is now able to predict with confidence that the payout (which is due after the close of the earn-out period on 31 July 2020) will be $1m. Given this re-evaluation, the Group, recorded (i) a credit to goodwill of $275,000 in the first half of the year as this element of the liability was adjusted; and (ii) an exceptional gain through profit and loss of $236,000 relating to the balance adjusted at the end of the financial year.

Profitability

Adjusted EBITDA (Earnings Before Interest, Tax, Depreciation, Amortisation and Exceptional items) decreased by 23% in the year to $2.89m (2018: $3.78m). Profit before tax before exceptional items was $0.77m (2018: $2.82m). Adjusted earnings per share ("EPS") were 4.2¢ (2018: 10.2¢), and reported EPS were 2.5¢ (2018: 8.0¢). Reported profit before tax was $1.01m (2018: $2.51m).

Taxation

The taxation charge for the year comprises a charge of $0.25m relating to current tax (2018: $0.34m) and a credit of $0.05m relating to the recognition of deferred tax assets (2018: $8,000). Deferred tax assets have arisen in certain Group subsidiaries in which taxable losses arose in the year, which can be carried forward and offset against future profits.

STATEMENT OF FINANCIAL POSITION

Goodwill and other intangible assets

Goodwill

The goodwill in the Group balance sheet arises from the acquisitions of PSPL in December 2017 and the Danateq Acquisition in August 2018. As noted above, an adjustment of an element of the contingent liability relating to the potential payment to the vendors of the Danateq business led to a concomitant adjustment to goodwill during the year of $275,000.

Customer relationships and acquired software for resale

Assets acquired pursuant to the Danateq Acquisition comprised principally customer relationships and enterprise software for resale to third parties; the customer relationships acquired are being amortised over 10 years. The software acquired has now been fully integrated into the Group's existing mViva suite and is no longer considered separately. Net of accumulated amortisation for the year, the net book value of the standalone intangible assets thus acquired (i.e. the customer relationships) was approximately $5.9m at the year end.

Development costs

The Group is committed to the continuous enhancement of its core software suite, and we aim to offer a market-leading platform which addresses the needs of our telco customers. During the year therefore the Group continued to invest in the development of the software suite, leading to the release of mViva v.6 in January 2020, and has capitalised relevant costs of around $2.1m (2018: $1.6m) out of a total of underlying costs of approximately $4.0m ($2.6m in Bangalore, where the Group employs around 90 developers and the balance in the Group's other development centre in Nizhny Novgorod).

Amortisation on the standalone and acquired costs increased to $1.0m (2018: $0.6m) accordingly, and net of such amortisation, this capitalisation resulted in intangible assets relating to development costs in the statement of financial position of approximately $4.4m (2018:$3.2m).

Property, plant and equipment

Expenditure of $256,000 on property, plant and equipment relates principally to $106,000 spend on IT equipment to support the needs of the business. In addition, some $94,000 was spent on fixtures, fittings and leasehold improvements due to the continued expansion of the Group's office space. Also during the year, in line with common remuneration practice in India, a car was provided for the use of the Head of Development at a capital cost of $56,000 (representing an annual cost to the Group of approximately $8,000).

Depreciation in the year amounted to $93,000 (excluding amounts relating to Right-to-Use assets now recognised under IFRS 16, and gross of amounts

capitalised as intangible assets) (2018: $47,000), and the aggregate net book value of property, plant and equipment rose from $362,000 to $515,000.

Trade receivables and contract assets

Trade receivables

At 31 December 2019 total trade receivables (i.e. including long-term receivables) stood at $5.5m (2018: $4.1m). The increase reflects a significant last quarter weighting of revenues, with over 61% of the total contractual revenue accounted for in the last quarter. Of these receivables, approximately $1.4m has been received since the year end to date.

The trade receivables balance at the year end is analysed as follows:

2019 $'000	Short term receivables	Associated revenue	"Debtor days"
Total	5,283	6,566	294
Excluding UBR	967	2,619	135

2018 $'000	Short term receivables	Associated revenue	"Debtor days"
Total	3,752	6,019	228
Excluding UBR	1,453	3,694	144

The above figures have been adjusted where appropriate for balance sheet reallocations, and exclude contract assets and the associated incremental revenue.

Given the wide variety and bespoke nature of the Group's contracts, figures shown for debtor days are illustrative only. UBR receivables have increased as two significant contracts were completed in December 2019 and had not been invoiced at the year end (as invoicing milestones had not been reached). UBR receivables also include approximately $0.6m relating to contracts on term payment structures which are invoiced over the relevant periods.

Contract assets

Contract assets are recognised relating to support and maintenance revenue and license fees as payments are received in arrears of the services being provided. Short-term contract assets (i.e. those which are expected to reverse in less than one year) increased to $0.29m (2018: $0.07m) largely due to three significant contracts signed in the year which had invoicing terms that differed significantly from the underlying performance obligations. Long-term contract assets (i.e. those which are expected to reverse after more than one year) increased similarly to $0.52m (2018: $0.31m).

Trade and other payables and contract liabilities

Trade and other payables

At the year end, trade payables stood at $82,000 (2018: $118,000). Other payables of $441,000 (2018: $463,000) comprise accrued tax liabilities and provisions of $149,000 and sundry creditors and accruals.

Contract liabilities

Contract liabilities represent customer payments received in advance of satisfying performance obligations, which are expected to be recognised as revenue in 2020 and beyond. Short-term contract liabilities increased to $0.66m (2018: $0.06m) and long-term contract liabilities to $0.27m (2018: $0.11m) largely as the result of one particular contract entered into in the year.

STATEMENT OF CASH FLOWS

Cash flow and financing

Cash collection has continued to be a key strategic focus for the Group - cash generated by operations, as adjusted for exceptional items, and before tax payments amounted to $1.70m (2018: $1.17m), largely as a result of continued improvement in timing of collection of trade receivables (operating cash inflow of $0.34m in the first half compared to approximately $1.36m in the second); this trend is expected to continue with an increasing proportion of repeat or recurring contracts in the revenue mix (e.g. from revenue share or managed services).

During the year the Group refinanced certain term loans and took out a further term loan of c. $56,000 in order to finance the purchase of a motor vehicle for employee use.

In addition an overdraft facility used during the year had an outstanding balance of $167,000 at the year end. As a result of the above, the Group had closing gross cash of $1.1m (2018: $2.2m) and net cash of $0.5m (2018: $1.8m) (excluding amounts relating to lease liabilities). Since the year end, the Group has secured financing of approximately $0.8m (on a term basis over 6 years) in order to match fund the cost of hardware associated with the major managed services contract announced in December 2019. Gross cash at 6th April stood at $1.59m; however, this figure includes approximately $0.65m remaining from this financing and relating to capital expenditure expected to be paid out in April.

CONTINGENT LIABILITIES

As explained in further detail above and in Note 26, the Group acquired certain assets from the Danateq Group in August 2018, including enterprise software and customer relationships, both formal (i.e. via a framework agreement) and informal. Potential deferred consideration of up to $5m was payable in respect of this acquisition, based on revenue realised against a defined pipeline of actual or target contracts. Due to the adjustment of previously provided contingent amounts, the contingent liability recognised now stands at $975,000, representing the expected payout of $1m discounted to the balance sheet date (with the amount shown on the balance sheet net of a $27,000 post-acquisition adjustment due from the vendors).

SUMMARY

The significant contract win announced in December 2019 clearly validated the quality of our software, especially in the context of its relevance to Tier 1 telcos, and marked a major shift for our business in terms of moving towards a recurring revenue model, thus enhancing the quality and visibility of our earnings. Furthermore, the winning of a consultancy contract, also in December 2019, demonstrated our ability to monetise our domain expertise to analyse data, devise campaigning strategies and design appropriate campaigns to enable customers further to increase revenue and reduce churn. The increased product range in the now integrated mViva product suite enables us to target both existing customers with new products and new customers, especially within multi-national groups. With a substantially enlarged customer base of now 19 telcos, we expect an increasing volume of change requests which, combined with a greater proportion of managed services and other repeat income, gives us a solid foundation for the year ahead. As noted below, it remains unclear as to how long the current coronavirus pandemic will last and what the short to medium term effects of this pandemic will be on consumer and corporate behaviour; however, the Directors believe that the telecommunications industry is likely to be less affected by any economic downturn, whether local or global, than most, particularly as certain telecoms activities tend to increase in "stay at home" periods such as end of year holidays and festivals such as Christmas and Ramadan, generating more user spending and more targeted marketing. This is supported by our experience to date, with customers maintaining a broadly "business as usual" approach despite the logistical disruption of working from home (to which any software based business is well suited). Accordingly, our overall (12 month) pipeline remains strong and notably we have started 2020 with a material proportion of the expected revenues for the year underpinned by recurring and repeating revenue, including the contracts referenced above as well as support and maintenance income built up from previous years' license sales and regular change request income. Together this will deliver higher quality, sustainable and visible revenues that will significantly enhance the value of the Group over the longer term.

NIC HELLYER

Finance Director

7 April 2020

The Strategic Report was approved by the Board of Directors on 7 April 2020
On behalf of the Board

Subash Menon
7 April 2020

Nic Hellyer
7 April 2020

EXECUTIVE DIRECTORS

Subash Menon

Managing Director, CEO and Co-Founder

Subash co-founded the Group in April 2013. Prior to Pelatro, Subash was the CEO and founder of Subex Limited ("Subex"), a company he transformed from a systems integrator in telecoms hardware to a global leader in Telco software for business optimisation. Subash also guided Subex through a successful IPO in India (NSE and BSE) in 1999 and through seven acquisitions in the UK, US and Canada, driving revenues to in excess of US$100m, prior to leaving Subex in 2012.

Sudeesh Yezhuvath

COO and Co-Founder

Sudeesh co-founded the Group with Subash in 2013. Sudeesh joined Subash at Subex in 1993, where he worked as a Sales Engineer. There, he progressed to a board Director and Chief Operating Officer. Sudeesh left Subex in 2012, by which time it had grown to be a global leader with over 200 telco operators, across more than 70 countries.

Nic Hellyer

Finance Director

Nic is a Chartered Accountant who brings extensive board level experience from his 25 years in investment banking. Nic spent the majority of his banking career at UBS and HSBC, advising on a wide range of transactions including public takeovers, private M&A, IPOs and other equity fund raisings. Nic joined Pelatro in 2017 prior to the IPO of the Group in December that year. He is also a part-time CFO of Byotrol plc, a chemical supply company which is also quoted on AIM.

NON-EXECUTIVE DIRECTORS

Richard Day(i)(ii)(iii)

Chairman

Richard has significant board and business experience from a number of companies, both publicly quoted and private. He is a qualified solicitor and a Chartered Member of the Securities Institute. Richard co-founded institutional brokers Arden Partners in 2002 and was instrumental in growing their corporate offering as well as their admission to AIM in 2006. Richard is currently a director of EGS Energy Limited and sits on the board of their special purpose vehicle Eden Geothermal Limited which has secured funding to develop and operate their deep geothermal site in Cornwall. He is also Chairman of Alchemac Limited, a UK company with an aggregates quarrying business in Southern India.

Pieter Christiaan Verkade(i)(ii)(iii)

Non-executive Director

Pieter was the Chief Commercial Officer for Unitel in Angola from August 2017 to August 2019 and is Chairman and Co-Founder of Viva Africa, an African content aggregator and producer for video, a role he has held since February 2016. He also serves as a non-executive director on the board of Discover Digital International. Prior to this, Pieter spent sixteen years working in numerous board level roles, varying from CFO, CMO, CCO to CEO for various companies within the telecommunications industry. These included Telenor International, Orange and MTN, where he was Group Chief Commercial Officer, working across both Europe and Africa.

(i) Member of Audit Committee

(ii) Member of Remuneration Committee

(iii) Member of Nomination Committee

CORPORATE GOVERNANCE REVIEW

FOR THE YEAR ENDED 31 DECEMBER 2019

STATEMENT OF COMPLIANCE WITH THE 2018 QCA CORPORATE GOVERNANCE CODE

Chairman's introduction

High standards of corporate governance are a key priority for the Board of Pelatro and, in line with the London Stock Exchange's changes to the AIM Rules requiring all AIM-quoted companies to adopt and comply with a recognised corporate governance code, the Board has adopted the 2018 Quoted Companies Alliance Corporate Governance Code (the "QCA Code") as the basis of the Group's governance framework. It is the responsibility of the Board to ensure that the Group is managed for the long-term benefit of all shareholders and stakeholders, with effective and efficient decision-making. Corporate governance is an important aspect of this, reducing risk and adding value to the Group's business.

The QCA Code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. We have considered how we apply each principle to the extent that the Board judges these to be appropriate in the circumstances, and below we provide an explanation of the approach taken in relation to each. The Board considers that it has complied with the principles of the QCA Code.

Richard Day
Non-Executive Chairman

SECTION 1: DELIVER GROWTH

Principle 1: Establish a strategy and business model which promote long-term value for shareholders

Our strategy is discussed further in the Managing Director's statement. As evidenced by continuing progress in winning contracts from new customers as well as new business from existing customers, Pelatro has an increasing reputation in the MultiChannel Marketing software space. To deliver this growth and hence promote long-term value for shareholders, the Board has established a clear three-pronged strategy and business model and has identified the following key areas of operation to focus on improving on the Group's performance:

- Sales strategy, which encompasses all critical areas progressively to open up new vistas and enable the Group to address larger market opportunities while positioning it as a key player in its chosen space
- Diversification strategy to offer complementary services
- Acquisition-led growth strategy where and when appropriate to expand the business model

A fuller explanation of how the strategy and business model are executed is contained in both the Company's Admission Document dated 13th December 2018 and Placing Circular dated 30th July 2019. Both documents are available to download in full of the Group website.

Principle 2: Seek to understand and meet shareholder needs and expectations

Introduction

The Company remains committed to listening and communicating openly with its shareholders to ensure that its strategy, business model and performance are clearly understood. Understanding what analysts and investors think about us, and in turn, helping these audiences understand our business, is a key part of driving our business forward and we actively seek dialogue with the market. We do so via investor roadshows, attending investor conferences, hosting capital markets days and our regular reporting.

Institutional shareholders

The Directors actively seek to build a relationship with institutional shareholders. Shareholder relations are managed by the Chief Executive Officer and Finance Director who make presentations to institutional shareholders and analysts each year immediately following the release of the full-year and half-year results. The Non-executive Chairman and Non-executive Director are also available to meet investors, whenever required.

Private shareholders

Shareholders are encouraged to attend the annual general meeting ("AGM") at which the Group's activities and results are considered, and questions answered by the Directors. The AGM is the main forum for dialogue with retail shareholders and the Board. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. The chairs of the Board and all committees, together with all other Directors, routinely attend the AGM and are available to answer questions raised by shareholders. For each vote, the number of proxy votes received for, against and withheld is announced at the meeting. The results of the AGM are subsequently published on the Company's corporate website. Private shareholder events are also regularly attended by the CEO and Finance Director, as well as the Chairman.

Analyst research

The Board is aware that following the introduction of the Markets in Financial Instruments Directive II (MiFID II) regulations at the start of 2018, private investor access to research on public companies has been restricted.

We have not yet commissioned any “paid for” research from third party analysts and have no current intention of doing so. The Company’s broker Cenkos produces research on the Group which is generally available free of charge from their internet portal, linked via the "Investors" section of the Group website.

Report and accounts

The Board has ultimate responsibility for reviewing and approving the Annual Report and Accounts and it has considered and endorsed the arrangements for their preparation, under the guidance of its audit committee. The Directors confirm that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group’s position and performance, business model and strategy.

The Board

At every Board meeting, the Chief Executive Officer and the Finance Director provide a summary of the content of any engagement they have had with investors to ensure that major shareholders’ views are communicated to the Board as a whole. The Board is also provided with brokers’ and analysts’ reports when published. This process enables the Chairman and the other Non-executive Director to be kept informed of major shareholders’ opinions on strategy and governance, and for them to understand any issues or concerns.

The non-executive Directors are available to discuss any matter stakeholders might wish to raise, and the Chairman attends meetings with investors and analysts, as well as professional advisers, as required.

Investors may also make contact requests through the Company’s broker.

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for longer-term success

Engaging with our stakeholders strengthens our relationships and helps us make better business decisions to deliver on our commitments. The Board is regularly updated on wider stakeholder engagement feedback to stay abreast of stakeholder insights into the issues that matter most to them and our business, and to enable the Board to understand and consider these issues in decision-making.

Employees

Aside from our shareholders, suppliers and customers, our employees are one of our most important stakeholder groups and the Board therefore closely monitors and reviews the performance and satisfaction of our employees through regular dialogue and a regular appraisal programme as well as other feedback it receives to ensure alignment of interests.

A new Employee Share Option scheme was established at the beginning of the financial year, with options being made available to some 70 employees, being over half of the work force. The Group is still a young, dynamic business and is small enough to ensure that each employee is able to meet with management at any time to discuss business-related issues.

The Group believes that by having empowered and responsible employees who display sound judgment and awareness of the consequences of their decisions or actions, and who act in an ethical and responsible way, is key to the success of the business.

Corporate Social Responsibility

The Group recognises the increasing importance of corporate social responsibility and endeavours to take it into account when operating its business in the interests

of its stakeholders, including its investors, employees, customers, suppliers, business partners and the communities where it conducts its activities.

The operation of a profitable business is a priority and that means investing for growth as well as providing returns to its shareholders. To achieve this, the Group recognises that it needs to operate in a sustainable manner and therefore has adopted core principles to its business operations which provide a framework for both managing risk and maintaining its position as a good "corporate citizen", and also facilitate the setting of goals to achieve continuous improvement.

The Group aims to conduct its business with integrity, respecting the different cultures and the dignity and rights of individuals in the countries where it operates. The Group supports the UN Universal Declaration of Human Rights and recognises the obligation to promote universal respect for and observance of human rights and fundamental freedoms for all, without distinction as to race, religion, gender, language or disability.

Customers

Our success and competitive advantage are dependent upon fulfilling customer requirements. The longevity of customer relationships is a key part of our strategy, and an understanding of current and emerging requirements of customers enables us to develop new and enhanced services, together with software to support the fulfilment of those services. The Group encourages feedback from its customers through engagement with individual customers throughout a project. Despite the number of customers having more than doubled in the past year, the overall number of customers means that there is regular interface with customers and their needs are appreciated. The team holds periodic meetings with every customer to understand and resolve their "pain points" while collecting valuable feedback on all aspects of business such as product features, quality of delivery, support and so on.

Health and Safety

The Directors are committed to ensuring the highest standards of health and safety, both for employees and for the communities within which the Group operates. The Group seeks to exceed legal requirements aimed at providing a healthy and secure working environment to all employees and understands that successful health and safety management involves integrating sound principles and practice into its day-to-day management arrangements and requires the collaborative effort of all employees. All employees are positively encouraged to be involved in consultation and communication on health and safety matters that affect their work.

Environment

The Directors are committed to minimising the impact of the Group's operations on the environment. The Group recognises that its business activities have an influence on the local, regional and global environment and accepts that it has a duty to carry these out in an environmentally responsible manner. It is the Group's policy to endeavour to meet relevant legal requirements and codes of practice on environmental issues so as to ensure that any adverse effects on the environment are minimised. It strives to provide and maintain safe and healthy working conditions, and to keep its entire staff informed of its environmental policy whilst encouraging them to consider environmental issues as an everyday part of their role.

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board has overall responsibility for the Group's internal control systems and for monitoring their effectiveness. The Board, with the assistance of the Audit Committee, maintains a system of internal controls to safeguard shareholders' investment and the Group's assets, and has established a continuous process for identifying, evaluating and managing the significant risks the Group faces.

The Board currently takes the view that an internal audit function is not considered necessary or practical due to the size of the Group and the close day to day control exercised by the executive directors. However, the Board will continue to monitor the need for an internal audit function.

Further details of the principal risks faced by the Group, together with their potential impact and the mitigation measures in place, are set out in the section titled "Principal Risks and Uncertainties" in this Annual Report. The Board believe these risks to be currently the most significant with the potential to impact the Group's strategy, financial and operational performance and ultimately, its reputation.

The Board considers risk to the business on an ongoing basis and the Group formally reviews and documents the principal risks at least annually. Both the Board and senior management are responsible for reviewing and evaluating risk and the executive Directors meet on a regular basis to review ongoing trading performance, discuss budgets and forecasts and any new risks associated with ongoing trading, the outcome of which is reported to the Board.

SECTION 2: MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

Principle 5: Maintain the Board as a well-functioning balanced team led by the Chair

The members of the Board have a collective responsibility and legal obligation to promote the interests of the Group and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chairman of the Board, Richard Day. The Chairman also ensures effective communication with shareholders and facilitates the effective contribution of the other non-executive Director.

The Board consists of five directors of which three are executive and two are independent non-executives. The Board is supported by three committees: audit, remuneration and nominations. Non-executive Directors are required to attend all Board meetings (usually in London) and to be available at other times as required for face-to-face and telephone meetings with the executive team and investors. In addition, they attend Board committee meetings as required. Meetings held during 2019 and the attendance of Directors is summarised below:

Director	Board	Audit	Remuneration
Subash Menon	5	n/a	n/a
Sudeesh Yezhuvath	3	n/a	n/a
Richard Day	6	2	2
Nic Hellyer	6	2	n/a
Pieter Verkade	6	2	2

To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board and Committee meetings. All Directors have access to the advice and services of the Finance Director and Company Secretary, who is responsible for ensuring that the Board procedures are followed, and that applicable rules and regulations are complied with. In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

The Board is responsible to the shareholders and sets the Group's strategy for achieving long-term success. It is ultimately responsible for the management, governance, controls, risk management, direction and performance of the Group.

Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Board currently comprises three executive and two non-executive Directors with an appropriate balance of sector, financial and public market skills and experience. The skills and experience of the Board are set out in their biographical details above. The experience and knowledge of each of the Directors gives them the ability constructively to challenge the strategy and to scrutinise performance. The Board also has access to external advisers where necessary.

Executive and non-executive Directors are subject to re-election intervals as prescribed in the Company's Articles of Association. At each Annual General Meeting one-third of the Directors, who are subject to retirement by rotation shall retire from office. They can then offer themselves for re-election. The executive directors are employed under service contracts requiring 12 months' notice (by either party) in the case of Subash Menon and Sudeesh Yezhuvath, and three months' notice in the case of Nic Hellyer. The non-executive director and the Chairman receive payments under appointment letters which are terminable on three months' notice.

The Board encourages the ownership of shares in the Company by executive and non-executive Directors alike and in normal circumstances does not expect Directors to undertake dealings of a short-term nature. The Board considers ownership of Company shares by non-executive Directors as a positive alignment of their interest with shareholders. The Board will periodically review the shareholdings of the non-executive Directors and will seek guidance from its advisers if, at any time, it is concerned that the shareholding of any non-executive Director may, or could appear to, conflict with their duties as an independent non-executive Director of the Company or their independence itself. Directors' emoluments, including Directors' interest in shares and options over the Company's share capital, are set out in the Report of the Directors.

The Board meets at least 6 times a year. It has established an Audit Committee, Nominations Committee and a Remuneration Committee. Throughout their period in office the Directors are continually updated on the Group's business, the industry and competitive environment in which it operates, corporate social responsibility matters and other changes affecting the Group by written briefings and meetings with the executive Directors. They are reminded by the Company Secretary of these duties and are also updated on changes to the legal and governance requirements of the Group, and upon themselves as Directors, on an ongoing and timely basis.

The Company has adopted a code for directors' and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM and which is in accordance with Rule 21 of the AIM Rules and the Market Abuse Regulations.

Principle 7: Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

The Board is committed to formal annual Board evaluations: in 2019 this was conducted by way of a questionnaire and Chairman interviews. The performance of the Board, its Committees and that of the individual Directors is monitored by the Chairman on an ongoing basis. The Chairman is assessed by the rest of the directors through the other non-executive Director. We will consider the use of external facilitators in future board evaluations.

The Nomination Committee is responsible for succession planning of the executive leadership team and makes recommendations to the Board for the re-appointment of any non-executive Directors if and when necessary. Succession planning is reviewed on an ongoing basis alongside the capability of the senior management and Directors. Pieter Verkade is the Chairman of the Nominations Committee.

Principle 8: Promote a corporate culture that is based on ethical values and behaviours

The Group adopts a policy of equal opportunities in the recruitment and engagement of staff as well as during the course of their employment. It endeavours to promote the best use of its human resources on the basis of individual skills and experience matched against those required for the work to be performed.

The Group recognises the importance of investing in its employees and, as such, the Group provides opportunities for training and personal development and encourages the involvement of employees in the planning and direction of their work. These values are applied regardless of age, race, religion, gender, sexual orientation or disability.

The Group recognises that commercial success depends on the full commitment of all its employees and commits to respecting their human rights, to provide them with favourable working conditions that are free from unnecessary risk and to maintain fair and competitive terms and conditions of service at all times.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Chairman, Richard Day, is responsible for leadership of the Board, ensuring its effectiveness on all aspects of its role, setting its agenda and ensuring that the Directors receive accurate, timely and clear information. The Chairman also ensures effective communication with shareholders and facilitates the effective contribution of the other non-executive Director. Subash Menon, as Chief Executive Officer, is responsible for the operational management of the Group and the implementation of Board strategy and policy. By dividing responsibilities in this way, no one individual has unfettered powers of decision-making.

There is a formal schedule of matters reserved for decision by the Board in place which enables the Board to provide leadership and ensure effectiveness. Such matters include business strategy and management, financial reporting (including the approval of the annual budget), Group policies, corporate governance matters, major capital expenditure projects, material acquisitions and divestments and the establishment and monitoring of internal controls.

The appropriateness of the Board's composition and corporate governance structures are reviewed through the ongoing Board evaluation process and on an ad hoc basis by the Chairman together with the other Directors, and these will evolve in parallel with the Group's objectives, strategy and business model as the Group develops.

Board committees

The Board has established Audit, Nomination and Remuneration Committees.

The Audit Committee has Richard Day as Chairman and has primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Group is properly measured and reported on, and for reviewing reports from the Group's auditors relating to the Group's accounting and internal controls, in all cases having due regard to the interests of shareholders. The Audit Committee meets at least twice a year. Pieter Verkade is the other member of the Audit Committee. A report on the duties of the Audit Committee and how it discharges its responsibilities is set out below.

The Remuneration Committee has Richard Day as Chairman, and reviews the performance of the Executive Directors, and determines their terms and conditions of service, including their remuneration and the grant of options, having due regard to the interests of shareholders. The Remuneration Committee meets at least twice a year. Pieter Verkade is the other member of the Remuneration Committee. Details of the activities and responsibilities of the Remuneration Committee are set out below.

The Nomination Committee has Pieter Verkade as Chairman, and identifies and nominates, for the approval of the Board, candidates to fill board vacancies as and when they arise. The Nomination Committee meets as necessary and did not meet in the financial year 2019 as there have been no board vacancies. Richard Day is the other member of the Nomination Committee.

The terms of reference of each Committee can be downloaded from www.pelatro.com

SECTION 3: BUILD TRUST

Principle 10: Communicate how the Group is governed and is performing

The Board maintains a healthy dialogue with all of its stakeholders. Throughout the course of the financial year the Board communicates with shareholders frequently and directly.

S.172 STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

COMPANIES ACT 2006 S. 172 STATEMENT

The Board acknowledges its responsibilities under the Companies Act 2006 (the "Act") and below sets out the requirements of the Act and in particular section 172(1), and the key processes and considerations that demonstrate how the Directors discharge their duties and promote the success of the Company. References to the Company include the wider Group where relevant.

As noted in the Corporate Governance Report, the Board meet 6 times a year with papers circulated in advance to allow the Directors to fully understand the performance and position of the Company, alongside matters arising for decision. Each decision that is made by the Directors is supported by analyses of the possible outcomes so that an educated decision can be made based upon the likely impact on the Company, so a decision can be made which best promotes the success of the Company and what impact there may be on the wider stakeholder group.

Decisions of the Board take into account not just short-term, but also medium- and long-term consequences, which are carefully considered and balanced, having regard to the needs and priorities of the business, its customers, partners, employees and other stakeholders. For example, the decision to prioritise recurring/ repeating revenue contracts this year as opposed to license contracts, leading to a reduction in short-term revenue, was based on the view that this strengthens customer relationships, creates a more stable revenue stream and boosts the value of the business in the long-term.

Factors (a) to (e) below, are all taken into account during the decision-making process.

(a) The likely consequences of any decision in the long term

Supporting each key decision, the Board are given access to management papers which set out the potential outcome of decisions. The papers include diligence on the financial impact via forecasts, as well as non-financial factors and how the decision fits with the strategy of the Company. Strategy is reviewed in detail each year at a Board "Away Day" and this strategic thinking is intrinsic to future decision-making processes. Where appropriate, the Board will delegate responsibility to a sub-committee of Directors for areas such as M&A, investor relations and so on.

(b) The interests of the Company’s employees

The Directors actively consider the interest of employees in all major decisions. The Directors’ Report and Corporate Governance report set out in greater detail Pelatro’s policy towards its employees. Value is created through innovation and customer service, which is a product of motivated employees. They are of central important to Pelatro success, and the Directors believe that the Pelatro culture and core values create an environment for engaged and successful employees. Our Chief Mentor, Anuradha, supports managers to look after employee needs, and was instrumental in setting up the Assessment and Development Centre initiative referred to in the Strategic Report.

The Group also operates an option scheme for around 70 of the Group’s employees to encourage employee engagement in promoting the success of the Company and maximising shareholder return.

The health of the Group's employees is of course paramount, and the Directors have made every effort to

facilitate a working from home policy and other practices to ensure continuing good health in the current coronavirus pandemic.

(c) The need to foster the Company's business relationships with suppliers, customers and others

Pelatro's success also depends on strategic relationships with key partners, customers and suppliers, so the Board maintains ongoing oversight of these. Management packs report to the Board on the status of key relationships, which have Board-level engagement from an operational perspective through the CEO and the COO. Product performance is constantly monitored, and customer feedback continuously captured through regular account meetings, which are always attended by management-level, and often director-level representatives.

(d) The impact of the Company's operations on the community and environment

The Company takes its responsibility within the community and wider environment seriously and acknowledge that more can be done. Pelatro is a global company and has based itself in strategic locations for the long term. The Company has a relatively low carbon footprint in terms of its operations, but acknowledges improvements can always be made, particularly as travel schedules can be extensive. Employees may travel for three activities – sales, implementation and support. With regard to sales, whilst traveling is generally helpful to progress various cases, video conferencing is effective as a tool to replace physical meetings. With respect to implementation and support, the Company has always been keen to minimise the need for on-site activity to minimise costs, hence implementation and support processes lend themselves very well to remote handling.

Pelatro seeks to make a positive contribution to its community, at local and global levels, and to minimize as far as possible its impact on the environment. Pelatro backs its employees' interests in community activities, supporting them in terms of time to attend to these commitments and financial backing. Further details on practical steps Pelatro has taken can be found in the Directors' Report and Corporate governance report. The Board's adoption and application of the QCA Corporate Governance Code further supports these principles, with more detail of the steps Pelatro has taken set out in the disclosures against Principles 3 and 9 to the Code, which can be found in the section on Corporate Governance below and on the Pelatro website at

https://www.pelatro.com/investors/corporate-governance.

(e) The need to act fairly between members of the Company

The Directors regularly meet with investors and strive to give equal access to all investors and potential investors. Through its advisers, the Directors seek and obtain feedback from meeting with the investors and incorporate such feedback into its decision-making processes where appropriate. Where conflicting needs arise, advice is sought from the wider Board and, as necessary, from advisers. Through the careful balancing of stakeholder needs, Pelatro seeks to promote success for the long-term benefit of shareholders.

AUDIT COMMITTEE

FOR THE YEAR ENDED 31 DECEMBER 2019

AUDIT COMMITTEE REPORT

Dear Shareholder,

As Chairman of Pelatro's Audit Committee, I present the Audit Committee Report for the year ended 31 December 2019, which has been prepared by the Committee and approved by the Board.

The Committee is responsible for reviewing and reporting to the Board on financial reporting, internal control and risk management, and for reviewing the performance, independence and effectiveness of the external auditors in carrying out the statutory audit. The Committee advises the Board on the statement by the Directors that the Annual Report when read as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

During the year, the Committee's primary activity involved meeting with the external auditors Crowe U.K. LLP ("Crowe"), considering material issues and areas of judgement, and reviewing and approving the interim and year end results and accounts.

In addition, the Committee reviewed the audit and tax services provided by Crowe. The Committee concluded that Crowe are delivering the necessary audit scrutiny and that the tax services provided did not pose a threat to their objectivity and independence. Accordingly, the Committee recommended to the Board that Crowe be re-appointed for the next financial year.

In the coming year, in addition to the Committee's ongoing duties, the Committee will:

- consider significant issues and areas of judgement with the potential to have a material impact on the financial statements, including impairments of the Company's investments and technologies; and
- keep the need for an internal audit function under review, having regard to the Company's strategy and resources.

AUDIT COMMITTEE AND ATTENDANCE

The Audit Committee comprises Richard Day and Pieter Verkade. The Board considers that Richard Day has sufficient relevant financial experience to chair the Audit Committee given that he has worked for more than 25 years in corporate finance, first at Cazenove & Co (now JP Morgan Cazenove) and then at institutional stockbrokers Arden Partners plc, where he was Head of Corporate Finance for most of his time there. He is a qualified solicitor and was chief financial officer from 2015 to 2019 at iEnergizer Limited which is admitted to trading on the AIM Market of the London Stock Exchange. The Committee is required by its terms of reference to meet at least twice a year. During the year, the Committee met twice. In addition, Nic Hellyer, Finance Director, attended both Committee meetings by invitation.

OBJECTIVES AND RESPONSIBILITIES

The Committee is responsible for monitoring the integrity of the Group's financial statements, including its Annual and Interim Reports, preliminary results announcements and any other formal announcements relating to its financial performance prior to release.

The Committee's main responsibilities can be summarised as follows:

- to review the Company's internal financial controls and risk management systems;
- to monitor the integrity of the financial statements and any formal announcements relating to the Group's financial performance, reviewing significant judgements contained in them;
- to make recommendations to the Board in relation to the appointment of the external auditors and to recommend to the Board the approval of the remuneration and terms of engagement of the external auditors;
- to review and monitor the external auditors' independence and objectivity, taking into consideration relevant UK professional and regulatory requirements;
- to develop and implement policy on the engagement of the external auditors to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external auditors; and
- to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed, and to make recommendations as to steps to be taken.

The terms of reference are reviewed annually and are available on the Company's website at:

https://www.pelatro.com/investors/

SIGNIFICANT ISSUES CONSIDERED DURING THE YEAR

During the year, the Committee:

- reviewed and approved the annual audit plan and met with the external auditors to receive their findings and report on the annual audit;
- considered significant issues and areas of judgement with the potential to have a material impact on the financial statements, including impairments of the Group's investments and technologies;
- considered the integrity of the published financial information and whether the Annual Report and Accounts taken as a whole are fair, balanced and understandable and provide the information necessary to assess the Group's position and performance, business model and strategy; and
- reviewed and approved the interim and year end results and accounts.

The significant accounting areas and judgements considered by the Committee were:

Recoverability of trade receivables

The Committee continued to review the track record of receipts from slow-paying debtors and sought regular updates from management as to the status of trade receivables. In light of this, the Committee reviewed and accepted management proposals that no impairment of trade receivables were required (other than a general provision as required by IFRS 9) and was satisfied that the trade receivables balance were fairly stated.

Carrying value of goodwill and other intangible assets

The Audit Committee reviewed the judgements taken in the impairment review performed for each of the Group's two cash generating units to determine whether there was any indication that those assets had suffered any impairment. The Audit Committee consider the key judgements to be the discount rate and growth rates used in the value in use calculations. Following a review of the impact of the sensitivities performed by management on the discount rate and growth rate in the value in use calculations, the Audit Committee considered that the rates used were reasonable and indicated no impairment. The Committee also reviewed the basis of capitalisation and considered the intangible value attributed to its intangible software development costs. The Committee was satisfied that the resultant net book values were appropriately prepared on a reasonable basis.

Going Concern

The Committee reviewed the cash flow forecasts for the Group and discussed the key assumptions and risks relevant to their achievement. The Committee was satisfied that the basis for adopting the going concern basis in preparing the Group and Company financial statements, set out in note 3, was reasonable.

Alternative performance measures

The Group reports a number of additional performance measures which are not in accordance with the reporting requirements of IFRS. The audit committee has reviewed these during the year ended 31 December 2019 to ensure they are appropriate and that in each case the reason for their use is clearly explained; they are reconciled to the equivalent IFRS figure; and they are not given prominence over the equivalent IFRS figure.

Risk review process

The Audit Committee is responsible for reviewing the financial risks and the internal controls relating there to the Board as a whole and has responsibility for reviewing the overall business risks and risk management framework. The Group's principal risks and uncertainties are set out in the Strategic Report together with mitigating actions and the internal controls and risk management procedures are summarised in the Corporate Governance Report.

External auditor

The Committee reviewed the effectiveness of the audit process in respect of the year ended 31 December 2018. In doing so, the Committee considered the reports produced by Crowe, met the audit engagement partner and discussed the audit with the Finance Director. The Committee continues to be satisfied that the external auditors are delivering the necessary scrutiny and robust challenge in their work. Accordingly, the Committee recommended to the Board that it is appropriate to re-appoint Crowe as the Group's external auditors for the next financial year.

External audit and non-audit services

During the year, Crowe provided tax advisory services. An analysis of the audit and non-audit fees is provided in note 8 to the financial statements. The Audit Committee considered the independence and objectivity of Crowe in carrying out both tax and audit services.

RICHARD DAY

Chairman of the Audit Committee

7 April 2020

REMUNERATION COMMITTEE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

Dear Shareholder,

As Chairman of Pelatro's Remuneration Committee, I present the Remuneration Committee Report for the year ended 31 December 2019, which has been prepared by the Committee and approved by the Board. As an AIM company, the Directors' Remuneration Report Regulations do not apply to Pelatro and so the report that follows is disclosed voluntarily and has not been subject to audit.

The Remuneration Committee is responsible for determining the remuneration policy for the Executive Directors, and for overseeing the Company's long-term incentive plans. The Board as a whole is responsible for determining non-executive Directors' remuneration.

In setting the Group's remuneration policy, the Remuneration Committee considers a number of factors including the following:

- salaries and benefits available to executive directors of comparable companies;
- the need to both attract and retain executives of appropriate calibre; and
- the continued commitment of executives to the Group's development through appropriate incentive scheme.

Consistent with this policy, benefit packages awarded to executive directors comprise a mix of basic salary and performance-related remuneration that is designed as an incentive. The remuneration packages comprise the following elements:

- base salary: the Remuneration Committee sets base salaries to reflect responsibilities and the skills, knowledge and experience of the individual;
- bonus scheme: the executive directors are eligible to receive a bonus dependent on both individual and Group performance as determined by the Remuneration Committee;
- equity: share options (for non-founder executive directors); and
- provision of car (leased or purchased), and company contribution into a personal pension scheme (in the UK only).

Purchased cars remain the property of the Group and the annual benefit to the individual comprises

(i) the interest cost on the loan taken to fund the purchase;

(ii) the depreciation on the vehicle; and

(iii) sundry expenses defrayed by the Group.

The Committee will continue to monitor market trends and developments in order to assess those relevant for the Group's future remuneration policy.

REMUNERATION DECISIONS FOR 2019

Subash Menon and Sudeesh Yezhuvath were awarded bonuses of £35,000 ($49,000) each in respect of performance against certain targets. Nic Hellyer was provided with the use of a car in February 2019 (on a leased basis), with an annual benefit to him of approximately $12,000.

A new long-term share option-based incentive plan was set up in January, with awards made to 70 employees, being over 50% of our team. An award of options over 50,000 shares (subject to vesting conditions) in the Company was awarded to Nic Hellyer under this plan.

RICHARD DAY

Chairman of the Remuneration Committee

7 April 2020

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KEY MANAGERIAL PERSONNEL

Subash Menon
Managing Director, CEO & Co-Founder

Sudeesh Yezhuvath
COO and Co-founder

Nic Hellyer
Finance Director

Arun Kumar Krishna
Head of Engineering

Anuradha
Chief Mentor

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their annual report on the affairs of the Group, together with the consolidated financial statements and independent auditor's report, for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Pelatro Group provides specialised, enterprise class software solutions, principally through its flagship software suite mViva, to telecommunication companies ("telcos"), who face a series of challenges including market maturity, saturation and customer churn. Pelatro's software enhances the telco's understanding of its customers and hence its engagement with them, increasing revenue enhancement, enabling smart pricing bundling, predicting churn and plugging revenue leakages. The software can be extended further to enable data monetisation.

Pelatro is well positioned in the Multichannel Marketing Hub space (MMH) - this is technology that orchestrates a customer's communications and offers to customer segments across multiple channels to include websites, social media, apps, SMS, USSD and others. Pelatro launched v.6 of mViva in February 2020, the new version offering several new advanced features compared to the previous version launched in 2018, reflecting the rapid evolution of the Group's software products.

Further information on the Group's activities, its prospects and likely future developments is given in the sections titled "Strategic Report" and "Financial Statements".

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and the financial statements for each financial year 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 International Financial Reporting Standards (IFRSs) as adopted by the EU 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 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company 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 enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. They are further responsible for ensuring that the Report of the Directors and other information included in the Annual Report and Financial Statements is prepared in accordance with applicable law in the United Kingdom.

WEBSITE PUBLICATION

The maintenance and integrity of the Pelatro Plc web site, which includes compliance with AIM Rule 26, is the responsibility of the Directors; the work carried out by the auditor does not involve the consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website.

FINANCIAL INSTRUMENTS AND LIQUIDITY RISKS

Information about the use of financial instruments by the Company and its subsidiaries and the Group's financial risk management policies are given in note 28 of the financial statements.

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year are as shown below:

Richard Day	Chairman
Nic Hellyer	Finance Director
Subash Menon	Managing Director
Pieter Verkade	Non-Executive Director
Sudeesh Yezhuvath	Executive Director

In accordance with the Company's articles Subash Menon will retire by rotation at the Annual General Meeting and, being eligible, will offer himself for re-election.

The Directors at 31 December 2019 and their beneficial interests in the share capital of the Company were as follows:

Name of Director	Number of Ordinary Shares of 2.5p each	Options over Ordinary shares
Subash Menon [1]	9,684,244	-
Sudeesh Yezhuvath [1]	3,309,309	-
Nic Hellyer [2]	105,000	17,000
Richard Day	19,457	-
Pieter Verkade	-	-

[1] held in the name of Bannix Management LLP

[2] 52,600 Ordinary shares held by his wife, Dr Fawzia Ali; a further 84,000 options over ordinary shares are unvested

No changes took place in the beneficial interests of the Directors between 31 December 2019 and 7 April 2020.

The market price of the Ordinary Shares at 31 December 2019 was 70.5p and the range during the year was 40.0p to 97.0p.

SUBSTANTIAL SHAREHOLDINGS

As at 7 April 2020, the Company had received notification of the following significant interests in the ordinary share capital of the Company*:

Name of Holder	Number of Ordinary Shares	Percentage of Issued Share Capital
Bannix Management LLP**	12,993,553	39.9%
Killik & Co. LLP	2,780,476	8.5%
Chelverton Asset Management	2,121,872	6.5%
Rathbones Investment Management	1,663,335	5.1%
Herald Investment Management	1,154,035	3.5%
Maven Capital Partners	902,397	2.8%

** As adjusted for other known but undisclosed movements in the shareholder register*

*** Bannix Management LLP ("Bannix") is the investment vehicle of Kiran Menon, Varun Menon and Sudeesh Yezhuvath, who hold shares in Bannix proportional to the interests shown in "Directors' interests" above*

CORPORATE GOVERNANCE

The Company has formalised the following matters by Board resolution:

- a formal schedule of Board responsibilities;
- the procedure for Directors to take independent professional advice if necessary, at the Company's expense;
- the procedure for the nomination and appointment of non-executive Directors, for specified periods and without automatic re-appointment; and
- establishment of and written terms of reference for an audit, nominations and remuneration committees.

INTERNAL CONTROL

The Board has overall responsibility for ensuring that the Group maintains a system of internal control to provide its members with reasonable assurance regarding the reliability of financial information used within the business and for publication, and that assets are safeguarded. There are inherent limitations in any system of internal control and accordingly even the most effective system can provide only reasonable, and not absolute, assurance with respect to the preparation of accurate financial information and the safeguarding of assets.

The key features of the internal control system that operated throughout the year are described under the following headings:

- control environment - particularly the definition of the organisation structure and the appropriate delegation of responsibility to operational management.
- identification and evaluation of business risks and control objectives - particularly through a formal process of consideration and documentation of risks and controls which is periodically undertaken by the Board.
- main control procedures, which include the setting of annual and longer-term budgets and the monthly reporting of performance against them, agreed treasury management and physical security procedures, formal capital expenditure and investment appraisal approval procedures and the definition of authorisation limits (both financial and otherwise).
- monitoring, particularly through the regular review of performance against budgets and the progress of development and sales undertaken by the Board.

The Board reviews the operation and effectiveness of this framework on a regular basis. The Directors consider that there have been no weaknesses in internal controls that have resulted in any losses, contingencies or uncertainties requiring disclosures in the financial statements.

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report; the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the notes to the financial statements, in particular in the consolidated cash flow statement, in Note 23 "Loans and borrowings" and Note 28 "Financial instruments".

The financial statements have been prepared on a going concern basis. Overall, the Directors are of the view that the Group has adequate financing to be able to meet its financial obligations for a period of at least 12 months from the date of approval of this annual report and financial statements.

EVENTS AFTER THE REPORTING DATE

There have been no significant events which have occurred subsequent to the reporting date.

RESEARCH AND DEVELOPMENT

Details of the Group's activities on research and development during the year are set out in the Financial Review.

AUDITOR

Each of the persons who are Directors of the Company at the date when this report was approved confirms that:

- so far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- the Director has taken all steps that he ought to have taken as a Director to make himself aware of any relevant audit information (as defined in the Companies Act 2006) and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The Directors intend to place a resolution before the Annual General Meeting to appoint Crowe U.K. LLP as auditor for the following year.

LIABILITY INSURANCE FOR COMPANY OFFICERS

As permitted by section 233 of the Companies Act 2006, the Company has purchased insurance cover for the Directors against liabilities that might arise in relation to the Group.

CORONAVIRUS/COVID-19

Introduction

As a software business, the Group can continue to function efficiently even if most of its employees are working from home. The Group has no supply chain dependencies and its software products continue to be available without interruption. With regard to travel restrictions, whilst traveling is generally helpful to progress sales opportunities, video conferencing is effective as a tool to replace physical meetings and customers are of course understanding of the current situation; sales efforts are therefore progressing as expected.

With respect to implementation and support, the Group has always been keen to minimise the need for on-site activity to minimise costs, hence implementation and support processes lend themselves very well to remote handling. The only special requirement is additional VPNs which are easily provided by customers. As almost all of them are working from home, protocols have been established to ensure that work is not impacted. In summary therefore, to date the situation for the Group is broadly "business as usual".

Cash resources

As at 6 April the Group had gross cash of approximately $0.94m (as adjusted for committed short-term capital expenditure), and a drawn overdraft facility of $0.16m, out of a total facility of $0.43m. Of the cash, around two-thirds is held in USD and the balance mainly in INR with some GBP. The current portion of term loans due in the next 12 months is approximately $0.08m. There are no restrictions in transfer of cash intra-Group, and no liabilities arise from any such transfer.

Management of short-term expenditure

The Group has no material short-term capital expenditure requirements other than the c. $0.8m on hardware for the managed services contract, which as noted above has been match-funded with a 6 year term loan.

In terms of expenditure, for reference cash expenditure in 2019 was approximately $6m. Whilst in the ordinary course of events we would expect this to increase in 2020, because of both general investment for growth as well as specific projects such as the large managed

services contract announced in December, on a pro forma basis this is well covered by the brought forward trade debtor balance of $5.5m as well as the recurring revenue contracted to date of c. $4.1m. Given this, the Group is not dependent on generation of new revenue for its short-term cash flows and risks are principally due to either non-payments by customers or a delay in the timing. Given the quality of the debtor base (all of whom are major telco groups for whom Pelatro's software is an integral and vital part of their customer proposition), the Board views the possibility of any material default as remote. In addition, we note the following:

- just over 50% of the cash costs in 2019 were incurred in INR, another 20% in RUB, and a further 15% in GBP. INR has weakened by approximately 6% since the beginning of 2020 (and approximately 3% since 11 March (when the WHO declared COVID-19 as a pandemic). Similarly, RUB has weakened by 22% and 15%, and GBP by 7% and 3%. If these currencies were to remain at these levels until the end of 2020, the Group's cash expenditure on a pro forma basis would reduce by around 7%. All of the Group's income is currently in USD (with approximately $1m of income expected this year in INR);
- approximately $0.6m of costs in 2019 were travel related; clearly such costs in 2020 will be minimal so long as COVID-19 restrictions remain in place; and
- to the extent that the Board foresees any delay to incoming payments, it is able to defer or eliminate certain expenditure, notably on recruitment and related salary and other costs.

Country restrictions

India and Philippines have been in lock down for the past few weeks and are expected to be so for the next few weeks. This period has enabled us to experience and understand the real life scenario with respect to total Working from Home ("WFH"). We are pleased to note that efficiency is only marginally down by a maximum of around 10% (as measured by the time spent on various tasks). As the world gets more used to WFH, we expect this efficiency to improve, and while it may never reach the pre-COVID level, we expect any drop would be immaterial. The only real casualty seems to be the camaraderie of people working together in one location. The Group has taken adequate steps to mitigate this issue by having regular video conference calls among small groups, and as we have always had an adequate number of subscriptions to video links, this activity is progressing well. Russia is not under lock down, but our staff there are working from home in any case. In summary therefore all customer-related activities like implementation, support etc. are progressing as per plan.

Revenue and cost scenarios

In the short to medium term, for the reasons stated above the Group is largely unaffected in cash terms by any downturn in revenue generation as new contracts taken on now would be unlikely to produce cash for at least six months and even longer in the case of managed service contracts. As a base case, the Board's financial projections for the Group are based on a broadly "business as usual" scenario, other than a 75% reduction in travel costs for Q2 and Q3.

However, in the light of potential COVID-19 challenges and taking into account the factors noted above in Management of short-term cash expenditure", the Board has sensitised its forecasts and projections for the next 12 months to take account of possible changes in cash flow and performance in order to determine when and to what extent additional measures may be necessary. The Board's downside projections are based on a scenario whereby income from receivables is reduced by up to 10% in 2020 and 20% in 2021 and only 50% of expected new contracts are won (albeit this latter factor only affects cash flows towards the end of the projected period) - under this scenario, the Group would still have sufficient funding to pay planned overheads (including investment for growth) for the period of the projections. The Board's

severe downside projections are based on a scenario where income from receivables is reduced by up to 20% in 2020 and 20% in 2021 (and likewise 50% of new contracts) - cost reductions can be made to offset this reduction in cash receipts, principally with a c. 15% reduction in staff costs which would result in the Group having sufficient cash for the period of the projections.

By order of the Board

NIC HELLYER

Company Secretary

49 Queen Victoria Street

London

EC4N 4SA

7 April 2020

INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

OPINION

We have audited the financial statements of Pelatro Plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2019, which comprise:

- the Group statement of comprehensive income for the year ended 31 December 2019;
- the Group and Parent Company statements of financial position as at 31 December 2019;
- the Group statement of cash flows for the year then ended;
- the Group and Parent Company statements of changes in equity for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosures Framework (UKGAAP).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with UKGAAP; and
- the financial statements 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 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- The Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group and Company's ability to continue as a going concern. In particular, the full extent of the impact of the COVID-19 infection is not yet known and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.

OVERVIEW OF OUR AUDIT APPROACH

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be $90,000, based on approximately 5% of group adjusted operating profit, a key reporting metric (2018: $140,000 based on 5.5% of group profit before tax).

We use a different level of materiality ("performance materiality") to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of $3,000. Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

Whilst the Parent Company's activity and accounting is in the United Kingdom, the main activity of the Group is accounted for from its operating location in India.

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team. For the full scope components in America, Singapore and India where the finance functions were carried out in India work was performed by a local audit team in India under our direction. The local audit team were from a Crowe Global network firm. We determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole. We discussed the risks of material misstatement with the subcontracting auditor.

The primary team led by the Senior Statutory Auditor was ultimately responsible for the scope and direction of the audit process. The primary team interacted regularly with the local team where appropriate during various stages of the audit, reviewed relevant working papers and were responsible for the scope and direction of the audit process. As part of the audit the Senior Statutory Auditor visited India and met with both local management and the local audit team. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the

efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Key audit matter	How the scope of our audit addressed the key audit matter
Revenue recognition	
The Group's operating revenue arises from mViva products. Customer contracts can contain multiple different performance obligations with different revenue recognition points. We considered the risk that the incorrect application of the policy could result in material error.	We selected a sample of contracts to ensure that the performance obligations had been correctly identified, the transaction price allocated appropriately and evidence existed of the satisfaction of those performance obligations before revenue was recognised. For support and maintenance revenue recognised over time we reperformed the calculation on the recognition of revenue for a sample of contracts.
Capitalisation of development costs	
As disclosed in note 18, the Group has capitalised approximately $2.2 million of development costs relating to the development of the mViva product. We have focussed on this because research and development represents a significant part of this business and judgement is required in determining the appropriate accounting treatment. The Directors use judgement to determine whether research and development costs should be expensed or whether they meet the criteria for capitalisation. This criteria includes assessing whether the product being developed is commercially feasible, whether the Group has adequate technical, financial and other required resources to complete the development and whether the costs will be fully recovered through	We obtained an understanding of the processes and controls over the recognition of research and development expenses. We have evaluated the appropriateness of the capitalisation of the development expenditure by: ▶ discussing with management and obtaining a technical overview of the developments made to the mViva software in the year, we challenged management to ensure that the developments were capital in nature and did not relate to routine software maintenance. As part of this work we met with the Head of Technology and had samples of the new functionality demonstrated to us; ▶ testing the allocation of overhead costs to capitalised development costs for

Key audit matter	How the scope of our audit addressed the key audit matter
future sale or licensing of the product. The Directors determined that the development costs meet the criteria for capitalisation. The capitalisation of intangibles is included within note 4 as an area of critical accounting estimate and judgement. The accounting policy for intangibles is outlined in note 3.	mathematical accuracy and reasonableness including challenging whether the overheads were directly attributable to the software development and agreeing underlying data to head count information; ▶ On a sample basis, we tested the amounts allocated to development costs to underlying payroll records and invoices; and ▶ Reviewing the pipeline of potential work to assess whether the software still has commercial potential.
Going concern	
We considered the risk that the current situation concerning COVID-19 could give rise to a material uncertainty over going concern.	We obtained updated cash flow forecasts from Management with key assumptions updated for COVID-19 risks. The updated assumptions included reducing the expected level of new business, cutting discretionary spend and the impact of customers extending credit terms. We also discussed with Management the ability of the Group to continue to provide client service in the event of a closure of their offices. These forecasts continued to indicate the Group operating within existing banking facilities.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained

in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINION ON OTHER 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 Directors' Report and Strategic Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In 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 where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the Directors' responsibilities statement set out on page 52, 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 Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial

Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

MATTHEW STALLABRASS

Senior Statutory Auditor

for and on behalf of

Crowe U.K. LLP

Statutory Auditor

London

7 April 2020

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 $'000 (audited)	2018 $'000 (audited)
Revenue	5	**6,667**	**6,123**
Cost of sales and provision of services		(999)	(555)
Gross profit		**5,668**	**5,568**
Adjusted administrative expenses	6	(4,048)	(2,421)
Adjusted operating profit		**1,620**	**3,147**
Exceptional items	7	236	(310)
Amortisation of acquisition-related intangibles	18	(686)	(286)
Share-based payments	11	(52)	-
Operating profit		**1,118**	**2,551**
Finance income	12	54	33
Finance expense	13	(164)	(71)
Profit before taxation		**1,008**	**2,513**
Income tax expense	14	(194)	(334)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		**814**	**2,179**
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(25)	78
Other comprehensive income, net of tax		**(25)**	**78**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**789**	**2,257**
Earnings per share			
Attributable to the owners of the Pelatro Group (basic and diluted)	15	2.5¢	8.0¢

The accompanying notes 1 to 31 are an integral part of these financial statements.

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GROUP STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 $'000 (audited)	2018 $'000 (audited, restated)
Assets			
Non-current assets			
Intangible assets	18	10,891	10,609
Tangible assets	19	515	362
Right-of-use assets	20	339	-
Deferred tax assets	14	63	-
Contract assets	21	519	312
Trade and other receivables	21	231	321
		12,558	**11,604**
Current assets			
Contract assets	21	293	72
Trade receivables	21	5,283	3,752
Other assets	22	501	382
Cash and cash equivalents		1,101	2,224
		7,178	**6,430**
TOTAL ASSETS		**19,736**	**18,034**
Liabilities			
Non-current liabilities			
Borrowings	23	362	382
Lease liabilities	24	187	-
Contract liabilities	25	274	112
Long-term provisions		124	-
Other financial liabilities	26	-	1,141
		947	**1,635**
Current liabilities			
Trade and other payables	25	523	609
Short term borrowings	23	246	69
Lease liabilities	24	205	-
Contract liabilities	25	665	61
Other financial liabilities	26	948	298
		2,587	**1,037**
TOTAL LIABILITIES		**3,534**	**2,672**
NET ASSETS		**16,202**	**15,362**

	Note	2019 $'000 (audited)	2018 $'000 (audited, restated)
Issued share capital and reserves attributable to owners of the parent			
Share capital	27	1,065	1,065
Share premium	27	11,603	11,603
Other reserves	27	(643)	(721)
Retained earnings		4,177	3,415
TOTAL EQUITY		**16,202**	**15,362**

The financial statements of Pelatro Plc, registered number 10630166, were approved by the board of Directors and authorised for issue on 7 April 2020. They were signed on its behalf by:

Subash Menon
(Director)

Nic Hellyer
(Director)

The accompanying notes 1 to 31 are an integral part of the financial statements.

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 $'000 (audited)	2018 $'000 (audited)
Cash flows from operating activities		
Profit for the year	814	2,179
Adjustments for:		
Income tax expense recognised in profit or loss	247	342
Finance income	(54)	(33)
Finance costs	160	71
Depreciation of tangible non-current assets	188	46
Amortisation of intangible non-current assets	1,726	843
(Recognition of) deferred tax assets	(53)	(8)
Fair value adjustment on contingent consideration	(236)	-
Share-based payments	52	-
Foreign exchange (gains)	(8)	(69)
Operating cash flows before movements in working capital	**2,836**	**3,371**
(Increase)/decrease in trade and other receivables	(1,509)	(2,438)
(Increase)/decrease in contract assets	(428)	(273)
Increase/(decrease) in trade and other payables	103	57
Increase/(decrease) in contract liabilities	701	146
Cash generated from operating activities	**1,703**	**863**
Income tax paid	(334)	(292)
Net cash generated from operating activities	**1,369**	**571**
Cash flows from investing activities		
Development of intangible assets	(2,102)	(1,604)
Purchase of intangible assets	(35)	(69
Acquisition of property, plant and equipment	(256)	(384)
Cash outflow on acquisition of businesses net of cash acquired	-	(7,035)
Net cash used in investing activities	**(2,393)**	**(9,092)**

	2019 $'000 (audited)	2018 $'000 (audited)
Cash flows from financing activities		
Proceeds from issue of ordinary shares, net of issue costs	-	7,395
Repayments to related parties	-	(436)
Proceeds from borrowings	317	394
Repayment of borrowings	(313)	(513)
Repayments of principal on lease liabilities	(171)	-
Finance income	54	33
Finance costs	(93)	(62)
Less interest accrued but not paid	-	3
Interest expense on lease liabilities	(40)	-
Net cash generated by/(used in) financing activities	**(246)**	**6,814**
Net increase/(decrease) in cash and cash equivalents	**(1,270)**	**(1,707)**
Foreign exchange differences	(20)	(195)
Cash and equivalent at beginning of period	2,224	4,126
Cash and cash equivalents at end of period	**934**	**2,224**
Comprising:		
Cash at bank and in hand	1,101	2,224
Overdraft	(167)	-
	934	**2,224**

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GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Share premium	Exchange reserve	Merger reserve	Share-based payments reserve	Retained profits	Total
	$'000	$'000	$'000	$'000	$'000	$'000	**$'000**
Balance at 1 January 2018 as previously reported	**801**	**4,472**	**(2)**	**(527)**	**-**	**1,217**	**5,961**
Effect of change of accounting policy (IFRS 15)	-	-	-	-	-	18	18
Balance at 1 January 2018 as restated	**801**	**4,472**	**(2)**	**(527)**	**-**	**1,235**	**5,979**
Profit after taxation for the period	-	-	-	-	-	2,179	2,179
Other comprehensive income:							
Exchange differences	-	-	(191)	-	-	-	(191)
Transactions with owners:							
Shares issued by Pelatro Plc for cash	264	7,450	-	-	-	-	7,714
Issue costs	-	(319)	-	-	-	-	(319)
Balance at 31 December 2018	**1,065**	**11,603**	**(193)**	**(527)**	**-**	**3,414**	**15,362**
Effect of change of accounting policy (IFRS 16)	-	-	-	-	-	(51)	(51)
Balance at 1 January 2019 as restated	**1,065**	**11,603**	**(193)**	**(527)**	**-**	**3,363**	**15,311**
Profit after taxation for the period	-	-	-	-	-	814	814
Share-based payments	-	-	-	-	100	-	100
Other comprehensive income:							
Exchange differences	-	-	(23)	-	-	-	(23)
Balance at 31 December 2019	**1,065**	**11,603**	**(216)**	**(527)**	**100**	**4,177**	**16,202**

Reserve	Description and purpose
Share capital	Nominal value of issued shares
Share premium	Amount subscribed for share capital in excess of nominal value less associated costs
Exchange reserve	The difference arising on the translation of balances denominated in currencies other than US Dollars into the presentational currency of the Group
Merger reserve	Amounts arising on the elimination of the members' capital in Pelatro LLC and its subsidiary on presentation of the Group results under merger accounting principles
Share-based payments reserve	Cumulative amounts charged in respect of unsettled options issued
Retained earnings	All other net gains and losses not recognised elsewhere

The accompanying notes 1 to 31 are an integral part of these financial statements.

1. GENERAL INFORMATION

Pelatro Plc ("Pelatro" or the "Company") is a public limited company incorporated and domiciled in England. The Company's ordinary shares are traded on the AIM market of the London Stock Exchange. These financial statements are the consolidated financial statements of Pelatro Plc and its subsidiaries ("the Pelatro Group" or the "Group") and the company financial statements for Pelatro Plc. The financial statements are presented in US dollars as the currency of the primary economic environment in which the Group operates.

Pelatro's registered office is at 49 Queen Victoria Street, London EC4N 4SA and its principal place of business is at 403, 7th A Main, 1st Block, HRBR Layout, Bangalore 560043, India.

2. ADOPTION OF NEW AND REVISED STANDARDS

Certain new standards and amendments to existing standards that have been published and are mandatory for the first time for the financial year beginning 1 January 2019 have been adopted and their impact on the Group and Company is explained below. New standards, amendments to standards and interpretations which have been issued but are not yet effective (and in some cases had not been adopted by the EU) for the financial year beginning 1 January 2019 have not been adopted early in preparing these financial statements. The main new accounting standards which are relevant to the Group are set out below:

IFRS 16 Leases

In 2019 the Group applied IFRS 16 Leases (as issued by the IASB in January 2016, "IFRS 16") for the first time. IFRS 16 introduces new or amended requirements with respect to lease accounting, resulting in significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets.

The Group has applied the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2014, with the date of initial application as 1 January 2019. The Group has applied IFRS 16 using the modified retrospective approach, with no restatement of comparative information.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 is effective for periods beginning on or after 1 January 2019 and sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. IFRIC 23 requires an entity to:

- determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- assess if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

The Board acknowledges the Group's responsibility to pay all tax which is due under law and recognises the importance of corporate tax payments to society. However, the Board also acknowledges its legal responsibility to act in shareholders' best interests, which

includes not paying more tax than is legally due. The Board applies this strategy across all forms of taxes including, but not limited to, corporation tax, payroll and employment taxes and value added tax.

Pelatro's corporate tax policy

The principal features of Pelatro's corporate tax policy are to:

- not seek to avoid or evade tax by using inappropriate accounting or other means;
- pay all amounts of tax due in full and on time to the tax authorities;
- structure the business to take advantage of allowances and reliefs offered and intended by law or the tax authorities;
- act with integrity and honesty in all dealings with tax authorities; and
- take reasonable measures and have reasonable procedures in place to prevent any and all persons associated with the Group from facilitating the evasion of tax whether in the UK or overseas.

Thus the Group seeks to manage its tax affairs in full compliance with relevant local legislation and, whilst seeking to minimise its tax exposure where practical, it does not engage in aggressive tax avoidance measures.

Tax risks - Place of Effective Management

Notwithstanding the above, certain matters are outside the control of the Group: in particular, the Government of India introduced legislation relating to a company's “place of effective management” or “POEM” in its domestic law in the Finance Bill of 2015 (subsequently deferred to April 1, 2017). POEM operates on the concept of the location of management control of any entity: if the location of management control of any entity, including those that are registered in other countries, is established to be in India, then the active business of that entity is deemed to be in India and the profit of that entity will be taxed per Indian tax regulations.

The concept of the location and control of the Group's active businesses is related to the highest level of control of the Group. The Group intends to continue to manage its affairs so that none of its constituents (other than PSPL) are deemed to be an active business in India for tax purposes. Whilst the Group is not aware of any challenge to its current status under POEM (and there is no complete definition of the activities that constitute whether the Group would be deemed to be active in India) the Indian tax authorities may contend that other Group companies (particularly Pelatro Plc) are so resident, in particular as two of the Company's executive Directors reside in India. Given the Group's current understanding of the applicability of POEM (and noting the threshold of revenue of INR 500m, or approximately $7m, below which companies will not fall under the scrutiny of POEM legislation) the Group believes that it is currently and historically unaffected by POEM. Were such a challenge to be effective and POEM was deemed applicable to a Group company, that company might become liable to pay additional tax, and thus this could materially impact the tax payable by the Group.

Tax risks - Permanent Establishments

The concept of a "Permanent Establishment" is used in bilateral tax treaties to determine the right of a state to tax the profits of an enterprise of another state: specifically the profits of an enterprise of one state may be taxable in the other state if the enterprise maintains a Permanent Establishment in the latter state to the extent that profits are attributable to that establishment.

Based on a review of the Group's global operations in the context of relevant provisions of the Double Taxation Avoidance Agreements of countries in which it does business, the Board has concluded that some activities of the Group (e.g. provision of services or implementation of software) are sufficient to have constituted places of Permanent Establishment in a small number of countries where appropriate registration and filings have not yet been made. Based on an analysis of the likely value of

profits which may be taxable, the Board has concluded that the impact on these financial statements is not material; however, an appropriate provision has been made in respect of these activities in 2019.

Conclusion

In the absence of other uncertain tax treatments, the Group believes that it is not further impacted by IFRIC 23 and therefore opening retained earnings remain unaffected.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared on a historical cost basis (except for certain financial instruments and share-based payments that have been measured at fair value), and in accordance with the AIM Rules, International Financial Reporting Standards ("IFRS") as adopted by the European Union that are applicable to the Group's statutory accounts, and the applicable provisions of the Companies Act 2006.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Pelatro Solutions Private Limited ("PSPL", the Group's Indian subsidiary) has a statutory year end of 31 March, however, for the purposes of consolidation, financial statements have been prepared for PSPL as at 31 December 2019 on the same accounting principles as for the rest of the Group. The Company controls an investee if, and only if, the Company has the following:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure of rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The results of subsidiaries or businesses acquired during the year are included in the consolidated income statement from the effective date of acquisition. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Going concern

These financial statements have been prepared on a going concern basis. The Directors have reviewed the Company's and the Group's going concern position taking account of its current business activities, budgeted performance and the factors likely to affect its future development, set out in this Annual Report, and including the Group's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposure to credit and liquidity risks. In particular, the Directors have taken into account the potential impact of the COVID-19 pandemic on business activity and hence cash inflows: in the case of a prolonged downturn in revenue-generating activities, the Directors have plans in place to reduce cash outflows to mitigate the impact on the Group, and have already negotiated further bank facilities to give greater financial headroom in case of need. Details of the management of short-term expenditure, and revenue, cost and cash flow scenarios which the Board has taken into account in coming to its conclusions on going concern, are detailed above in the Directors' Report above.

Following such review, the Directors are of the view that the Group has adequate financing to be able to meet its financial obligations for a period of at least 12 months from the date of approval of the Annual Report and financial statements. Accordingly the Group and Company continue to adopt the going concern basis in preparing these financial statements.

Business combinations, goodwill and contingent consideration

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a business (whether as a subsidiary or an asset purchase) comprises the:

- fair values of the assets transferred;
- liabilities to the former owners of the acquired business incurred;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its fair value on the acquisition date and included as part of the consideration transferred in a business combination. Acquisition-related costs are expensed as incurred.

Goodwill

The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill, which is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment. For the purpose of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Where settlement of any part of cash consideration is deferred (whether because it is contingent or otherwise), the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration

Contingent consideration is initially measured at fair value at the date of completion of the acquisition and may be classified either as equity or a financial liability. The accounting for changes in the fair value of contingent consideration arising on business combinations that do not qualify as measurement period adjustments depends on how the contingent consideration is classified:

- amounts classified as a financial liability are subsequently remeasured to fair value at subsequent reporting dates and the corresponding gain or loss is recognised in the Statement of Comprehensive Income.
- contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. Each element of revenue (described below) is recognised only when:

- provision of the goods or services has occurred;
- consideration receivable is fixed or determinable; and
- collection of the amount due from the customer is reasonably assured.

Some contracts include multiple deliverables, such as the sale of hardware as well as software, and/or services such as post-contract support, and usually include installation services - typically, software installation could be performed by another party and is therefore accounted for as a separate performance obligation. Where contracts include multiple performance obligations, the transaction price is allocated to each performance obligation based on the Group's best estimate of their Standalone Selling Price ("SSP") not withstanding any absence or contrary allocation of total cost within a contract. Where this is not directly observable, it is estimated based on the best available evidence, for example expected cost plus margin.

Software licenses

Revenue in respect of the sale of perpetual licenses for on-premise software is recognised on the later of the grant of the license or delivery of the software as appropriate. Certain contracts provide for revenue which is contractually linked to the incremental revenue derived by that customer from use of the software, the amount being based on a pre-agreed share of that incremental revenue which is recognised at the end of each month (a "gain share" contract). Certain contracts may provide for both a guaranteed (usually monthly) payment over a period (typically 2-3 years) as well as a gain share component, in which case the present value of the guaranteed payments is recognised on the later of grant of the license or delivery of the software, and a notional finance income recognised on the reducing balance of the notional balance outstanding (which is recognised as a contract asset).

Implementation services

Revenue in respect of implementation of on-premise software is recognised on completion of the implementation.

Professional services

Revenue and profits from the provision of professional services such as managed services, training and consultancy are delivered under a "time and materials" type contract and are therefore recognised rateably over time and based upon number of days worked. Revenue from this revenue stream may create "Unbilled Revenue" receivables through yet to be billed time input and expenses at the reporting date.

Annual support and maintenance (also known as Post-Contract Support or "PCS")

Revenue from support and maintenance services is recognised rateably over the period of the contract. Revenue is recognised when the provision of support and maintenance and completion of the performance obligations are carried out which is deemed to be evenly throughout the term of the contract. Revenue from this revenue stream may create a contract liability if contractually stated PCS income is lower than its SSP and an element thereof has thus effectively been included in the license fee as stated in the contract. A contract asset may be recognised if PCS income is recognised even though it is not contractually due and payable (for example when the first year of PCS is deemed as "free" to the customer).

Hardware

Revenue in respect of sales of third-party hardware is recognised when goods are delivered.

Interest income on contracts with a Significant Financing Component

Interest income is recognised on contracts with a Significant Financing Component as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

Cost of sales and provision of services

The cost of provision of services includes the direct costs of consultants and employees who provide services, support or maintenance to customers, direct sales

commissions paid to third parties, and certain third-party software licenses which are integral to the performance of contracts. Cost of sales also includes the acquisition cost of hardware resold to end customers.

Leases

Applying IFRS 16, for all leases (except as noted below), the Group:

(i) recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;

(ii) recognises depreciation of right-of-use assets, and interest on lease liabilities, in the consolidated statement of comprehensive income; and

(iii) separates the total amount of cash paid in respect of lease obligations into a principal portion and interest (both presented within financing activities) in the consolidated statement of cash flows.

Lease payments under (i) are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's estimated incremental borrowing rate. The finance expense is charged to the Consolidated Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Additionally under IFRS 16, right-of-use assets are tested for impairment in accordance with *IAS 36 Impairment of Assets.* This replaces the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets the Group has opted to recognise a lease expense on a straight-line basis as permitted by the Standard. This expense is presented within other expenses in the consolidated statement of profit or loss.

Where lease-related expenses are directly attributable to the cost of development of the Group's proprietary software (as further detailed in Note 18), such expenses are capitalised in accordance with the Group's accounting policy relating to such development expenditure.

Foreign currencies

The individual financial statements of each Group company are prepared in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in US Dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period where it approximates the rates on the dates of the underlying transactions. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based payments in respect of options granted under a share option plan for senior employees dated 15 January 2019 (the "Plan") and certain options issued at the time of the Company's IPO. Under the terms of both the Plan and the options issued at IPO, the Group is able to make equity-settled share-based payments to certain employees and a Director by way of issue of options over ordinary shares. Such equity-settled share-based payments are measured at fair value at the date of grant. This fair value is determined as at the grant date of the options and is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of options that will eventually vest. A corresponding amount is credited to equity reserves.

Fair value is measured by use of a Black-Scholes model and key inputs to that model have been assessed as follows:

- expected volatility was based upon historical volatility and applied over the expected life of the schemes;
- expected life was based upon historical data and was adjusted based on management's best estimates for the effects of non-transferability, exercise restrictions and behavioural considerations; and
- risk-free rate was taken as the two-, three- and 4-year UK gilt yields as appropriate for the expected life of the options concerned.

Proceeds received on exercise of share options and warrants are credited to share capital (in respect of nominal value) and share premium account (in respect of the excess over nominal value). Cancelled options are accounted for as an acceleration of vesting. The unrecognised grant date fair value is recognised in the consolidated statement of comprehensive income in the year that the options are cancelled.

Where share-based payment expenses are directly attributable to the cost of development of the Group's proprietary software (as further detailed in Note 18), such expenses are capitalised in accordance with the Group's accounting policy relating to such development expenditure.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Any tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement 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 date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are provided in full, with no discounting, for all taxable temporary differences; deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. 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 income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) 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 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 assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Intangible assets

Development expenditure

Expenditure on the development of the Group's proprietary enterprise software where it meets certain criteria (given below), is capitalised and subsequently amortised on a straight-line basis over its useful life. Where no internally generated intangible asset can be recognised, development expenditure is written-off in the period in which it is incurred.

An asset is recognised only if all of the following conditions are met:

- the product is technically feasible and marketable;
- the Group has adequate resources to complete the development of the product;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Development expenditure is amortised on a straight-line basis over 4 years, such amortisation being charged to profit or loss. Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Patents and licenses

The costs incurred in purchasing licenses and establishing patents are measured at cost, net of any amortisation and any provision for impairment. asset, less its estimated residual value, over the useful economic life of that asset as follows:

Intellectual property/patents	over 10 years on a straight-line basis
Licenses	over 5 years on a straight-line basis

Customer relationships

Customer relationships acquired are recognised as intangible assets at their fair values (see note 18). Customer relationships are amortised on a straight-line basis over 10 years.

Impairment of tangible and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Any impairment loss is recognised as an expense through profit and loss.

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Depreciation is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line basis to write off the depreciable

amount of the assets net of the estimated residual values over their estimated useful lives as follows:

Computer equipment	over 3 years on a straight-line basis
Leasehold improvements	over 5 years on a straight-line basis
Office equipment	over 5 years on a straight-line basis
Vehicles	over 8 years on a straight-line basis

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Financial assets

Financial assets are recognised on the consolidated statement of financial position when the Group has become a party to the contractual provisions of the instrument. The Group's financial assets consist of cash, loans, deposits, and receivables and contract assets. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group has reviewed its business model for its financial assets and has concluded that they are held for collecting contractual associated cash flows. Under IFRS 9 receivables and contract assets (other than those which contain a significant financing component) are initially recognised at fair value and will subsequently be measured at amortised cost.

The Group recognises lifetime expected credit losses ("ECL") for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast conditions at the reporting date, including time value of money where appropriate.

Trade and other receivables and contract assets

These assets arise principally from the provision of sales of software and services and support and maintenance to customers in the ordinary course of business. They are generally due for settlement between 30 and 90 days and therefore are generally classified as current other than where the terms of the contract provide for payment over an extended period of time (in which case the relevant element of the receivable is classified as current and the balance is classified as non-current, net of an allowance for the time value of money). The timing of revenue recognition, invoicing and cash collections results in both invoiced accounts receivable and uninvoiced receivables, as well as contract assets. Invoicing may be implemented (depending on the contract with the end customer) according to usage or upon achievement of contractual milestones.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less provision for impairment.

Contract assets represent amounts relating to revenue recognised at the date of the statement of financial position but not yet due or invoiceable under the terms of the contract. These arise most typically for the Group either in (i) licenses of software where the consideration is structured as an upfront payment followed by a series of additional payments, which may comprise fixed sums or fixed sums plus sums relating to some measure of (for example) sales made by the purchaser of the license; or (ii) licenses of software where payment for the aggregate consideration may be structured such that the initial consideration does not fully reflect the SSP of the license.

Such payments may extend over several years. Under IFRS 15, if the contract is a "right to use" contract, then the upfront and fixed payments are recognised on transfer of the license at their aggregate present value

using an imputed cost of funds.

Impairment provisions for current and non-current trade receivables and contract assets are recognised based on the simplified approach within IFRS 9 using a provision matrix for the determination of lifetime expected credit losses, which assesses the probability of the non-payment of the trade receivables, which probability is multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. In the absence of any historic credit losses and the expectation of no specific losses in the foreseeable future, the Directors assessed a hypothetical likely default amount by applying a percentage "probability of default" to the receivables balance, such probability being related to the underlying credit rating of the customer or country of origin. Trade receivables and contract assets are reported net, with such provisions recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and – for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement.

Financial liabilities and equity instruments

Equity and debt instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. The Group's financial liabilities include trade and other payables and borrowings which are measured at amortised cost using the effective interest rate method. Financial liabilities are recognised on the consolidated statement of financial position when the Group has become a party to the contractual provisions of the instrument.

An equity instrument is any contract which evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group, such as share capital and share premium, are recognised at the proceeds received net of direct issue costs.

Borrowings

Interest-bearing loans are recorded initially at fair value, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Segmental information

For management purposes, the Group's activities are principally related to the provision of data analytics services to customers, and all other activities performed by the Pelatro Group are solely to support its primary revenue generation activities. All the processes are primarily subject to the same risks and returns and the Directors therefore consider that there are no identifiable business segments that are subject to risks and returns different to the core business. As such, internal reporting provided to the chief operating decision-maker ("CODM"), which has been determined to be the Board of Directors), for making decisions about resource allocations and performance assessment relates to the consolidated operating results of the Pelatro Group.

Accordingly, the Directors have determined that there is

only one reportable segment under IFRS 8 and the financial information therefore presents entity-wide information. The results and assets for this segment can be determined by reference to the statement of comprehensive income and statement of financial position.

The Pelatro Group primarily serves customers in south and south-east Asia and Africa, with a developing presence in Europe.

Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Company or the Group. They are material items of income or expense that have been shown separately due to their nature.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial information in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. However, the nature of estimation means that actual outcomes could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions and critical accounting judgements concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Revenue

Revenue and the associated profit are recognised from sale of software licences, rendering of services, and maintenance and support. When software licences are sold, the Board must exercise judgement as to when the appropriate point in time has passed at which all performance obligations for that software licence have been performed, at which point revenue in relation to the stand-alone sales price of the software licence is recognised. In many cases performance obligations do not simply follow the commercial and contractual arrangement agreed with the customer, in some cases the revenue streams are combined within an overall commercial arrangement. Such combined circumstances require judgement to assess performance obligations associated with each revenue stream and further judgement as to when and how such performance obligations have been discharged in order to recognise the associated revenue. Furthermore, agreements with customers may include multiple performance obligations. Determination of the appropriate revenue recognition is therefore considered a critical judgement. The critical judgement includes, but is not limited to, assessment as to whether a performance obligation has been satisfied and allocation of revenue where such agreements involve more than one performance obligation. Assessment of performance obligations also involves determining whether a set of contractual obligations represent distinct performance obligations or whether they are highly dependent on, or highly interrelated with one another, and hence fall to be treated as one single performance obligation under IFRS 15.

A number of contracts entered into by the Group during the year are recognised for revenue in a manner which differs materially from the contractual terms; in certain cases this resulted in revenue being recognised earlier than contractually due; in others it deferred revenue after the date at which it was contractually due. The effect of this is shown in Note 5.

Business combinations and related intangible assets

Business combinations may result in acquired technology assets and customer relationships being recognised as separable intangible assets at their fair value at the date of acquisition. These are valued using discounted cash flow methodology, taking into account a number of key assumptions such as retention and net income. In applying this methodology, certain key judgements and estimates are required to be made in respect of future cash flows together with an appropriate discount factor for the purpose of determining the present value of those cash flows. The key sources of estimation uncertainty with respect to customer relationships are the future retention rate and the income per customer generated from those customers; the key sources of estimation uncertainty with respect to technology assets are the merits of the software in comparison to other similar products which may be available (and hence the Group's ability to valorise it by onward sale to customers) and its likely useful economic life.

Accounting for acquisition-related contingent consider-ation is based on estimates of future performance of the acquired business over the contractual earn-out period, as measured against the contractually agreed performance targets. If the future results of these businesses differ from the forecasts used for these calculations, there may be a material change in the value of these deferred liabilities which would be recorded in the consolidated statement of profit and loss.

Management judgement is also required in assessing the useful economic lives of these assets for the purposes of amortisation. Note 18 gives further details of the assumptions used.

Capitalised development costs

Development costs are accounted for in accordance with IAS 38 Intangible Assets, and costs that meet the qualifying criteria are capitalised and systematically amortised over the useful economic life of the intangible asset. Determining whether development costs qualify for capitalisation as intangible assets requires judgement, including assessments of the nature of the work underlying the costs carried out by relevant employees, estimates of the technical and commercial viability of the asset created, and its applicable useful economic life. These estimates are continually reviewed and updated based on past experience and reviews of competitor products available in the market.

Trade and other receivables

Management judgement is required in considering the recoverability of debts and in the estimation of expected credit losses which may be incurred. Further information is provided in note 21.

Impairment reviews

The Group uses long-term forecasts of cash flow and estimates of future growth both to value acquired intangible assets and goodwill and to assess whether goodwill or intangible assets are impaired, and to determine the useful economic lives of its intangible assets. If the results of operations in a future period are adverse to the estimates used, an impairment may be triggered at that point, or a reduction in useful economic life may be required. The Group assesses the carrying value of goodwill annually, and intangible assets whenever there is an indication of impairment: identifying indicators of impairment requires judgements to be made as to the prospects and value drivers of the individual assets, and hence an estimation of the level of future growth, cash flows as well as an appropriate discount rate to support their carrying value.

Going concern

The Group uses medium-term forecasts of cash flow and estimates of future growth, alongside the judgements referred to above with regard to trade and other receivables, to assess whether the preparation of the financial statements on a going concern basis is appropriate. Management judgement is therefore required in assessing the appropriateness of these

forecasts and estimates, particularly in the light of current uncertainty caused by the COVID-19 pandemic. Further information on this is given in Note 3 and in the section on "Principal risks and uncertainties".

5. REVENUE AND SEGMENTAL ANALYSIS

The Directors consider that the Group has a single business segment, being the sale of information management software and related services to providers of telecommunication services (“telcos”). The operations of the Group are managed centrally with Group-wide functions covering sales and marketing, development, professional services, customer support and finance and administration.

An analysis of revenue by product or service and by geography is given below.

Revenue by type

The Group has five principal revenue models, being:

1. contracts based on the sale of perpetual licenses for use of the Group's proprietary enterprise software.
2. contracts for the use of the Group's software on a regular (usually monthly) basis, which may also provide for Group employees to provide related services the customer (“managed services”) and/or for the Group to take a share of the revenue gain achieved through use of the software.
3. provision of specific customer-requested modifications to Group software ("change requests”).
4. provision of maintenance and support of the software.
5. provision of consultancy services and/or training relating to the use of the software.

In addition, the Group may, if required by the customer, supply appropriate hardware on which to host the software, either for the account of the customer or (particularly in the case of managed services) retained in the ownership of the Group.

An analysis of revenue by type is as follows:

At 31 December	2019 $'000	2018 $'000
Repeat software sales and services	3,114	2,288
Maintenance and support	1,399	809
Total repeat revenues	**4,513**	**3,097**
Software – new licenses	1,887	2,511
Consulting	258	515
Resale of hardware	9	-
	6,667	**6,123**

Revenue by geography

The Group recognises revenue in seven geographical regions based on the location of customers, as set out in the following table:

At 31 December	2019 $'000	2018 $'000
Caribbean	133	357
Central Asia	256	1,653
Eastern Europe	91	380
North Africa	135	314
South Asia	1,791	819
South East Asia	4,181	2,207
Sub-Saharan Africa	80	393
	6,667	**6,123**

Management makes no allocation of costs, assets or liabilities between these segments since all trading activities are operated as a single business unit.

An analysis of revenue by status of invoicing is as follows:

Year to 31 December	2019 $'000	2018 $'000
(i) Revenue invoiced to customers under contractual terms	2,619	3,694
(ii) Revenue recognised under terms of contract but unbilled at period end (“UBR”)	3,947	2,325
(iii) Net revenue recognised other than (ii)	144	191
Less: revenue recognised or to be recognised as interest under IFRS 15	(43)	(87)
Total revenue recognised in the year	**6,667**	**6,123**

Customer concentration

The Group has 4 customers representing individually over 10% of revenue each and in aggregate approximately 67% of total revenue at $4.48m (2018: two such customers, in aggregate approximately 48% of revenue at $2.91m). The 4 customers accounted for revenue of $2.02m, $0.82m, $0.81m and $0.79m respectively (2018: $1.65m and $1.26m).

Revenue recognition

License revenue

As explained in Note 2, the Group recognises revenue from the sale of licenses and the implementation of the software so licensed separately, as the two activities represent distinct performance obligations. However, as implementation to date has always been carried out by Group personnel and is usually viewed by the customer as an integral part of the license purchase, the two activities are reported as one.

Irrespective of the split between license and implementation recognition, some contracts provide for fixed payments to be made by customers (usually monthly) over a given term (e.g. three or five years). Under IFRS 15, in order to reflect the time value of money, such contracts have been recognised as the capitalised value of the income stream plus interest accruing for the year on the credit deemed to be extended to the customer (on a reducing balance basis). For the financial year 2019 this figure amounts to license revenue of $0.45m and related interest income of $7,000 (2018: $0.13m and $2,000).

PCS

Ancillary to a license sale, the Group typically provides five years of PCS but does not charge for the first year; similarly in certain contracts the Group may provide PCS at other than a standalone selling price ("SSP"). For revenue recognition purposes this is treated as income accruing over the full term of the service provision (whether paid or otherwise) and, as far as is estimable, at a deemed market rate (i.e. the SSP). Accordingly, the financial statements reflect adjustments to income (i) to accelerate the recognition of revenue for initial years for which no contractual payment is due; and (ii) to accelerate or defer the recognition of revenue in cases where the contractual PCS charge is lower (or higher) than a market rate (the difference being netted off or added to the revenue recognised in respect of the license fee). For the financial year 2019 revenue therefore includes (i) an amount of $104,000 representing revenue from PCS recognised ahead of its contractually due dates (2018: $141,000), and (ii) an amount of $248,000 (2018: $80,000) representing revenue netted off license income and allocated to PCS.

Remaining performance obligations

There are certain software support, professional service, maintenance and licences contracts that have been entered into for which both:

- the original contract period was greater than 12 months; and
- the Group's right to consideration does not correspond directly with performance.

The amount of revenue that will be recognised in future periods on these contracts when those remaining performance obligations will be satisfied is shown below.

Year to 31 December	2020 $'000	2021 $'000	2022-5 $'000
Revenue expected to be recognised on software and service contracts	595	461	522

Comparative figures for the year ended 31 December 2018 were as follows:

Year to 31 December	2019 $'000	2020 $'000	2021-4 $'000
Revenue expected to be recognised on software and service contracts	419	420	476

Costs of obtaining and fulfilling contracts of $9,000 have been recorded in 2019 (2018: nil).

Non-current assets

Information about the Group's non-current assets by location of assets is as follows:

At 31 December	2019 $'000	2018 $'000
Singapore	3,825	1,933
UK	7,835	8,300
India	834	376
	12,494	**10,609**

Non-current assets comprise intangible assets, goodwill, deferred tax assets, plant, property and equipment, and long-term contract assets and trade receivables.

6. OPERATING EXPENSES

Profit for the year has been arrived at after charging:

	2019 $'000	2018 $'000
Amortisation of intangible non-current assets	1,726	843
Depreciation of tangible non-current assets	189	47
Staff costs (see note 9)	1,503	582
Auditor's remuneration (see note 8)	41	45
Short-term lease expenses	23	24
Realised foreign exchange (gains)/losses	(14)	(69)

Financial effect of initial application of IFRS 16

The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the current period. As noted above, where lease-related expenses are directly attributable to the cost of development of the Group's proprietary software such expenses are capitalised in accordance with the Group's accounting policy relating to such development expenditure. The amounts shown in this note are gross of such capitalisation unless otherwise noted.

The Group has adopted the modified retrospective approach to the application of IFRS 16 and accordingly the prior year is not restated and hence there is no effect shown.

Impact on profit/(loss) for the period

Year to 31 December	2019 $'000
(Increase) in depreciation	(173)
(Increase) in finance costs	(40)
Decrease in administrative expenses	210
Effects of foreign exchange	1
(Decrease) in profit for the period	**(2)**

Certain lease expenses are deemed to be directly attributable overheads for the purposes of capitalising relevant expenditure on developing intangible assets (see Note 18); accordingly, under IFRS 16 the corresponding depreciation and interest expense is capitalised instead. Figures above are shown gross before capitalisation.

Impact on earnings per share for the period

The impact on earnings per share is too small to be reflected in disclosure to the nearest 0.1c.

Impact on consolidated statement of cash flows

The application of IFRS 16 has an impact on the consolidated statement of cash flows of the Group as under the Standard lessees must present:

- Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities (such payments have no material effect on these financial statements);
- Cash paid for the interest portion of lease liabilities as part of financing activities; and
- Cash payments for the repayment of the principal portions of leases liabilities as part of financing activities.

Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, for the year ended 31 December 2019, the net cash generated by operating activities has increased by $210,000 and net cash used in financing activities increased by the same amount.

Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. All of the extension and termination options held are exercisable only by the Group and not by the respective lessor. In determining the lease term, management considers all facts and

circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For lease liabilities on balance sheet at 31 December 2019 the Group has used a weighted average interest rate of 9.6% in relation to INR liabilities, 9.7% in relation to RUB liabilities and 2.7% in respect of GBP liabilities.

7. NON-GAAP PROFIT MEASURES AND EXCEPTIONAL ITEMS

Reconciliation of operating profit to adjusted earnings before interest, taxation, depreciation and amortisation ("EBITDA")

Year to 31 December	2019 $'000	2018 $'000
Operating profit	**1,118**	**2,551**
Adjusted for:		
Amortisation and depreciation	1,915	889
Revenue recognised as interest under IFRS 15	43	26
Exceptional items:		
- acquisition expenses	-	310
- gain on adjustment of contingent liability	(236)	-
Expensed share-based payments	52	-
Adjusted EBITDA	**2,892**	**3,776**

The criteria for adjusting operating income or expenses in the calculation of adjusted EBITDA are that they are material and either (i) arise from an irregular and significant event or (ii) are such that the income/cost is recognised in a pattern that is unrelated to the resulting operational performance. Materiality is defined as an amount which, to a user, would influence decision-making based on, and understandability of, the financial statements.

Exceptional items are treated as exceptional by reason of their nature and are excluded from the calculation of adjusted EBITDA (and adjusted earnings per share below) to allow a better understanding of comparable year-on-year trading and thereby an assessment of the underlying trends in the Group's financial performance. These measures also provide consistency with the . Group's internal management reporting. Exceptional items in 2019 comprise the gain on the adjustment of contingent liabilities relating to the potential earnout payment in respect of the Danateq Acquisition (see Note 26). Exceptional items in 2018 comprise legal and other costs relating to the Danateq Acquisition.

Adjustment for share-based payment expense is made because, once the cost has been calculated for a given grant of options, the Directors cannot influence the share-based payment charge incurred in subsequent years relating to that grant; also the value of the share option to the employee differs considerably in value and timing from the actual cash cost to the Group.

Elements of depreciation on right-to-use assets recognised under IFRS 16 and share-based payment expense are deemed to be directly attributable overheads for the purposes of capitalising relevant expenditure on developing intangible assets (see Note 18). The figures above are shown net of amounts so capitalised.

The calculation of adjusted earnings per share is shown in Note 15.

8. AUDITOR'S REMUNERATION

Year to 31 December	2019 $'000	2018 $'000
Charged in the financial year:		
Audit of the financial statements of Pelatro Plc	41	42
Amounts receivable by auditor in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	-	-
Tax compliance	3	3
	44	**45**

9. STAFF COSTS

Year to 31 December	2019 $'000	2018 $'000
Wages and salaries	3,495	1,975
Social security contributions	65	40
Less: amounts capitalised as intangible assets	(2,057)	(1,433)
	1,503	**582**

The average number of persons employed by the Company during the period was:

Year to 31 December	2019	2018
Sales	4	2
Software development	88	70
Support	40	18
Marketing	3	2
Administration	15	13
	150	**105**

10. DIRECTORS' REMUNERATION AND TRANSACTIONS

The Directors' emoluments in the year ended 31 December 2019 were:

	Basic salary 2019 $'000	Bonus 2019 $'000	Benefits in kind 2019 $'000	Share-based payments 2019 $'000	Pension 2019 $'000	Total 2019 $'000	Total 2018 $'000
Executive Directors							
S. Menon	189	49	24	-	-	262	223
S. Yezhuvath	189	49	15	-	-	253	210
N. Hellyer	85	-	17	7	2	111	80
Non-Executive Directors							
R. Day	70	-	-	-	2	72	53
P. Verkade	38	-	-	-	-	38	30
	571	**98**	**56**	**7**	**4**	**736**	**596**

The remuneration of the executive Directors is decided by the Remuneration Committee. Save as disclosed above no Director had a material interest in any contract of significance with the Group in either year.

11. SHARE-BASED PAYMENTS

In addition to the 50,000 options granted to a director at the time of the IPO, the Group introduced a share option plan for senior employees on 15 January 2019 (the "Plan"). Each share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option and the Company has no legal obligation to repurchase or settle the options in cash. The options carry neither rights to dividends nor voting rights prior to the date on which the options are exercised. Options may be exercised at any time from the date of vesting to the date of expiry.

A charge of $52,000 (net of amounts capitalised of $48,000) (2018: nil) has been recognised during the year for share-based payments over the vesting period. This share-based payment expense comprises the charge in the current period relating to the expensing of the fair value of (a) the 1,640,000 options granted under the Plan and (b) the 50,000 options issued at the time of the Company's IPO. The options issued under the terms of the Plan were granted with an

exercise price of 73p, vesting in tranches as follows: 25% after one year, 25% after two years and 50% after three years. There are no conditions attaching to the vesting of the options other than continued employment. Of this amount, $45,000 net (2018: nil) relates to costs of share options issued to subsidiary employees.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	No. of options		Average exercise price	
	2019	2018	2019	2018
Outstanding at the beginning of the year	50,000	50,000	62.5p	62.5p
Granted during the year	1,640,000	-	-	-
Forfeited/cancelled during the year	(91,500)	-	73.0p	-
Exchanged for shares	-	-	-	-
Outstanding at the end of the year	**1,598,500**	**50,000**	**72.7p**	**62.5p**

The fair values of the share options issued in the year was derived using a Black Scholes model. The following key assumptions were used in the calculations:

Grant date	17 January 2019
Exercise price	73p
Share price at grant date	73p
Risk free rate	0.86 - 0.92%
Volatility	35%
Expected life	4.5 - 5.5 years
Fair Value	**19.0 - 20.8p**

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. The share price per share at 31 December 2019 was £0.705 (31 December 2018: £0.710) and hence no deferred tax is provided in respect of the potential exercise of options currently extant.

12. FINANCE INCOME

	2019 $'000	2018 $'000
Interest receivable on interest-bearing deposits	11	10
Notional interest accruing on contracts with a significant financing component	43	23
Total finance income	**54**	**33**

13. FINANCE EXPENSE

	2019 $'000	2018 $'000
Interest and finance charges paid or payable on borrowings	96	62
Interest on lease liabilities under IFRS 16	40	-
Less: amounts capitalised as intangible assets	(19)	-
Acquisition-related financing expense (unwinding of discount on financial liabilities)	47	9
Total finance expense	**164**	**71**

An element of interest on lease liabilities is deemed to be directly attributable overheads for the purposes of capitalising relevant expenditure on developing intangible assets (see Note 18).

14. TAXATION

Tax on profit on ordinary activities

Year to 31 December	2019 $'000	2018 $'000
Current tax		
UK corporation tax charge/(credit) on profit for the current year	(32)	136
Overseas income tax charge/(credit)	286	206
Adjustments in respect of prior periods	(7)	-
	247	**342**
Deferred tax		
(Recognition)/reversal of deferred tax asset	(53)	(8)
Total deferred income tax	**(53)**	**(8)**
Total income tax expense recognised in the year	**194**	**334**

Reconciliation of the total tax charge

The effective tax rate in the income statement for the year is higher than the standard rate of corporation tax in the UK of 19% (2018: lower). A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate is as follows:

Year to 31 December	2019 $'000	2018 $'000
Profit before taxation	**1,009**	**2,513**
Tax at the applicable rate of 19%	192	477
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Fixed asset differences	(113)	(146)
Expenses not deductible for tax purposes and other permanent items	179	120
Income not taxable and other permanent items	(118)	(90)
Movement in fair value of contingent consideration not taxable	(45)	2
Tax exemptions, allowances and rebates	(22)	(27)
Foreign tax credits	109	(30)
Overseas taxation at different rates	51	36
Overseas withholding tax expenses	21	-
Derecognition of deferred tax asset	(53)	(8)
Adjustments recognised in current year tax in respect of prior years	(7)	-
Income tax expense recognised for the current year	**194**	**334**

The tax effect of exchange differences recorded within the Group Statement of Comprehensive Income is a credit of $5,000 (2018: $10,000 charge).

Temporary differences associated with Group investments

At 31 December 2019, there was no recognised deferred tax liability (2018: $nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

Deferred tax

Recognised deferred tax asset	2019 $'000	2018 $'000
At 1 January	10	2
Recognised in profit and loss	53	8
At 31 December	63	10
Comprising:		
Timing differences	8	10
Tax losses	55	-
	63	10

The deferred income tax assets at 31 December 2019 above are expected to be utilised in less than one year. The deferred income tax assets have only been recognised to the extent that it is considered probable that they can be recovered against future taxable profits based on profit forecasts for the foreseeable future.

Factors affecting future tax charges

The Finance Act 2018, which was approved on 15 September 2018, will reduce the UK corporation tax rate by 2% from the current 19% to 17% from 1 April 2020. The Group's recognised and unrecognised deferred tax assets in its Indian subsidiary have been shown at 28%, being the effective rate in that country.

15. EARNINGS

Reported earnings per share

Basic earnings per share ("EPS") amounts are calculated by dividing net profit or loss for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year.

The following reflects the earnings and share data used in the basic earnings per share computations:

Year to 31 December	2019 $'000	2018 $'000
Profit attributable to equity holders of the parent:		
Profit attributable to ordinary equity holders of the parent for basic earnings	814	2,179
Weighted number of ordinary shares in issue	32,532,431	27,375,741
Basic earnings per share attributable to shareholders	**2.5¢**	**8.0¢**

Adjusted earnings per share

Adjusted earnings per share is calculated as follows:

Year to 31 December	2019 $'000	2018 $'000
Profit attributable to ordinary equity holders of the parent for basic earnings	814	2,179
Adjusting items:		
- exceptional items (see note 7)	(236)	310
- share-based payments	52	-
- finance expense on liabilities relating to contingent consideration	47	9
- amortisation of acquisition-related intangibles	686	286
- prior year adjustments to tax charge	(7)	7
Adjusted earnings attributable to owners of the Parent	1,356	2,791
Weighted number of ordinary shares in issue	32,532,431	27,375,741
Adjusted earnings per share attributable to shareholders	**4.2¢**	**10.2¢**

The criteria for inclusion of adjusting items in the calculation of adjusted EPS are the same as those relating to the calculation of adjusted EBITDA as set out in Note 7. Additionally, finance expense on liabilities relating to contingent consideration are non-cash costs reflecting the time value of money in arriving at the fair value of such liabilities and the effluxion of time over the period for which they are outstanding; and amortisation of acquisition-related intangibles relates to the amortisation of intangible assets in respect of customer relationships and brands which are recognised on a business combination and are non-cash in nature.

16. DIVIDENDS PAID AND PROPOSED

No dividends were declared or paid during the year and no dividends will be proposed for approval at the AGM (2018: none).

17. GROUP INVESTMENTS

The Company has investments in the following subsidiary undertakings, which contribute to the net assets of the Group:

Subsidiary undertakings	Country of incorporation and operation	Registered office	Principal activity	Description and proportion of shares held by the Company
Pelatro LLC	USA	110 Summit Avenue Montvale, NJ 07645, USA	Sales	100% of members' capital
Pelatro Pte Limited	Singapore	One Raffles Place, #10-62, Tower 2, Singapore 048616	Ownership of IP; operation of branch in Russia	100% ordinary shares
Pelatro Solutions Private Limited	India	403, 7th A Main, HRBR Layout, Bangalore 560043, India	Research, development and support	100% ordinary shares
Pelatro Sdn Bhd	Malaysia	Suite 21.02, Level 21, Centerpoint South, Mid Valley City, Lingakaran Syed Putra, 59200 Kuala Lumpur W.P., Kuala Lumpur, Malaysia	Employment of Malaysian national	100% ordinary shares

18. INTANGIBLE ASSETS

Intangible assets comprise capitalised development costs (in relation to internally generated software and software acquired through business combinations), software acquired from third parties for use in the business, patents, customer relationships and goodwill.

An analysis of goodwill and other intangible assets is as follows:

Financial year 2019	Development costs	Third party software	Patents	Customer relationships	Goodwill	Total
	$'000	$'000	$'000	$'000	$'000	**$'000**
Cost						
At 1 January 2019	4,144	98	-	6,862	745	**11,849**
Additions	2,247	12	23	-	-	**2,282**
Fair value adjustment	-	-	-	-	(275)	**(275)**
Foreign exchange	-	(2)	-	-	-	**(2)**
At 31 December 2019	**6,391**	**108**	**23**	**6,862**	**470**	**13,854**

Amortisation or impairment						
At 1 January 2019	(935)	(19)	-	(286)	-	**(1,240)**
Charge for the year	(1,022)	(18)	-	(686)	-	**(1,726)**
Foreign exchange	-	3	-	-	-	**3**
At 31 December 2019	**(1,957)**	**(34)**	**-**	**(972)**	**-**	**(2,963)**
Net carrying amount						
At 31 December 2019	**4,434**	**74**	**23**	**5,890**	**470**	**10,891**
At 1 January 2019	**3,209**	**79**	**-**	**6,576**	**745**	**10,609**

The Company and the Danateq Group entered into a sale and purchase agreement ("SPA") on 30 July 2018 to acquire certain assets of Danateq Pte and Danateq Limited. Further consideration for the Danateq Acquisition of up to $5,000,000 was contingent on the achievement of certain revenue targets ("pipeline revenue") in the two years following the acquisition. On acquisition these liabilities were provisionally assessed at an aggregate fair value of $1.43m (as discounted to the present value at the time of acquisition) based on a probability-weighted analysis of revenue expectations at the time and hence the likely outturn payments; this valuation was unchanged at end of the first measurement period (i.e. as at 31 December 2018) other than as due to the finance expense relating to the unwinding of the time-value discount.

At the end of the 6 months to 30 June 2019 the Directors reassessed this fair value due to the deferral of certain potential pipeline revenue from the first year relevant to earnout calculation to the second; the reassessed value was $1.19m and the difference of $275,000 (gross of finance expense) reflecting the net of (i) the derecognition of the then short-term liability in respect of the first year earnout and (ii) a corresponding increase to the then long-term liability in respect of the second. The difference thus arising during the measurement period was credited to goodwill arising on acquisition.

Financial year 2018	**Development costs**	**Third party software**	**Patents**	**Customer relationships**	**Goodwill**	**Total**
	$'000	$'000	$'000	$'000	$'000	**$'000**
Cost						
At 1 January 2018	1,290	32	-	-	287	**1,609**
Additions	1,604	69	-	-	-	**1,673**
Fair value adjustment	-	-	-	-	140	**140**
Created as part of a business combination	-	-	-	-	318	**318**
Acquired as part of a business combination	1,250	-	-	6,862	-	**8,112**
Foreign exchange	-	(3)	-	-	-	**(3)**
At 31 December 2018	**4,144**	**98**	**-**	**6,862**	**745**	**11,849**

Amortisation or impairment						
At 1 January 2018	(382)	(16)	-	-	-	**(398)**
Acquired as part of a business combination	-	-	-	-	-	**-**
Charge for the year	(553)	(4)	-	(286)	-	**(843)**
Foreign exchange	-	1	-	-	-	**1**
At 31 December 2018	**(935)**	**(19)**	**-**	**(286)**	**-**	**(1,240)**
Net carrying amount						
At 31 December 2018	**3,209**	**79**	**-**	**6,576**	**745**	**10,609**
At 1 January 2018	**908**	**16**	**-**	**-**	**287**	**1,211**

In 2018, further evidence was obtained in respect of the eligibility of certain tax losses giving rise to a deferred tax asset of $118,000 that was recognised as part of fair value determined at the time of the acquisition of PSPL, at which time it was considered that these tax losses were unavailable for use. As this reassessment related to the conditions existing at the date of acquisition and was obtained within one year of the acquisition date, IFRS 3 allows for the acquisition accounting to be revised. Consequently, the deferred tax asset was derecognised (and a similar adjustment made in respect of an amount of $22,000 relating to current tax liabilities acquired) and a corresponding increase was made to goodwill.

Development costs

Development costs comprise capitalised staff costs (and allocable related direct costs, including depreciation and interest charges relating to property leases held by the Group and accounted for under IFRS 16) associated with the development of new products and services which will be saleable to more than one customer.

Software

Software assets represent purchased licences and distribution rights for third party software which are capitalised at cost and amortised on a straight-line basis over the relevant estimated useful life.

Patents

Patent costs represent the capitalised value of work undertaken (either internally or externally by appropriate legal or other consultants) to develop and protect patents, know-how and other similar assets.

Customer relationships

Customer relationships as stated were acquired as part of a business combination.

Goodwill

Goodwill arose on the acquisition of (i) the Danateq Assets and (ii) PSPL. It is assessed as having an indefinite life but the Group tests whether goodwill has suffered any impairment on an annual basis.

Danateq

The Danateq Acquisition in 2018 comprised various contracts and customer relationships, certain enterprise software and the related workforce. Given the opportunity to leverage this expertise across Pelatro's existing business and the ability to exploit the Group's thus enlarged customer base, the fair value of the Danateq assets acquired was deemed to be greater than the assessed book value of the assets as recognised in the financial statements of Pelatro, thus leading to the recognition of an amount of goodwill. The amount recognised on acquisition was subsequently reduced because of a derecognition of part of the contingent liability recognised in relation to potential further payments to the vendors of the business, leaving an amount of $43,000 of goodwill recognised at the year end in respect of those assets.

Given that the software acquired has been subsumed into the Group's mViva product suite, the contracts acquired have been transitioned onto and/or are being fulfilled (for example in the case of the Telenor framework agreement) by the mViva product, and the workforce are employed by a branch of Pelatro in Singapore and work across the product suite, the former Danateq cash-generating unit ("CGU") no longer has a separable identity. The goodwill relating to this former CGU was tested for impairment at 31 December 2019 by comparing its carrying value with the recoverable amount, which was determined using a value in use methodology based on discounted cash flow projections, comparing the estimated implicit values of the Group cum and ex the acquisition.

PSPL cash-generating unit

The PSPL CGU comprises the Group's software development and administrative centre in Bangalore which was acquired in December 2017, and whose principal activity is to develop the Group's software and provide administrative support for the rest of the Group. The goodwill relating to this CGU was tested for impairment at 31 December 2019 by comparing the carrying value of the CGU with the recoverable amount. The recoverable amount was determined using a value in use methodology based on discounted cash flow projections. The key assumptions used in the value in use calculations were as follows:

- The operating cash flows for this business for the years to 31 December 2020 and 2021 are taken from the budget approved by the Board which is closely linked with recent historical performance and current expected levels of activity. The operating cash flow budget is most sensitive to the number of employees, particularly the more highly skilled developers, and the related costs of employment; revenue for the CGU is all intra-Group and is thus dependent on other Group companies making third-party sales;

- Growth has been assumed in operating cash flows for the remainder of the value in use such that a consistent post-tax margin is maintained over the calculation period (which is how the business is managed within the Group). Revenue growth after 5 years is forecast at nil% in local currency terms;

- A pre-tax discount rate of approximately 18% has been used (being the Weighted Average Cost of Capital in local currency); and

- The use of cash flow projections over longer than a 5-year period is considered appropriate as the business is expected to continue to support the Group for the period of the projections, the Group has an increasing recurring revenue base and the Group continues to invest in the development of the products via this CGU.

Sensitivity to changes in assumptions

The key assumptions for the value in use calculations are those regarding growth rates, discount rates and expected changes to selling prices and direct costs during the period. Changes in selling prices and direct costs, if any, are based on expectations of future changes in the market. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money. A change in a key assumption in respect to operating cash flows could cause the carrying value of the goodwill to exceed the recoverable amount, resulting in an impairment charge. The Board is confident that the assumptions in respect of operating cash flows remain appropriate.

The Group has conducted sensitivity analysis on the impairment test of the goodwill's carrying value which reflects the risk profile of the Danateq and PSPL CGUs. The Group believes that there are no reasonably possible changes to the key assumptions in the next year which would result in the carrying amount of goodwill exceeding the recoverable amount. This view is based upon inherently judgemental assumptions; however, it takes account of the headroom in the Value-in-Use calculation versus the current carrying value.

Conclusion

The Directors have concluded that, based on the above, recoverable value exceeds the carrying value of the goodwill at 31 December 2019.

19. TANGIBLE ASSETS

Financial year 2019	Leasehold improvements $'000	Computer equipment $'000	Office equipment $'000	Vehicles $'000	Total **$'000**
Cost					
At 1 January 2019	49	93	30	264	**436**
Additions	63	106	31	56	**256**
Foreign exchange differences	(3)	(2)	(2)	(8)	**(15)**
At 31 December 2019	**109**	**197**	**59**	**312**	**677**
Depreciation					
At 1 January 2019	-	(46)	(2)	(26)	**(74)**
Charge for the year	(7)	(44)	(8)	(34)	**(93)**
Foreign exchange differences	-	3	1	1	**5**
At 31 December 2019	**(7)**	**(87)**	**(9)**	**(59)**	**(162)**

Net carrying amount					
At 31 December 2019	**102**	**110**	**50**	**253**	**515**
At 1 January 2019	**49**	**47**	**28**	**238**	**362**

Financial year 2018	Leasehold improvements $'000	Computer equipment $'000	Office equipment $'000	Vehicles $'000	Total $'000
Cost					
At 1 January 2018	-	56	4	-	**60**
Additions	49	44	23	270	**386**
Foreign exchange differences	-	(7)	3	(6)	**(10)**
At 31 December 2018	**49**	**93**	**30**	**264**	**436**
Depreciation					
At 1 January 2018	-	(29)	(1)	-	**(30)**
Charge for the year	-	(20)	-	(27)	**(47)**
Foreign exchange differences	-	3	(1)	1	**3**
At 31 December 2018	**-**	**(46)**	**(2)**	**(26)**	**(74)**
Net carrying amount					
At 31 December 2018	**49**	**47**	**28**	**238**	**362**
At 1 January 2018	**-**	**27**	**3**	**-**	**30**

20. RIGHT-OF-USE ASSETS

As disclosed further in Note 2, the Group has adopted IFRS 16 in the year. The following sets out the Impact on assets, liabilities and equity as at 1 January 2019 (the corresponding impact on profit and loss is set out in Note 6):

	As previously reported $'000	IFRS 16 adjustments $'000	As restated $'000
Right-of-use assets	-	346	346
Net impact on total assets	**-**	**346**	**346**
Lease liabilities	-	(397)	(397)
Net impact on total liabilities	**-**	**(397)**	**(397)**

Retained earnings	-	51	51
Net impact on total liabilities and equity	**-**	**346**	**346**

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Right-of-use assets comprise leases over office buildings and vehicles as follows:

	Office buildings	Vehicles	Total
	$'000	$'000	**$'000**
Cost			
At 1 January 2019	-	-	**-**
Effect of change of accounting policy (IFRS 16)	557	-	**557**
Additions in the period	139	30	**169**
Effects of foreign exchange movements	(6)	1	**(5)**
At 31 December 2019	**690**	**31**	**721**
Depreciation			
At 1 January 2019	-	-	**-**
Effect of change of accounting policy	(212)	-	**(212)**
Charge for the period	(160)	(13)	**(173)**
Effects of foreign exchange movements	4	(1)	**3**
At 31 December 2019	**(368)**	**(14)**	**(382)**
Net carrying amount			
At 31 December 2019	**322**	**17**	**339**
At 1 January 2019	**-**	**-**	**-**

21. TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

The timing of revenue recognition, invoicing and cash collection results in the recognition of the following assets on the Consolidated Statement of Financial Position:

(i) invoiced accounts receivable;

(ii) accounts invoiceable but uninvoiced at the period end (i.e. "unbilled revenue" or UBR) (collectively with (i) recognised as "trade receivables"); and

(iii) amounts relating to revenue recognised at the date of the statement of financial position but not invoiceable under the terms of the contract ("contract assets").

Aged analysis of trade receivables

At 31 December	Carrying amount $'000	Neither impaired or past due $'000	Past due (in days) but not impaired 61-90 $'000	91-120 $'000	More than 121 $'000
2019					
Trade receivables	5,283	4,883	-	-	400
2018					
Trade receivables	3,752	3,250	-	-	502

Contract assets

Due within one year	2019 $'000	2018 $'000
Contract assets at 1 January	72	-
Effect of change of accounting policy	-	-
Contract assets recognised in the period, net of releases to receivables or cash	108	72
Transfer from non-current contract assets	113	-
Contract assets at 31 December	**293**	**72**

Due after one year	2019 $'000	2018 $'000
Contract assets at 1 January	312	-
Effect of change of accounting policy	-	119
Contract assets recognised in the period	320	193
Transfer to current contract assets	(113)	-
Contract assets at 31 December	**519**	**312**

Trade terms, credit risk and impairments

The Group's exposure to credit risk equates to the carrying value of cash held on deposit and trade and other receivables and contract assets. The Group's credit risk is primarily attributable to trade receivables and contract assets, and management has a credit policy in place to ensure exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers as deemed necessary based on, inter alia, the nature of the prospect and size of order.

Unless specific agreement has been reached with individual customers, sales invoices are typically due for payment between 60 and 90 days after the date of the invoice; where customers delay making payment, an assessment of the potential loss of customer goodwill arising from the enforcement of contractual payment terms may take place when considering actions to be taken to secure payment. Trade receivables include amounts that are past due at the reporting date for which no specific impairment provision has been recognised as these amounts are still considered to be recoverable. The Group does not require collateral in respect of financial assets.

As outlined in Note 2, the Group recognises impairments under IFRS 9 for relevant classes of assets. The Group thus reviews the amount of expected credit loss associated with its trade receivables based on forward looking estimates that take into account current and forecast credit conditions as opposed to relying on past historical default rates. In the absence of any historic credit losses and the expectation of no specific losses in the foreseeable future, the Directors assess a hypothetical likely default amount by applying a percentage "probability of default" to the receivables balance, such probability being related to the underlying credit rating of the customer or country of origin. Furthermore, taking into account the time value of money when applied to contracts assets (which may unwind over a period of years following their initial recognition), a loss allowance for expected credit losses has been recorded as follows:

	2019 $'000	2018 $'000
Loss allowance at 1 January	-	-
Increase in loss allowance	29	-
Loss allowance at 31 December	**29**	**-**

The largest individual counterparty to a receivable included in trade and other receivables at 31 December 2019 was $1,067,000 (of which some $1,022,000 related to unbilled revenue) (2018: $884,000). Based on invoiced receivables, the largest individual counterparty owed the Group $210,000 (2018: $449,000). The Group's customers are spread across a broad range of geographies and consequently it is not otherwise exposed to significant concentrations of credit risk on its trade receivables.

Restatement of 2018 Group statement of financial position

Adjustments have been made to the reported 31 December 2018 Group statement of financial position as follows: certain contract assets and trade receivables have been reclassified to non-current assets from current assets better to reflect the nature of the underlying assets. Net assets and profits are unaffected by this adjustment.

22. OTHER ASSETS

At 31 December	2019 $'000	2018 $'000
Prepayments	109	125
Deposits	131	84
Other assets (including withholding tax, GST and VAT refunds)	261	173
Total other assets	**501**	**382**

23. LOANS AND BORROWINGS

Loans and borrowings comprise:

At 31 December	2019 $'000	2018 $'000
Non-current liabilities		
Secured term loans	362	382
	362	**382**
Current liabilities		
Current portion of term loans	79	69
Unsecured borrowings	167	-
	246	**69**
Total loans and borrowings	**608**	**451**

The Group has four term loans, all in its operating subsidiary in India and denominated in INR. Each has an interest rate of 10%; they are repayable over 5 years from their inception, between January and July 2024.

Reconciliation between opening and closing balances for liabilities resulting in financing cash flows

	1 January 2019	Effect of change of accounting policy (IFRS 16) $'000	Non-cash changes – foreign exchange movements $'000	Interest accruals included in cash flow $'000	Transfer from non-current to current $'000	Cash flows - net (repayments) and drawdowns $'000	31 December 2019 $'000
Non-current liabilities							
Secured term loan	382	-	(10)	-	(58)	48	362
Lease liabilities	-	273	(4)	-	(191)	109	187
Current liabilities							
Current portion of secured term loan	69	-	(2)	5	58	(51)	79
Unsecured borrowings	-	-	(2)	-	-	169	167
Lease liabilities	-	124	1	-	191	(111)	205
Total	**451**	**397**	**(17)**	**5**	**-**	**164**	**1,000**

The Directors consider that the carrying amount of borrowings approximates to their fair value.

24. LEASE LIABILITIES

Lease liabilities comprise liabilities arising from the committed and expected payments on leases over office buildings and vehicles.

Amounts due in less than one year	Office buildings $'000	Vehicles $'000	Total $'000
At 1 January 2019	-	-	**-**
Effect of change of accounting policy	124	-	**124**
Leases taken on in the period	43	17	**60**
Repayments of principal	(155)	(16)	**(171)**
Transfer from long-term to short-term	180	11	**191**
Effects of foreign exchange movements	1	-	**1**
At 31 December 2019	**193**	**12**	**205**

Amounts due in more than one year	Office buildings $'000	Vehicles $'000	Total $'000
At 1 January 2019	-	-	**-**
Effect of change of accounting policy	273	-	**273**
Leases taken on in the period	97	12	**109**
Transfer from long-term to short-term	(180)	(11)	**(191)**
Effects of foreign exchange movements	(4)	-	**(4)**
At 31 December 2019	**186**	**1**	**187**

PSPL, the Group's main operating subsidiary, has entered into various leases over office space in Bangalore, including a five-year lease for its main office at 1st Block, HRBR Layout (renewed in February 2020), a lease dated 1 September 2018 for additional office space at 7th Main Road, 2nd Block, HRBR Layout (for an initial term of two years with a rollover option) and a lease dated 1 June 2019 for additional office space at No.7M-406, 7th Main Road, 2nd Block, HRBR Layout, also for an initial term of two years with a rollover option.

25. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

At 31 December	2019 $'000	2018 $'000
Due within a year		
Trade payables	82	118
Other payables and provisions	441	463
Amounts due to related parties	-	28
Total trade and other payables	**523**	**609**

The average credit period taken for trade purchases is between 30 and 60 days. Most suppliers do not charge interest on trade payables for the first 30 days from the date of the invoice. The Group has risk management policies in place to ensure that all payables are paid within the appropriate credit time frame. The Directors consider that the carrying amount of trade payables approximates to their fair value.

"Other payables" principally comprise provisions for taxation liabilities and other costs.

Contract liabilities

Contract liabilities represent consideration received in respect of unsatisfied performance obligations. Changes to the Group's contract liabilities are attributable solely to the satisfaction of performance obligations.

Due within one year	2019 $'000	2018 $'000
Contract liabilities at 1 January	61	-
Effect of change of accounting policy	-	20
Contract liabilities recognised/(released to revenue) in the period	564	1
Transfers from long-term liabilities	40	40
Contract liabilities at 31 December	**665**	**61**

Due after one year	2019 $'000	2018 $'000
Contract liabilities at 1 January	112	-
Effect of change of accounting policy	-	73
Contract liabilities recognised in the period	202	79
Transfers to short-term liabilities	(40)	(40)
Contract liabilities at 31 December	**274**	**112**

Restatement of 2018 Group statement of financial position

Adjustments have been made to the reported 31 December 2018 Group statement of financial position as follows: certain contract liabilities have been reclassified to non-current liabilities from current liabilities, to better reflect the nature of the underlying liabilities. Net assets and profits are unaffected by this adjustment.

26. OTHER FINANCIAL LIABILITIES

As at 31 December	2019 $'000	2018 $'000
Contingent consideration on the acquisition of the Danateq Assets		
- potentially due within one year	948	298
- potentially due after one year	-	1,141
	948	**1,439**

Part of the consideration for the Danateq Acquisition in August 2018 was contingent on the achievement of certain stretch targets for revenue pertaining to the assets acquired ("Danateq Revenue"), payable (if earned) in two tranches in respect of the first year following completion of the acquisition (the "First Year Earnout") and similarly the second (the "Second Year Earnout"). The contingent amount payable under these arrangements was between $nil and $5m, with up to $3m payable in respect of the First Year Earnout and a further $2m in respect of the Second Year Earnout.

On acquisition these liabilities were provisionally assessed at an aggregate fair value of $1.43m (as discounted to the present value at the time of acquisition) based on a probability-weighted analysis of revenue expectations at the time and hence the likely outturn payments; this valuation was unchanged at end of the first measurement period (i.e. as at 31 December 2018) other than as due to the finance expense relating to the unwinding of the time-value discount.

At the end of the 6 months to 30 June 2019 the Directors reassessed this fair value due to the deferral of certain potential Danateq Revenue from the First Year Earnout to the Second Year Earnout; the reassessed value was $1.19m and the difference of $275,000 (gross of finance expense) reflecting (i) the derecognition of the then short-term liability in respect of the First Year Earnout and (ii) a corresponding increase to the then long-term liability in respect of the Second Year Earnout. The difference thus arising during the measurement period was credited to goodwill arising on acquisition.

At the end of the 6 months to 31 December 2019 the Directors further reassessed this fair value based on updated business projections and the likelihood of certain Danateq Revenue thus being either unlikely to be realised or to be deferred into subsequent years which would therefore not fall to be recognised under the terms of the acquisition. The resulting difference of $236,000 (gross of finance expense) arising on the reduction of this liability has been taken as an exceptional gain through profit and loss. The carrying value of this liability will continue to be reassessed at future reporting dates; in any event the liability is expected to be settled in or around October 2020.

27. SHARE CAPITAL AND RESERVES

Share capital and share premium

Ordinary shares of 2.5p each (issued and fully paid)	$'000	Number
At 1 January 2018	801	
Issued for cash during the year	264	
At 31 December 2018	**1,065**	**32,532,431**
Issued for cash during the year	-	
At 31 December 2019	**1,065**	**32,532,431**

On 17 August 2018 the Company issued a further 8,219,179 2.5 pence Ordinary shares at a price of 73.0 pence per share by way of a placing to institutional and other investors to fund the acquisition of the Danateq Assets (the "Placing"). The Company incurred incremental costs totalling $319,000 in respect of the Placing. IAS 32 Financial Instruments: Presentation requires the costs of issuing new shares to be charged against the share premium account. Management reviewed the incremental costs to identify those solely incurred in issuing new shares, those incurred in connection with the entire share capital, and those not associated with issuing new shares. All of the costs relating to the Placing were deemed to relate directly to the issue of new shares and thus resulted in a debit to share premium of $319,000.

Translation reserve

The translation reserve comprises foreign exchange differences arising from the translation of amounts arising other than in the presentation currency of the Group (i.e. US dollars) which are recognised either through Other Comprehensive Income or directly through the reserve.

Merger reserve

The acquisition by Pelatro Plc of Pelatro LLC on 7 September 2017 was accounted for as a reverse asset acquisition. Consequently, the previously recognised book values and assets and liabilities were retained and the consolidated financial information for the period from the date of acquisition has been presented as a continuation of the Pelatro business which was previously wholly owned by Pelatro LLC. The difference between the nominal value of the shares issued pursuant to the above share arrangement and the nominal value of the Pelatro LLC capital at the time of the acquisition was transferred to the merger reserve, together with certain other items relating to investments in subsidiaries.

28. FINANCIAL INSTRUMENTS

Financial risk management

The Group's principal financial instruments are cash, trade receivables, borrowings, trade payables and contingent consideration payable in respect of certain acquisitions. The Group therefore has exposure to certain risks from its use of financial instruments unrelated to the performance of the Group itself. The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance and such risk management is carried out by the Directors.

The Group's activities expose it to certain financial risks: market risk, credit risk and liquidity risk, as explained below:

- Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign currency movements.
- Credit risk is the financial loss to the Group if a customer or counterparty to financial instruments fails to meet a contractual obligation. Credit risk arises from the Group's cash and cash equivalents and receivables balances. Cash is held predominantly with ICICI, an institution with a BAA3 bank deposit credit rating from Moody's, and Kotak Mahindra Bank, which has an A-3 (short term) and BBB- (long term) credit rating from Standard and Poors. The credit quality of customers is assessed by taking into account their financial position, past experience and other factors, and the Group minimises credit risk by dealing exclusively with those customers who it believes have a high credit rating.
- Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. This risk relates to the Group's liquidity risk management and implies maintaining sufficient cash and/or committed borrowing facilities. The Directors monitor rolling forecasts of liquidity, cash and cash equivalents based on expected cash flows.

The capital structure of the Group consists of debt, which includes borrowings as disclosed in note 23, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Group statement of changes in equity. The Group is not subject to any externally imposed capital requirements and the objective when managing capital is to maintain adequate financial flexibility to preserve the ability to meet financial obligations, both current and long term - the resulting capital structure is managed and adjusted to reflect changes in economic conditions and with a view to maximising the return to shareholders through optimisation

of the balance of debt and equity. Financing decisions are made based on forecasts of the expected timing and level of capital and operating expenditure required to meet commitments and development plans. There was no change in the Group's approach to capital management during the financial period under review.

Classification of financial instruments

	Group 2019 $'000	Group 2018 $'000
Financial assets		
Cash	1,101	2,224
Trade receivables (short and long term)	5,514	4,073
Financial liabilities		
Other payables and accruals	441	491
Trade payables	82	118
Short-term borrowings	246	69
Long-term borrowings	362	382
Other financial liabilities - contingent consideration	948	1,439

All trade receivables are due from customers outside the UK.

Foreign currency risk management and sensitivity analysis

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The Group is mainly exposed to the currencies of the UK (Great British Pounds or GBP), the US (US dollars or USD) and India (Indian Rupees or INR), with some exposure to the currencies of Singapore (Singapore Dollars or SGD), Malaysia (Malaysian Ringgits or MYR) and certain states of the European Union (EUR). The Group has minor exposures to the Philippines (Philippine peso or PHP) and of Russia (rouble or RUB). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The following table shows the denomination of the year end cash, cash equivalents and borrowings, and trade receivables and payables balances in the principal currencies disclosed above:

As at 31 December 2019	USD '000	GBP '000	INR '000	SGD '000	EUR '000	MYR '000
Cash and cash equivalents	498	8	41,358	2	2	1
Trade receivables	5,541	-	-	-	-	-
Borrowings	-	-	(43,304)	-	-	-
Trade payables	(26)	(25)	(2,508)	(8)	-	(68)
Net currency exposure	**6,013**	**(17)**	**(4,454)**	**(6)**	**2**	**(67)**

As at 31 December 2018	USD '000	GBP '000	INR '000	SGD '000	EUR '000	MYR '000
Cash and cash equivalents	1,382	277	24,797	26	23	-
Trade receivables	4,138	-	-	-	-	-
Borrowings	-	-	(31,366)	-	-	-
Trade payables	(83)	(28)	-	-	-	-
Net currency exposure	**5,437**	**249**	**(6,569)**	**26**	**23**	**-**

Had the foreign exchange rate between the US dollar and the other Group currencies changed by 5%, this would have affected the profit for the year and the net assets of the Group by $11,000 (2018: $14,000).

Limitations of sensitivity analysis

The sensitivity analysis above demonstrates the effect of a change in one of the key assumptions while other assumptions remain unchanged. In reality, such an occurrence is very unlikely due to correlation between the factors. Furthermore, these sensitivities are non-linear, and larger or smaller impacts cannot easily be derived from the results. The sensitivity analysis does not take into consideration that the Group's assets and liabilities are actively managed and may vary at the time that any actual market movement occurs.

Interest rate risk management and sensitivity analysis

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the year end the Group had no exposure to interest rate risks as all of its borrowings were fixed rate (including the overdraft facility).

Liquidity risk management and interest risk tables

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and borrowing facilities and by continuously monitoring forecast and actual cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows.

As at 31 December 2019	Weighted average effective interest rate	Less than 1 year $'000	2-5 years $'000	More than 5 years $'000	Total $'000
Fixed rate instruments - borrowings	10.0%	246	283	79	608
Total		246	283	79	**608**

As at 31 December 2018	Weighted average effective interest rate	Less than 1 year $'000	2-5 years $'000	More than 5 years $'000	Total $'000
Fixed rate instruments - borrowings	12.5%	69	299	83	**451**
Related party borrowings	nil	28	-	-	**28**
Total		**97**	**299**	**83**	**479**

The related party borrowings in 2018 had no formal terms and were hence treated as repayable on demand.

Fair values of financial assets and financial liabilities

As at 31 December 2019 and 31 December 2018 there were no material differences between the book value and fair value of the Group's financial assets and liabilities.

The fair value of contingent consideration arising on acquisitions is estimated by discounting the possible future cash flows using probability adjusted forecasts for the acquired company or assets and represents a level 3 measurement in the fair value hierarchy under IFRS 7. The fair value is sensitive to weightings assigned to the expected future cash flows; however, given the terms of the contingent consideration the liability for 2020 is now practically certain and hence a change in weighting of 10 percentage points towards the higher expectations would result in a nil increase in the undiscounted estimate of future cash flows.

29. RELATED PARTY TRANSACTIONS

Amounts outstanding at the end of the year in respect of transactions with related parties were as follows:

Amount outstanding – (debtor)/ creditor	2019 $'000	2018 $'000
Key management personnel - outstanding reimbursements in respect of expenses incurred on behalf of Group companies	14	28

Details of unsecured loan transactions with key management personnel are as follows:

Related party and nature of transaction	2019 $'000	2018 $'000
Outstanding at the beginning of the year	-	428
Acquired as part of a business combination	-	-
Loan taken during the year	-	-
Loan repaid during the year	-	(429)
Foreign exchange movements	-	1
Loans outstanding at the end of the year	**-**	**-**

The remuneration of the Directors, who are deemed to be the only key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

Related party and nature of transaction	2019 $'000	2018 $'000
Wages and salaries	571	594
Bonuses	98	-
Share-based payments	7	-
Pension cost and other benefits in kind	60	2
Payments in respect of other services	-	30
	736	**626**

To comply with local legislation regarding resident directors, Hamish Christie is a director of Pelatro Pte Ltd. Mr Christie is also the proprietor of H.A. Christie & Co. and Christie Cosec Services Pvt. Ltd, which firms provide accountancy, tax and other advisory services to that company. During the year payments of approximately $17,000 were made to those two companies; there was a nil balance outstanding at the year end in relation to 2019 expenses.

Other than disclosed in this note or elsewhere in this financial information as appropriate, no related party transactions have taken place during the year that have materially affected the financial position or performance of the Group.

30. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Other than as disclosed above, as at 31 December 2019 the Group had no material capital commitments (2018: nil) nor any contingent liabilities (2018: nil).

31. EVENTS AFTER THE REPORTING DATE

Excluding the impact of COVID-19 discussed above, there have been no events subsequent to the reporting date which would have a material impact on the financial statements.

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COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	2019 $'000 (audited)	2018 $'000 (audited, restated)
Assets			
Non-current assets			
Investments in subsidiaries	8	746	654
Intangible assets		6,740	8,014
Right-of-use assets		16	-
Trade and other receivables		211	321
Contract assets		467	198
		8,180	**9,187**
Current assets			
Trade and other receivables	9	5,326	3,710
Contract assets		224	54
Cash and cash equivalents		400	1,684
		5,950	**5,448**
TOTAL ASSETS		**14,130**	**14,635**
Liabilities			
Non-current liabilities			
Lease liabilities		1	-
Contract liabilities		294	112
Other financial liabilities		-	1,141
		295	**1,253**
Current liabilities			
Lease liabilities		13	-
Contract liabilities		637	61
Trade and other payables	10	182	308
Other financial liabilities		948	298
		1,780	**667**
TOTAL LIABILITIES		**2,075**	**1,920**
NET ASSETS		**12,055**	**12,715**

Issued share capital and reserves attributable to owners of the parent			
Share capital	11	1,065	1,065
Share premium	11	11,603	11,603
Other reserves		(214)	(211)
Retained earnings	11	(399)	258
TOTAL EQUITY		**12,055**	**12,715**

For the period ended 31 December 2019, the Company recorded a loss of $657,000 (2018: profit $633,000 restated).

The financial statements of Pelatro Plc, registered number 10630166, were approved by the board of Directors and authrised for issue on 7 April 2020. They were signed on its behalf by:

Subash Menon
(Director)

Nic Hellyer
(Director)

The accompanying notes 1 to 14 are an integral part of these financial statements.

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COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Share premium	Exchange reserve	Share-based payments reserve	Retained profits	Total Equity
	$'000	$'000	$'000	$'000	$'000	**$'000**
Balance at 1 January 2018 (as previously reported)	**801**	**4,472**	**-**	**-**	**(393)**	**4,880**
Effect of change of accounting policy (IFRS 15)	-	-	-	-	18	18
Balance at 1 January 2018 as restated	**801**	**4,472**	**-**	-	**(375)**	**4,898**
Profit after taxation for the year (as previously reported)	-	-	-	-	933	933
Effect of prior year adjustment	-	-	-	-	(300)	(300)
Profit after taxation for the year (as restated)	**-**	**-**	**-**	**-**	**633**	**633**
Other comprehensive income:						
Exchange differences	-	-	(211)	-	-	(211)
Transactions with owners:						
Shares issued by Pelatro Plc for cash	264	7,450	-	-	-	7,714
Issue costs	-	(319)	-	-	-	(319)
Balance at 31 December 2018	**1,065**	**11,603**	**(211)**	**-**	**258**	**12,715**
Profit after taxation for the year	-	-	-	-	(657)	(657)
Share-based payments	-	-	-	100	-	100
Other comprehensive income:						
Exchange differences	-	-	(103)	-	-	(103)
Balance at 31 December 2019	**1,065**	**11,603**	**(314)**	**100**	**(399)**	**12,055**

Reserve	Description and purpose
Share capital	Nominal value of issued shares
Share premium	Amount subscribed for share capital in excess of nominal value less associated costs
Exchange reserve	The difference arising on the translation of balances denominated in currencies other than US Dollars into the presentational currency of the Group
Share-based payments reserve	Cumulative amounts charged in respect of unsettled options issued
Retained earnings	All other net gains and losses not recognised elsewhere

The accompanying notes 1 to 14 are an integral part of these financial statements.

NOTES TO COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES

Basis of preparation

The Parent Company financial statements of Pelatro Plc (the "Company") have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements and Financial Reporting Standard 101 Reduced Disclosure Framework and as required by the Companies Act 2006.

The financial statements have been prepared in US Dollars, which is the currency of the primary economic environment in which the Company operates (its functional currency). The financial statements are prepared under the historical cost convention and were approved for issue on 7 April 2020.

No profit and loss account is presented by the Company as permitted by section 408 of the Companies Act 2006.

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

- certain disclosures regarding the Company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly-owned members of the Pelatro Group.

In addition, and in accordance with FRS 101, further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements. These financial statements do not include certain disclosures in respect of:

- business combinations;
- financial instruments (other than certain disclosures required as a result of recording financial instruments at fair value);
- fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value); and
- impairment of assets.

Investments in subsidiaries

Investments consist of the Company's subsidiary undertakings. Investments are initially recorded at cost, being the fair value of the consideration given and including directly attributable charges associated with the investment. Subsequently they are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Trade receivables

Short term trade receivables are measured at transaction price, less any impairment. The Company assesses at each reporting date whether any trade receivables or other assets or group of financial assets is impaired.

Taxation

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the statement of financial position date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated within investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply when the related asset is realised, or liability is settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Group to make a single net payment.

Income tax is charged or credited to other comprehensive income or directly to equity if it relates to items that are credited or charged to other comprehensive income or directly to equity. Otherwise, income tax is recognised in the income statement.

Foreign currencies

Transactions denominated in foreign currencies are translated at an approximation of the exchange rate ruling on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling on the balance sheet date. Resulting exchange gains and losses are taken to the profit and loss account.

Related party transactions

The Company has taken advantage of the exemption under FRS 101 from disclosing related party transactions with entities that are wholly owned subsidiary undertakings of the Pelatro Group.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

Investments in subsidiary companies

The carrying cost of the Company's investments in subsidiary companies is reviewed at each reporting date by reference to the income that is projected to arise therefrom. From a review of these projections, the Directors have made no provisions against their carrying values as the Directors believe that the investments concerned will generate sufficient economic benefits to justify their carrying values.

3. RESTATEMENT DUE TO PRIOR YEAR ADJUSTMENTS

In preparing these financial statements, management identified a number of errors relating to the prior period. Accordingly, prior year adjustments have been made. Certain of the prior year adjustments reflect historical errors relating to the recognition of contract assets and contract liabilities under IFRS 15, and the amortisation of intangible assets recognised under IFRS 3, as follows:

- contract assets and contract liabilities, both short and long term, have been recognised in the Company statement of financial position. The effect

of this was to increase 2018 assets by $187,000, and liabilities by $173,000, and reserves brought forward as at 1 January 2018 by $18,000 (credit) to reflect the cumulative effects of IFRS 15 to that date (as permitted by that standard). The net difference in profit and loss has been recorded accordingly;

- in addition, a reallocation has been made between short and long-term debtors, reducing short-term debtors by $321,000 with a corresponding increase in long-term debtors. This adjustment had no net effect on profit and loss; and
- an amount of $286,000 has been applied as amortisation against the net carrying value of intangible assets; with a corresponding reduction in profit and loss.

These adjustments have been recognised as prior year errors in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors" with the financial statements for the Company restated accordingly.

4. AUDITOR'S REMUNERATION

The figures within the auditors' remuneration note in the Pelatro consolidated financial statements include fees charged by the Company's auditors to Pelatro plc in respect of audit and non-audit services. As such, no separate disclosure has been given above.

5. DIRECTORS' REMUNERATION

Information concerning Directors' remuneration can be found in note 10 to the Group financial statements.

6. SHARE-BASED PAYMENTS

Share-based payments associated with share options granted to employees of subsidiaries of the parent company are treated as an expense of the subsidiary company to be settled by equity of the parent company. The share-based payment expense increases the value of the parent company's investment in the subsidiaries and is credited to retained earnings.

7. DIVIDENDS PAID AND PROPOSED

No dividends were declared or paid during the year and no dividends will be proposed for approval at the Annual General Meeting of the Company.

8. INVESTMENT IN SUBSIDIARIES

	$'000
At 1 January 2018	**654**
Investment in the period	-
At 31 December 2018	**654**
Investment in the period – share-based payments in respect of subsidiaries	92
At 31 December 2019	**746**

9. TRADE AND OTHER RECEIVABLES

	2019 $'000	2018 $'000
Due within a year		
Trade receivables	5,055	3,290
Other receivables and prepayments	125	50
Intra-Group receivables	146	370
Total trade and other receivables	**5,326**	**3,710**
Due after more than one year		
Trade receivables	211	321

10. TRADE AND OTHER PAYABLES

	2019 $'000	2018 $'000
Due within a year		
Trade payables	58	87
Other payables	124	193
Amounts due to related parties	-	28
Total trade and other payables	**182**	**308**

11. RESERVES

Share capital

The balance classified as share capital represents the nominal value arising from the issue of the Company's equity share capital, comprising 2.5 pence ordinary shares. On 17 August 2018 the Company issued 8,219,179 new ordinary shares (ranking pari passu with existing shares in issue) via a placing to institutional shareholders. The shares were issued at a placing price of 73 pence raising $7,395,000 after direct issue costs of $319,000.

Share premium

The balance classified as share premium represents the premium arising from the issue of the Company's equity share capital, comprising 2.5 pence ordinary shares, net of share issue expenses. There are restrictions on the use of the Share Premium Account. It can only be used for bonus issues, to provide for the premium payable on redemption of debentures, or to write off preliminary expenses, or expenses of, or commissions paid on, or discounts allowed on, the same issues of shares or debentures of the Company.

Share-based payments reserve

The balance classified as share-based payments reserve reflects the aggregate charges for share-based payments which have not yet vested and arising from the expense recorded in profit or loss (or in the case of subsidiaries, added to the cost of investments) to reflect services received and consumed in return for equity in the Company to be issued.

Retained earnings

All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

12. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Other than as disclosed in the Group financial statements, as at 31 December 2019 the Group had no material capital commitments nor any contingent liabilities (2018: $nil).

13. EVENTS AFTER THE REPORTING DATE

Excluding the impact of COVID-19 discussed above, there have been no significant events which have occurred subsequent to the reporting date.

14. RELATED PARTIES

The Company is exempt from disclosing transactions within the wholly owned subsidiaries in the Group. Other related party transactions are included within those disclosed in the Group consolidated financial statements.

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