PELΛTRO
Be Relevant

2021

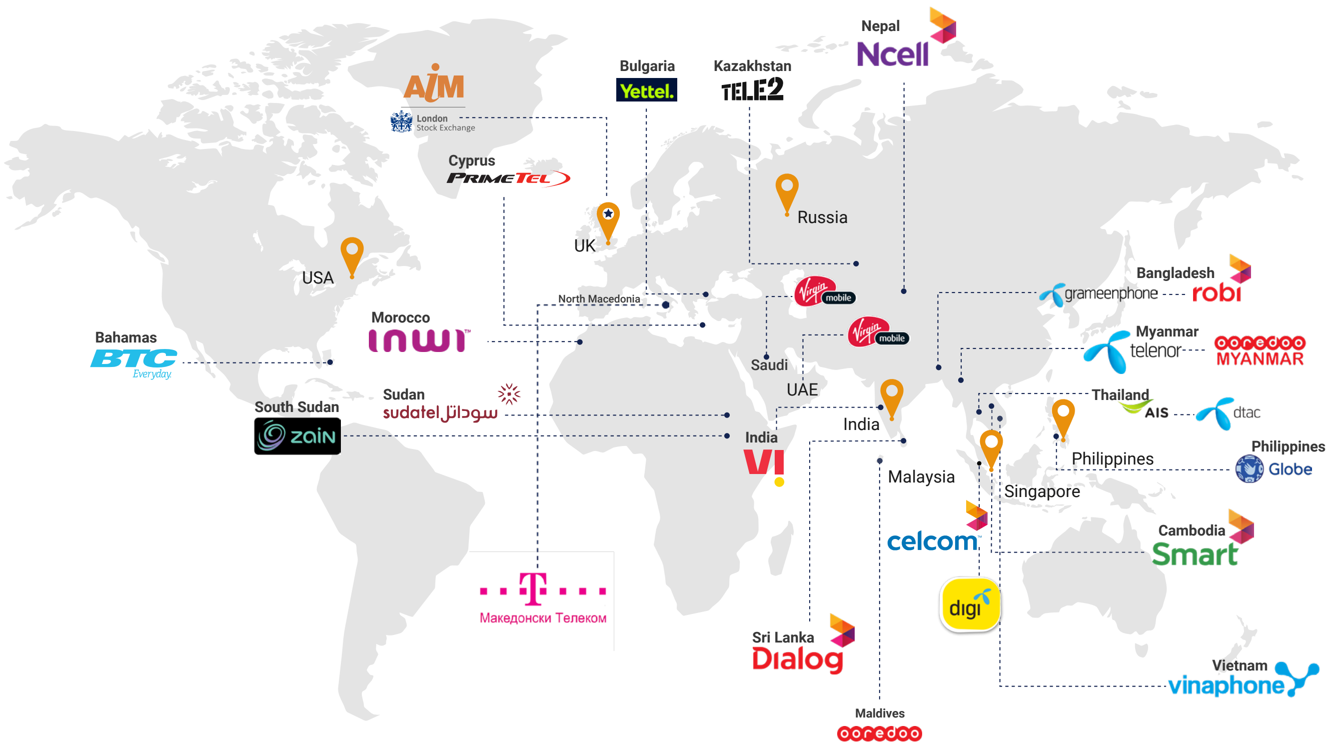
ANNUAL REPORT

GOING ABOVE AND BEYOND

UK | USA | Singapore

Russia | India | Philippines | Brazil

Our Presence



- Office Locations

Company Information

Directors

Richard Day (Chairman – non-executive)
Nic Hellyer (CFO)
Subash Menon (Managing Director and CEO)
Pieter Verkade (non-executive)
Sudeesh Yezhuvath (COO)

Auditor

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Nominated Advisers and Stockbrokers

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London, EC2R 7AS

Solicitors

Memery Crystal
165 Fleet Street
London EC4A 2DY

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.

Website

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

5 Year Track Record

YEAR TO/AS AT 31 DECEMBER		2021	2020	2019	2018	2017
Revenue	$'000	7,266	4,020	6,667	6,123	3,146
Revenue growth	%	81%	(40%)	9%	95%	161%
Adjusted EBITDA (see Note 7)	$'000	2,808	441	2,893	3,776	2,004
Adjusted EBITDA margin	%	39%	11%	43%	61%	64%
Adjusted operating profit/(loss) (before exceptional items)	$'000	(489)	(1,337)	1,620	3,147	1,801
Adjusted earnings/(loss) per share (basic and diluted)	¢	(0.4¢)	(5.5¢)	4.2¢	10.2¢	8.9¢
Statutory earnings/ (loss) per share (basic and diluted)[1]	¢	(2.1¢)	(7.2¢)	2.5¢	8.0¢	4.8¢
Net cash flow from operating activities	$'000	1,013	2,262	1,412	881	(33)
Net cash used in investing activities	$'000	(2,670)	(4,569)	(2,393)	(9,092)	(744)
Net cash used in/(from) financing activities	$'000	3,255	3,071	(289)	6,814	4,707
Net cash at year end	$'000	2,587	365	484	1,823	3,086

1 : From Continuing Operations

Report and Financial Statements for the year ended 31 December 2021

Registration Number: 10630166

01 Strategic Report

02 Corporate Governance Review

03 Directors' Report

04 Financial Statements

Going Above and Beyond

Digitalisation has fundamentally changed consumer behaviour, and telcos need to adopt a new approach to serve these demanding consumers. There is a need to redesign customer-centric strategies and engage partners who share the vision to think and act customer first, which will enable telcos to deliver the best customer experience. Pelatro fulfils the need for such a partner by sharing the vision and risk of our customers.

About Pelatro

Pelatro is a focused and specialised solution provider in the telecom marketing space. We enable telecom operators across the globe to increase revenue and reduce churn through our enterprise grade software solutions. Telecom operators can analyse the behaviour of the subscribers within their network, create individual profiles to suggest appropriate products and promotions in a segment of one manner to enable higher consumption and an increased level of customer satisfaction.

Technology

Given the extremely high volume of data that is generated in each telecom network, our solutions employ Big Data and AI/ML 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, our solutions offer telcos highly accurate and precise output to make data driven decisions. 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, descriptive and prescriptive analytics in our solutions.

Products

The mViva Customer Engagement Hub is a suite of solutions designed for deep engagement between telcos and its customers to increase revenue and reduce churn. The mViva suite offers solutions for Contextual Campaign Management, Loyalty Management and Data Monetisation in a single integrated tool that enables teams to deliver effective customer interactions that maximize value, at high work velocity. Its ready-to-use propensity models and data analytics functionality are optimised for Campaign Analysts to anatomise customer data and launch precisely targeted campaigns not just to micro-segments but also to segments-of-one. The seamless, intuitive, and concise campaign management workflow enables teams to easily extend campaign management services to enterprise customers and monetize subscriber data.

The mViva suite empowers Customer Value Management ("CVM") teams to rapidly design and deploy campaigns, launch loyalty programs to reduce churn of customers and provide omni-channel communication. The mViva Customer Engagement Hub offers three key solutions tailor-made for CVM Teams:

- mViva Contextual Campaign Management Solution

A comprehensive tool to design, configure and run campaigns to manage the entire lifecycle for subscribers, retailers and enterprises

- mViva Loyalty Management Solution

Enables design and launch of loyalty programs to reward and retain customers

- mViva Data Monetisation Platform Solution

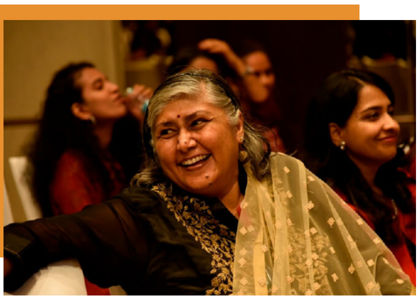
Enables teams to easily extend campaign management services to other B2C enterprises and brands in order for the telco to monetise subscriber data

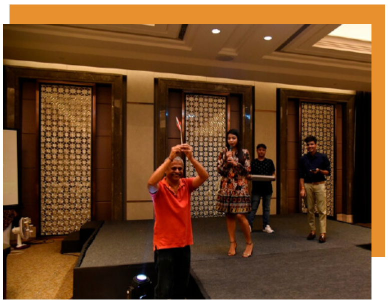
Presence

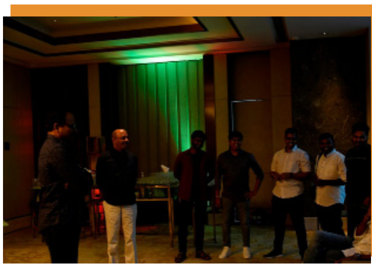
We have offices in five countries and serve large telco groups (including Telenor, Vodafone, SingTel, Axiata etc.) in 20 countries. The largest single network that we serve has about 400 million subscribers, one of the largest globally. As all telcos have some solution for campaign management, our aim is 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, our market opportunity is huge with over 300 telcos to be addressed around the world.

Highlight

Appreciation and acknowledgment of hard work are the key pillars of Pelatro's employee engagement. Glimpses from our Founder's Day Celebration.







Chairman's Statement

Dear Shareholder

The markets we serve have become increasingly sophisticated but the underlying themes of providing good service with outstanding products and generating real value for our customers continue to serve us and our customer base well. For us this has resulted in a year of consolidating our position as a recurring revenues service provider as well as winning new customers, ensuring we are able to report healthy growth in our business. We will still provide our software and services through a licence model if that is preferred by a customer, but this is no longer the norm.

Operations

We started the year in January 2021 with our mViva platform being chosen by an Asian telco for campaign management operations. This Asian telco is part of a much larger international telco group and we have found this is an ideal way to penetrate these larger diverse entities. We followed this with a Framework Agreement later in the year with the parent company, so that its operating companies in various jurisdictions can be serviced by Pelatro under one agreement. Including these and despite the Covid situation, Pelatro won three new telco customers in 2021, taking us to 23 customers in various countries around the world. We have also been extending the breadth and quality of our products and services we provide to our telco customers. Part of our growth effort has been directed towards the non-telco space, where non-telco brand campaigns and adverts can be sent to consumers via their mobile phones. We have recruited a senior manager for this area and are building the team but are proceeding cautiously in terms of new contracts to ensure that they are on appropriate terms.

India has taken longer to emerge from the various Covid disruptions than the UK. With our main operations based in Bangalore, we have successfully managed home working by our staff which has meant there has not been a significant effect on our day-to-day operations and we have been able to continue to provide excellent levels of service to our customers. This included our five year Managed Services contract which went live with our largest customer in India. The implementation was smooth and successful, with over 400 million subscribers being transferred over to the new system.

The numbers of staff attending our offices safely for work has been at the 30% level for some time now and we expect this gradually to grow over the coming months. Our executive team have also been prevented from travelling overseas, but air travel has also opened up and they are now able to meet our international customer base and pursue new opportunities in person.

Non telco operations

Pelatro has been working on entering non telco sectors for the past nine months. We have initially focused on banks and fintech companies as sectors, with over 50 potential customers being targeted in India, as a geographic starting point. Through these extensive interactions over these months, it has become amply clear that these enterprises are keen on customer journey mapping, customer journey analytics and customer journey orchestration. This is a very new product set to these businesses but a number have expressed interest in exploring an engagement. Given our extensive experience in the telco sector our product mViva has very strong capabilities with respect to customer journey orchestration and on that basis we are confident of winning our first customer in this space during 2022.

We expect to undertake further recruitment to service this space when our initial customer engagements begin to mature and the business model develops further. The extent of this recruitment will depend on the potential geographic and sector breadth of the roll out.

Other Developments

In June, we took the opportunity to raise approximately £3.3m through an equity placing of new shares with new and existing shareholders to help grow our sales and marketing as well as to repay debt and strengthen the Group's balance sheet. In December, our CFO Nic Hellyer, who had been with Pelatro for over four years on a part-time basis, moved to a full-time role with us.

We continue to closely monitor the situation in Ukraine, the response of international governments and any potential impact on the Group. Pelatro has a small development and support team in Russia, representing around 13% of the Group's cash cost base. This team can and does operate remotely with no requirement for travel, and is currently fully operational. The Group has no revenue from Russia or any other related sanctioned jurisdiction.

Outlook

Against this backdrop, we are delighted to be able to show in these results figures which are in line with expectations; with solid growth in the revenue line of over 80% to $7.3m from $4.0m the previous year, with the majority being of a recurring revenue nature. This recurring revenue base gives us good visibility over the coming year and, together with our new business pipeline, gives us every confidence for the rest of 2022 and beyond.

Richard Day
Chairman

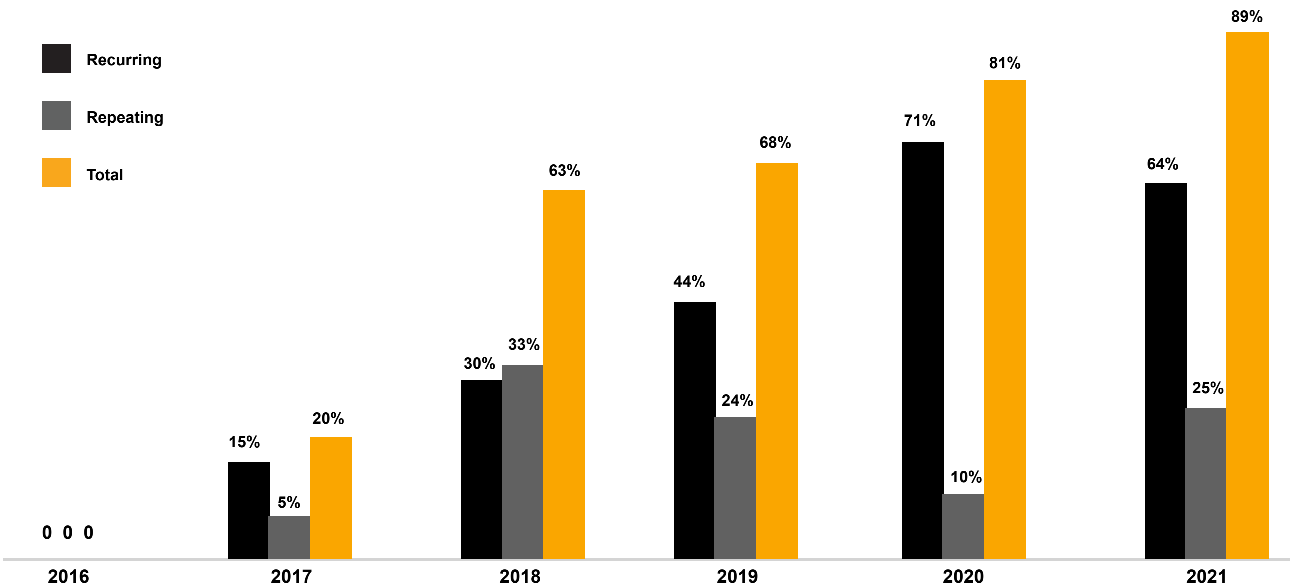
Managing Director's Statement

Dear Shareholder

Change, as they say, is the only constant phenomenon. Does this mean change can only be involuntary and accidental? Absolutely not. The type of change that people and organisations benefit from are those that are brought about by design. Those that involve strategizing and meticulous execution – particularly when it comes to a company. Your company went through a well-orchestrated change during 2019 and 2020 and the results came in during 2021.

The Orchestrated Change

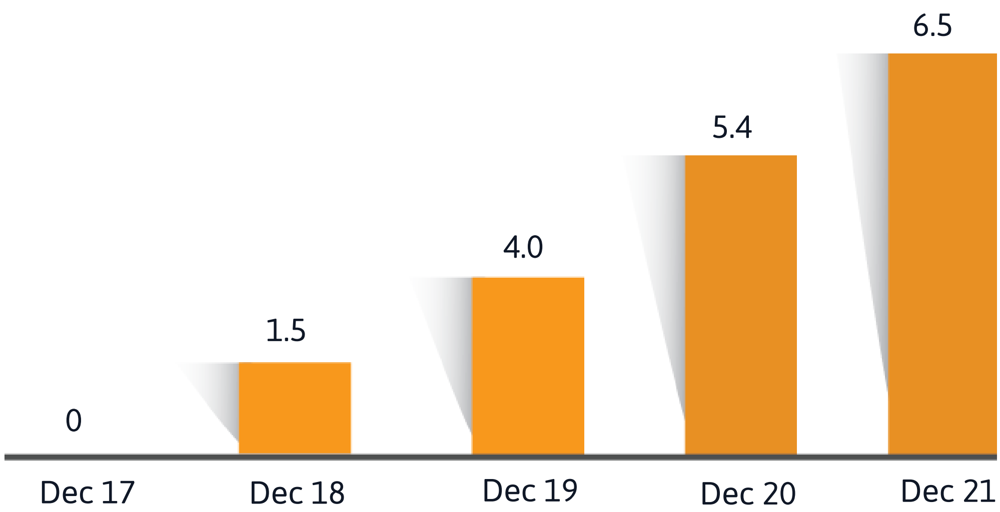
When we started the process in 2019, we had clearly articulated both the goal and the path to it. The objective was to shift our revenue model from one-time license fee model to recurring and/or repeating revenue, with an emphasis on recurring. Given that recurring revenue is now a sustainable 70% or so of revenue we believe we have achieved that goal.



Recurring and Repeating Revenue as % of Total Revenue

As can be seen from the graph, from a low of 20% at the time of the IPO in 2017, recurring and repeating business has gone up to around 90%, thereby significantly increasing the predictability and stability of the revenue stream, with the visibility quite high at the start of the year itself, with a key element of this being the quantum of annual recurring revenue ("ARR") as we win new contracts. We believe that we have now reached a stable level with respect to the share of these revenue streams and that augurs well for the business going forward.

A key element of this orchestrated change is the quantum of annual recurring revenue which has been going up steadily. The progress is mapped in the graph given below. We expect this trend to continue in the years to come.



Recurring Revenue Run Rate in US$M

Growing Customer Base

Over the years, we have been successful in adding customers. While this was impacted by Covid-19, we added three new customers in 2021 taking our tally to 23 customers in 20 countries. Some of the key statistics are given below.

- Processing data of over one billion subscribers every day
- Processing over 60 billion transactions per day, in real time, in one customer site alone
- Executing over 15,000 campaigns every day
- Present in 20 countries

Scale is a critical element for any enterprise software and for us that has now been well established. From a geographical perspective, we now have a dominant presence in Asia and Africa. Leveraging these achievements, we are now spreading into Europe.

Going Above and Beyond

Our customers are operating in a highly competitive market wherein they are being squeezed by two strong forces – reducing revenue per customer and increasing churn. Between these two debilitating factors, the telcos are finding it extremely difficult to increase revenue and margin. In this tough situation, vendors need to shoulder more responsibilities and become true partners. Pelatro is committed to this vision. Over the past few years, we have built extensive capabilities in the following areas.

- Development of campaign strategy
- Campaign consultancy
- Campaign execution
- Platform operation
- Reporting

With these enhanced capabilities, we help our customers to effectively use our solution to increase revenue and reduce churn. In many instances, some of Pelatro's revenue is linked to performance, thereby ensuring that interests are aligned with our customers. Thus, we share the risk perceived by our customers while helping them to meet their objectives to the fullest extent possible.

We have been on this specific journey for the past three years and are convinced that this is the way forward. Our customers are increasingly seeing us as partners and not mere vendors. They are highly appreciative of the value added by Pelatro with respect to both the software solution and the overall operations of the same. Such engagements are flourishing on the basis of the actual incremental revenue generated by Pelatro over the past few years and a comparison of the same with the status within the telcos prior to that period. The uplift brought about by Pelatro is compelling enough for the telcos to increasingly rely on us for operations in the form of managed services. These engagements have helped us to increase our revenue growth and will continue to do so in the years to come.

As noted in the Chairman's statement, we have also begun the journey similarly to add value to non-telco customers. We will invest in this side of the business prudently and, while it is early days, we expect these engagements to further increase our revenue in the years to come.

I take this opportunity to thank all of you and look forward to your continued support in our effort to go above and beyond.

Subash Menon
Managing Director, CEO and Co-Founder

Artificial Intelligence (AI) /Machine Learning (ML) and CVM

By Sudeesh Yezhuvath, COO and Co-Founder

Telecom is a classic example of a mature market. Growth in telecom used to be driven by the twin engines of connectivity products (such as Voice, SMS and Data) and subscriber acquisition. No new connectivity product has emerged in more than a decade and, whilst 5G is expected to provide a fillip to growth, there is no real clarity on how exactly this is going to happen. In most markets, telecom penetration is almost at a hundred percentage or beyond and this means that revenue growth through the addition of new subscribers is also not possible.

In the last few years, telecom marketers have realised that they have to move from being product-centric to customer-centric. Being customer-centric is not just a shift in attitude but also in systems and processes as well. A whole new approach has evolved in telecom marketing around Customer Value Management (CVM). To effectively manage and optimise value in engagement with a customer, it is essential that the telco has a complete view of the customer's behaviour and needs. This has given rise to a 360-degree approach wherein the telco can even anticipate what the customer might do next and take an appropriate step.

While CVM has been talked about for the last five or six years, McKinsey, in a recent study, has opined that most of the telcos are really just starting out on their CVM journey. To quote from the study: *"Very few telcos - only around 5 percent, we've found - are unlocking the full potential of analytics and data-driven personalization to achieve true competitive advantage and to maximize revenue growth."* CVM can well prove to be a significant lever for revenue growth as it is estimated that a well-executed CVM strategy can help a telco grow revenues by ten percent. In the early days, CVM was driven by rule-based segmentation with offers promoted to those segments. However, in the last few years, analytics capabilities have increased manifold and this offers very interesting possibilities in the CVM space, and AI/ML is proving to be the bedrock on which next generation CVM systems can be built.

There are basically four stages in a customer's lifecycle, which can be categorised as Baby-care, Growth, Retention and Win-back. The use of AI/ML can help in each stage of the customer lifecycle: in the Baby-care stage, AI/ML can be used to assess risk and also start predicting Customer Lifetime Value, which can be a very good pointer on the path to take with the customer. Cross-sell and Upsell opportunities can be identified and made use of in the Growth stage. Here, the focus is on helping the customer find the products that bring them the best value and thus maximize the quality of the engagement. In the Retention or Sustain stage, the focus is on trying to keep the customer with the network and reduce churn. Analytics models can help very significantly here by helping spot customers that might have a tendency to churn and intervene appropriately.

In the win-back stage, it is a last ditch effort to get subscribers back to the active stage after they have become dormant.

The problem that telcos face with all this, is the problem of scale. Few other businesses have transaction volumes like telcos. For instance, one of our telco customers has about 400 million subscribers and they generate several billions of transactions a day. The difficulty is to churn through this voluminous data and find the nuggets that are of value. If this requirement was just a rule-based approach driven by certain hypotheses, this was easily doable. However, as mentioned above, the need is to have a high level of personalisation wherein the treatment of each customer is based on their actual behaviour and not some generic hypothesis. This calls for approaches including Descriptive, Predictive, Prescriptive and Diagnostic Analytics. Various stages of the customer journey need to be broken down and studied in detail and appropriate AI/ML methodologies applied. For instance, some problems such as churn management might call for a combination of approaches based on, for example, Supervised Neural Networks and Reinforcement Learning.

An essential tool to establish a strong CVM practice is a well-rounded software product that can handle all the above mentioned requirements. The system should have zero touch campaign capability augmented by a strong and flexible rules engine. This will help attain the holy grail of hyper-personalisation, which will take telcos to the next growth orbit.

Sudeesh Yezhuvath

COO and Co-Founder

What the subscribers want - Changing telco-customer relationship and the role of marketing

By Sanjay Bhatt, Manager, Marketing

Why knowing the subscribers is a challenge for telcos?

If only telcos could know what their subscribers want, it would be so easy for them to serve them correctly. This has always been a challenge for telecom operators and ever-evolving customer behaviour has added more complexity to it. Though operators use advanced predictive/prescriptive analytics and AI/ML capabilities, it is still a challenge for telcos to figure out how to serve their customers best.

But why is it a challenge?

Access to the internet has changed the way of living. It has made digital-first customers more impatient, granted access to a lot of information, and set absurdly high expectations from their service providers. The primary reason for this perception is the redefined customer experience and service standards set by digital natives or webscale companies.

Telecom subscribers are more demanding and expect their service providers to offer a seamless experience all the time. Every interaction they have with the operators has to be value driven. They expect the service provider to be exceptionally customer-centric. It does not only mean that they respond to what their customers want, but that they can anticipate their needs and wants in advance and act fast to provide a solution. Obviously, now all this must be in real-time.

The customer expectation here is of an exclusive relationship, where the telco understands the customer better than themselves, provides contextually relevant products at the right time, offers exceptional service, and is there for them all the time. Even after all this, there is no long-term commitment, and customers can switch to another service provider for a better price or service anytime.

Are telcos ready to swipe right?

Interestingly, telcos are already embracing the change and forging a redefined relationship model with their subscribers. But how?

For starters, telcos have put to use the massive amount of data points they have for each subscriber with the help of big data, AI/ML technology and easy to use, super-smart new-age solutions like mViva. Businesses have all the capabilities to generate real-time insights to make data-driven decisions and according to

McKinsey, the telecom industry can predict and reduce customer churn by up to 15% using advanced data analytics.

Here is what telcos are doing to understand their customers, drive higher engagement, and generate higher product adoption and ARPU:

- 360-degree customer analytics
- Customer profiling
- Customer journey mapping and orchestration
- Contextual campaigns with personalized offers in real-time
- Real-time data-driven decision making

Telcos are learning the art of analytics-driven marketing from their counterpart digital natives. Netflix, for example, earns up to 75% on purchases offered by its recommendation system based on both personalized and collaborative algorithms. Can telecom service providers expect similar results from these techniques?

Communicating the value proposition to customers and prospects

We have evolved our marketing function to help customers understand the value mViva can bring to them. The platform can truly transform how service providers engage with their subscribers and drive more value for them. We enable the telco marketers to bring that change. Here is how we are putting things into perspective for our existing and new customers:

- Strengthening the thought leadership and brand
- Collaborating with industry forums and analyst bodies to share Pelatro's vision on industry trends, new capabilities and what is driving the customer engagement in telecom.
- Creating more visibility for Pelatro's mViva platform and solutions
- Using different channels such as social media, email, AR, PR to promote the work that Pelatro has accomplished for its customers
- Feedback loop to improve and align the roadmap with customer expectations
- Gaining better market understanding and feedback on the features and capabilities and more
- Regular analyst discussions, customer reviews and inputs help us know the market nerve to match the demand-supply bridge.

Our social media presence is growing and gaining more followers as we speak. Our customers are our brand ambassadors, and giving voice to their opinions through success stories, testimonials, and interviews is always our priority.

Sanjay Bhatt

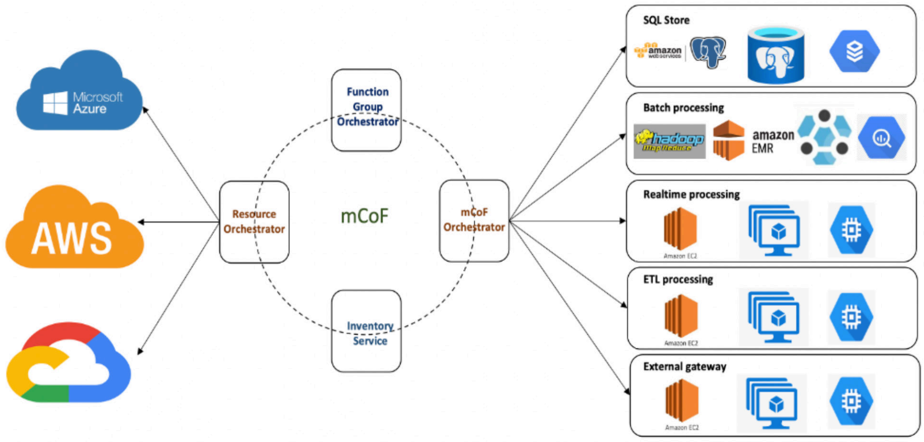
Manager, Marketing

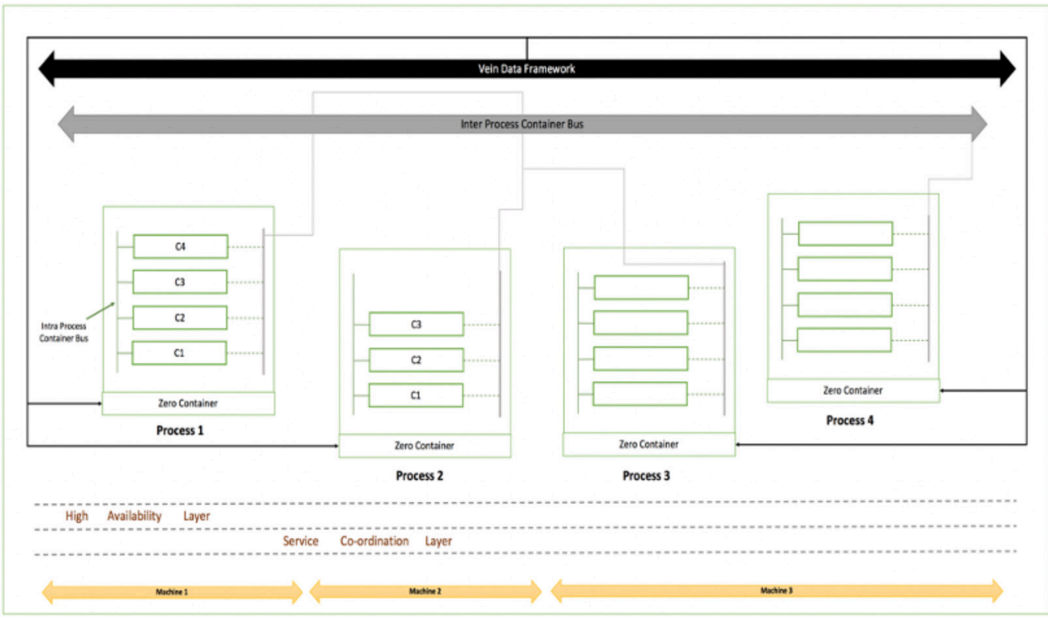
mViva Container Orchestration Framework (mCoF): one Key to all Deployment Puzzles!

By Pramod K P, Chief Architect

Pelatro enables its clients to deliver the finest contextual marketing experiences to all their customers by building a 360-degree profile encompassing factual, derived and learned information from both real-time interactions and past behaviours. Rapid growth in BI, warehouses, data lakes and other analytics applications have resulted in each telco having a unique IT ecosystem that has evolved over time leaving a legacy trail of technology and protocols. The last few years have seen public clouds making serious inroads into telcos and most of them are in a phase of transformation where certain workloads are already on cloud while others are in the process of migration. In a typical installation, mViva integrates with at least a dozen IT systems, and up to 50+ in larger ones, and mViva ends up processing anywhere between a few tens of millions of records to several tens of billions of transactions every day. Adapting to diverse deployment architectures, aligning with incumbent Data Ecosystems, and leveraging all contemporary digital channels hold the key to success and Pelatro's home-grown container orchestration framework, mCoF helps us do exactly that.

mCoF containers rely on state of the art, CvmRDT technique, a cross over between CmRDT and CvRDT for efficient state synchronization with conflict detection and resolution. In distributed computing, a conflict-free replicated data type (CRDT) is a data structure that can be replicated across multiple computers in a network where the replicas can be updated independently and concurrently without coordination between the replicas, and where it is always mathematically possible to resolve inconsistencies that may arise. In Commutative Replicated Data Types or CmRDT, replicas propagate state by transmitting only the update operation. Despite the efficiency, this doesn't render itself suitable for all data needs. In contrast to CmRDTs, Convergent Replicated Datatypes or CvRDTs send their full local state to other replicas, where the states are merged by a function that must be commutative, associative, and idempotent. Pelatro's CvmRDT is a novel CRDT, a patent pending algorithm that works to the strengths of both the techniques and helps mViva in striking the fine balance between efficiency, time for conflict resolution and the recovery range of conflicted states that can co-operatively participate in overcoming a conflicted state.





The testimony of mCoF lies in the fact that the same code and same product runs well on extremes all the way from the smallest of Pelatro's customers with c. 200k subscribers deployed over a handful of VMs to the largest one with c. 400m subscribers over 100+ physical machines over 5 racks. mCoF facilitates installations on physical machines, on-premise VMs, private cloud, public cloud and any mix of the above. As a product, mViva ought to be cloud-neutral and yet, at the same time also be cloud-native to each of the flavours so that telcos benefit the most by leveraging core-strengths of their incumbent cloud partner. mCoF ships with pre-built APIs that enables mViva to get deployed seamlessly on AWS, Azure or GCP leveraging on various IAAS, PAAS and SAAS offerings to that telco's liking.

Pramod K P
Chief Architect

New Normal to Evolving Normal!

By Shruthi S, Senior Director, HR

Our People Philosophy at Pelatro is in line with our vision of Going Above & Beyond to drive value and business growth to our customers. Our employee governance has been refined with a view to attracting, developing and retaining the right talent. We believe committed employees delight our customers, and hence we focus on influencing and improving employees' overall experience and boosting morale through various employee wellbeing, engagement and development initiatives.

The world of work isn't the same as it was. The pandemic has forced us to re-evaluate our HR strategies to adapt and adjust to a new era of work, where remote work followed by a hybrid-work system has become the norm. Keeping employees engaged has taken on a very different format and the job market into a true candidate's playground. With individuals applying for roles across the country, the work from anywhere attitude has become a key deciding factor for many seeking new opportunities. However, the job was not complete by attracting the right talent; we re-strategize to foster candidate engagement and enhance the candidate experience via:

- Communication and newsletters about Pelatro
- Calendarised events planned for offered candidates
- Connecting with business leaders who illustrate the growth path and differentiating aspects of Pelatro

Good Start

Being physically distant from a workplace has changed the way candidates/employees perceive companies and how and where they fit into overall business goals. A recent survey shows that 82% of new joiners are retained by great onboarding. With lots of zest, we plan new employees' first day and the first few months to ensure they are integrated well and develop a sense of assurance and inclusion; this leads to boosted motivation and enhanced productivity:

- Thoughtfully designed training gives them an immediate structure to ease into and work
- One on one meeting with the business leader
- Regular check-ins and chats with newly joined employees have been immensely beneficial. This ensures employees stay on track, focus on the goal at hand, and provide a much–needed boost of motivation

Employee experience and result-oriented culture in a Hybrid Work System

When some employees prefer working remotely, it reduces stressful daily commutes adding to productivity, a distraction-free working environment and helps in work/life balance; others feel isolated and blur lines between home and work. So, employees' choices can be varied from remote working to a hybrid model to flexible hours. Hence, we understand that one work model may not fit all and provision for flexible work models.

In a blended work model, we ensure employees overall engagement and wellbeing through:

- 'Feel the pulse' - Chat with leaders to know how and what employees feel so that we can make informed decisions and course corrections in the existing process
- Town Halls to hear from employees and get directions from the leadership giving clarity and assurance to the employees
- Talk with COO, CEO - affirming 'we care, we hear'
- Comprehensive and robust Rewards and Recognition program to keep the employees highly motivated and productive
- Cohesive and effective hybrid team collaboration in alignment with the organisational needs
- Creative way of engaging with employees to enhance stickiness with the organisation
- Talent development and through upskilling and cross-skilling

Talent management and development

Pelatro focuses on scoring high above all the pandemic challenges and building a result-oriented culture:

- Setting clear and motivating goals for functions and various roles, in line with company objectives
- Involving employees in the entire process, so they own it and strive to achieve it
- Proactively identify performance issues and bridge the gap through talent development initiatives
- Accelerated career path for top achievers and their development
- Cross-team utilization of resources by cross-skilling
- Well defined career path for all roles across all functions

As part of people development, we focus on bridging skill gap, cross and upskilling employees, creating a portion of fungible talent who can be utilized across teams depending on the business needs and helping in retention and meeting employees' aspirations. This plays an important role in the company's ongoing success and its ability to adapt to changing market forces, economic conditions and external influences.

Pelatro aims to build a resilient, agile, motivating and flexible culture, which drives employees to deliver above & beyond the call of duty to offer business growth to our customers and value to our shareholders!

Shruthi S

Senior Director, HR

Key Performance Indicators

The Directors consider that revenue, recurring revenue, adjusted EBITDA (Earnings Before Interest, Depreciation and Amortisation as adjusted for certain non-operational and/or exceptional transactions) 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; we track contractually recurring revenue as 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. Adjusted EBITDA is a key measure of the Group’s effectiveness in converting revenue to earnings.

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 software development and where relevant, third-party hardware installations).

	2021	2020	Growth
Revenue	$7.27m	$4.02m	81%
Recurring revenue	$4.79m	$2.85m	68%
Recurring revenue as percentage of total	66%	71%	
Adjusted EBITDA (see Note 7)	$2.81m	$0.44m	539%
Adjusted EBITDA margin	39%	11%	
(Loss) before tax (before exceptional items)	$(0.67)m	$(2.23)m	
Cash generated from operating activities	$1.01m	$2.26m	(55)%
Contracted customers (at year end)	23	20	15%

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 is currently considered to be individually appropriate as a measure of overall strategy execution success. All KPIs are reviewed annually, including 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 2021 we recruited 108 new members of staff and 83 left the business (2020: 81 joined and 24 left).

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

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.
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.	We have been investing in our sales and marketing operations by working closely with specialist consultants and have sales capability covering most global regions, enhanced by partners in various other countries to assist us. Following the release of the advanced version of our core software in early 2020, we are continuing to add features and functionalities to ensure technological advantage over competing products. , including a new version of our Unified Communication Management link program

Principal risk	Mitigation
Sales cycles are often very lengthy and may sometimes be delayed or restructured late in the process. Whilst the impact of COVID-19 is diminishing, a worsening of the situation in any of the areas in which the Group is seeking to sell products to new or existing customers could further lengthen the sales cycle.	The Group (along with the telco industry generally) has evolved systems and processes to work remotely where necessary and otherwise to mitigate the effect of COVID-19, and continues to do so in line with changing circumstances.
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.	Strong corporate governance and dedicated senior management remain the key elements of effective reputational management. Senior management provides a model of best practice and guidance to ensure the Group's values and expected behaviours are clear and understood by everyone.
Significant impact to the Group's reputation could be caused by an incident involving major harm to one 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, an inability to win new business and challenges in retaining key staff and recruiting new staff.	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, leadership, and through cultivating open and transparent relationships with all stakeholders.

Principal risk	Mitigation
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. Pelatro recognises the importance of investing in its employees and provides opportunities for training and personal development, as well as encouraging the involvement of employees in the planning and direction of their work.
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 market 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.

Principal risk	Mitigation
As a growing international business, the Group operates in and across a number of jurisdictions where relevant laws and regulations may not yet be developed or tested in dealing with the range and nature of transactions which the Group undertakes. This may apply, inter alia, to inter-company trading arrangements, the Group's operating presence in a given jurisdiction, financing or tax domicile arrangements. There are risks that tax or other regulatory authorities could challenge and investigate the Group's historical trading, operating, financing or tax domicile arrangements and the resulting transactions.	The Group has taken, and continues to take, third-party advice from appropriately qualified professional advisers with regard to such exposures; however, given the continually evolving framework of laws and regulations, relevant precedents and case law, there is a risk of deemed non-compliance which may give rise to financial or other penalties. The Group considers the risk of any material penalties arising is remote.
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, deposits, trade and other receivables and contract assets. As these instruments are exposed to 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 that have sound credit ratings. Increasingly the Group is entering into longer-term managed service/recurring revenue contracts, where billing is monthly or quarterly, thus shortening the billing cycle and reducing the overall credit risk per customer. 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 Managing Director's Statement, the timing and quantum of which will affect the Group's cash requirements, which are continually monitored by the Board. On the basis of these projections, the Group has sufficient working capital facilities for the foreseeable future.

Financial Review

For the year ended 31 December 2021

Income Statement

Revenue

Out of our total revenue of $7.27m, approximately $4.79m (66%) arose from recurring revenue (2020: $2.85m), comprising some $3.46m from managed service and gain share contracts and the balance from post-contract support. A further $1.96m came from change requests (2020: $0.43m) which are not contractually "recurring" but tend to provide "repeat" income as our customers' usage of the product evolves. Accordingly, over 90% of revenue was "repeating" in nature, compared to just over 80% in 2020.

This increase reflects the push by the Group over the last few years into recurring revenue contracts which initially resulted in a fall in revenue as "one off" license revenues were replaced by sustainable longer-term contracts. Whilst the coronavirus pandemic over the last two years had a relatively limited impact on high-level decision making at our customers, it did nonetheless slow our marketing efforts which, for high-level enterprise software such as ours, do require some level of face-to-face contact. Despite this, three new customers were added during the year; this, together with the number of recurring revenue customers, further reduced customer concentration with now only two customers accounting for more than 10% of revenue.

Cost of sales and overheads

Cost of sales increased by 29% to $2.2m (2020: $1.7m). These costs comprise principally (i) the direct salary costs of providing software support and maintenance, professional services and consultancy; (ii) expensed customer implementation; (iii) third-party software maintenance and licensing costs; and (iv) sales commissions. The increase in 2021 results almost entirely from the full year effect of staff taken on to service managed service and similar contracts commenced in 2020.

Pre-exceptional overheads (excluding depreciation and amortisation) increased to $2.3m (2020: $1.9m), reflecting the increase in business activity and hence people costs, plus additional efforts in sales and marketing, notably establishing the Group presence via social media. Travel costs were maintained at a relatively low level given the ongoing restrictions on international travel and the Group's success in enabling support and implementation functions remotely.

Profitability

Adjusted EBITDA (earnings before interest, tax, depreciation, amortisation and exceptional items, as adjusted for the effect of certain non-recurring or exceptional items) rose strongly by over 6x in the year to $2.81m (2020: $0.44m). After taking into account net finance costs and depreciation and amortisation (including c. $0.7m of acquisition-related amortisation) loss before tax before exceptional items was $(0.67)m (2020: loss of $(2.22)m before exceptional items).

Adjusted loss per share was (0.4)¢ (2020: loss of (5.5)¢), and reported loss per share was (2.1)¢ (2020: loss (7.2)¢).

Statement of Financial Position

Intangible assets

Capitalised development costs and patents

Capitalised development costs reduced slightly to $2.6m (2020: $2.9m) reflecting a reduction in direct costs attributable to software development, particularly in Nizhny Novgorod. Amounts capitalised during the year included investments in the mViva Contextual Marketing Platform ("CMP") which was developed from v.6.1 v.6.2, the Unified Communication management ("UCM")/Link product from 12.1 to 13.0 and various new modules which add to and enhance the core product suite. The carrying value of these software assets together with the carrying value of software assets capitalised in previous periods was reviewed for impairment at the balance sheet date and no impairment was required.

The Group continues to protect its IP by registering patents when relevant, and spent a further $30,000 on patent development over the year. Net of amortisation, the net book value of intangible assets relating to development costs and patents in the statement of financial position is approximately $6.4m (2020: $5.9m).

Property, plant and equipment

Expenditure on property, plant and equipment was minimal at $88,000, principally relating to IT and peripheral equipment. This compares to $0.9m in 2020 which is related mainly to IT equipment placed on site at a customer's premises to implement the related managed services contract.

Depreciation in the year amounted to $0.30m (excluding amounts relating to Right-to-Use assets now recognised under IFRS 16, and gross of amounts capitalised as intangible assets) (2020: $0.20m). The increase largely reflects depreciation now charged on the customer site IT assets referred to above. The aggregate net book value of property, plant and equipment fell accordingly from $1.22m to $0.98m.

Right of use assets

The Group recognises certain long-term leases under IFRS 16 as "right of use" assets. The reduction in the overall value of the right of use assets from $0.31m in 2020 to $0.24m in 2021, is net of depreciation of $0.17m and capital additions of $0.1m. These additions do not reflect new leases but instead the capitalised value of expected extensions to current leases. The Group has had its office accommodation requirements (principally in Bangalore) under review for some time, however, the COVID pandemic and associated uncertainty had put such considerations on hold, but the Group now believes that a significant office consolidation will take place by the beginning of 2023.

Trade receivables and contract assets

Trade receivables

At 31 December 2021 total trade receivables (i.e. including long-term receivables) stood at $4.96m (2020: $3.48m). This figure includes:

(a) a receivable of $0.64m, the payment of which is subject to a government approval process in the customer's jurisdiction. This process generally leads to a substantial delay to the payment of the amount outstanding - the payment concerned was originally expected in Q4 2021; however, the delay was compounded by a change to the underlying procedure which has resulted in the payment now being expected in Q2 2022. This delay is purely procedural and no impairment of the underlying amount is expected; and

(b) a receivable of $1.14m relating to an entire license contract which, though live with the customer, was pending final approval. This has taken place post the year end and $0.46m of the debt has been received to date.

In addition to the $0.46m, a further $1.35m has been received since the year end to date, i.e. a total of $1.8m.

Contract assets

Contract assets are recognised relating to support and maintenance revenue and license fees as invoices are raised in arrears of the revenue recognition relating to the services being provided. In addition, contract assets include contract fulfilment assets relating to sales commission provisions, the cost of which is amortised over the life of the corresponding contract.

Short-term contract assets deriving from revenue (i.e. those which are expected to reverse in less than one year) decreased to $0.38m (2020: $0.46m), arising from one license contract signed in the year which had invoicing terms which differed significantly from the underlying performance obligations. Long-term contract assets deriving from revenue (i.e. those which are expected to reverse after more than one year) decreased to $0.23m (2020: $0.31m), reflecting the invoicing profile of various products and services, principally on PCS.

Fulfilment assets included in contract assets total $0.18m (2020: $0.15m) in respect of short-term assets (representing costs directly relating to certain contracts to be recognised in profit and loss in the next 12 months); and $0.38m (2020: $0.44m) in respect of long-term assets (representing costs directly relating to certain contracts to be recognised in profit and loss after one year). This reflects the net of a full year's charge to P&L in respect of sales commissions first contracted in 2020.

Trade and other payables, provisions and contract liabilities

Trade and other payables

At the year end, short-term trade payables stood at $0.15m (2020: $0.81m), the reduction being due entirely to an exceptional amount due in respect of sales commissions payable at the end of 2020. Other short-term payables of $0.45m (2020: $0.28m), were due principally to amounts due in respect of staff bonuses and the balance for sundry creditors.

Provisions

Under the Indian Payment of Gratuity Act 1972, employees in the Group's Indian subsidiary with more than 5 years' service are eligible for the payment of a "gratuity" upon certain end of employment events - short-term provisions include amounts estimated in respect of such gratuity payments, as well as carried over leave payments and sundry expense provisions, in total $37,000 (2020: $79,000). The tax provision fell from $84,000 to $35,000 mainly due to an increase in the amount of advance tax payable from our Indian subsidiary, which reduced the year end tax creditor.

Long-term provisions of $0.20m (2020: $0.17m) relate solely to amounts estimated in respect of leave encashment and gratuity payments. Further details of such provisions are given in Note 26.

Contract liabilities

Contract liabilities represent customer payments received in advance of satisfying performance obligations, which are expected to be recognised as revenue in 2022 and beyond. Short-term contract liabilities remained broadly stable at $0.47m (2020: $0.50m) and long-term contract liabilities increased slightly to $0.28m (2020: $0.21m).

Statement of Cash Flows

Cash flow and financing

Cash generated by operations before tax payments amounted to $1.27m (2020: $2.60m), the reduction largely resulting from the effect of the trade receivables which were still outstanding at the year end referred to above.

In July raised c. $4.3m net of expenses by way of an equity placing. This has supported the Group's expansion, both in terms of recruitment (in particular in sales), the repayment of debt (some $0.75m) and working capital generally.

The Group had closing gross cash of $3.3m (2020: $1.8m). Borrowings amounted to $0.75m (2020: $1.4m), excluding amounts relating to lease liabilities. These borrowings are repaid on an Equal Monthly Instalment ("EMI") basis over the next 2-5 years.

Summary

Our performance this year reflects the work done over the last few years in transitioning the Group towards long-term managed service contracts underpinned by a solid base of support revenue, and a more normal year of change request imcome. The Group starts the year with a material proportion of the expected total revenue for the year underpinned by recurring revenue already contracted and repeating revenue (i.e. change requests) under purchase orders. The Board therefore remains optimistic that the Group is on track to deliver a strong year of growth.

Nic Hellyer
Chief Financial Officer
20 May 2022

The s172 Statement that is required to be covered in the Strategic Report is included in the Corporate Governance review on pages 54,55 and 56 and is hereby incorporated within the Strategic Report by reference.

The Strategic Report was approved by the Board of Directors on 20th May 2022

On behalf of the Board

Subash Menon
20 May 2022

Nic Hellyer
20 May 2022

Corporate Governance Review

For the year ended 31 December 2021

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, FCA - CFO

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.

Non-executive Directors

Richard Day – Chairman(i)(ii)(iii)

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 Chairman of its special purpose vehicle Eden Geothermal Limited, which has completed drilling its first well to a depth of 5km at their deep geothermal site at the Eden Project in Cornwall. He is also Chairman of The British Honey, a distillery business with shares trading on the Acquis Market and Deputy Chairman of ATOME Energy, a hydrogen business with plants in development in Paraguay and Iceland, which was admitted to trading on AIM in December 2021. Richard is a member of the QCA industry panel on remuneration and benefits which published the updated version of the QCA Remco Guide for companies.

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

Pieter serves as an executive director on the board of Discover Digital International, responsible for Marketing and Sales, 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 was the Chief Commercial Officer for Unitel in Angola from August 2017 to August 2019. 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 working across both Europe and Africa. These included Telenor International, Orange and MTN, where he was Group Chief Commercial Officer, responsible for the Consumer, Enterprise and Digital Services. He has a bachelor's degree in marketing and Business Economics.

(i) Member of Audit Committee
(ii) Member of Remuneration Committee
(iii) Member of Nomination Committee

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 AIM Rules requiring all AIM-quoted companies to adopt and comply with a recognised corporate governance code, the Board has adopted the 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. 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 and how we comply with them.

Richard Day
Non-Executive Chairman

QCA principles

SECTION 1: DELIVER GROWTH

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

To help deliver growth and promote long-term value for shareholders, the Board established a clear three-pronged strategy and business model when the Group floated on the AIM market in 2017 based on:

- 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

This strategy has evolved in line with our growing business and changing operational landscape and we have moved from a predominantly licence fee model to one now of more annual recurring revenues. This helps us work more closely in partnership with our telco customers and gives us greater financial visibility over the longer term.

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

Introduction

The Company welcomes communication with its shareholders. 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 our shareholders and the market. Covid has limited face-to face meetings so this has been largely remotely but we seek to do more investor roadshows, attending investor conferences and hosting capital markets days, as well as 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 regularly following the release of the full-year and half-year results, as well as for any significant strategic developments. The non-executive Chairman and non-executive director are also available to meet investors, whenever required.

Private shareholders

In normal times private shareholders have had access to Pelatro presentations through various investor events throughout the year which they can attend; whilst this has been curtailed in the last year because of restrictions on group events, the Directors have and continue to address this in the coming year through online events. Private shareholders also have access to selected analysts' research which is made available to them by Pelatro through the Group's website. They are also encouraged to contact the company directly with any enquiries they may have.

Analyst research

The Company's broker Cenkos and equity data distributor Proquote produce research on the Group, which is freely available from their internet portal, linked via the "Investors" section of the Pelatro 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 Chief Financial Officer 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. The Chairman also communicates with the Company's advisers on a regular basis and is available to investors generally.

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

Our wider stakeholder group includes our employees, suppliers, customers, advisers and investors. Engaging with our stakeholder base strengthens our relationships across our stakeholder base 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

Our employees are important stakeholders in our business 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.

Pelatro operates an Employee Share Option scheme, with options having been granted to some 70 employees. 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 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. The number of customers has been growing significantly over recent years, but the overall number of customers still allows us to have a regular interface with customers and ensure 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.

The Group presents an Environmental, Social and Governance Report elsewhere in this Annual Report.

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.

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. Regular monthly reporting keeps the Board appraised of the risk management process, emerging risks, health and safety and the Group's internal controls processes.

SECTION 2: MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

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

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. 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 nomination. Non-executive directors are required to attend all Board meetings (usually in London, although with current COVID-19 restrictions these have mainly been via video conferencing hosted from 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 2020 and the attendance of Directors is summarised below:

Director	Board	Audit	Remuneration
Richard Day	9	2	2
Nic Hellyer	9	2	n/a
Subash Menon	9	n/a	n/a
Pieter Verkade	8	2	2
Sudeesh Yezhuvath	7	n/a	n/a

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 (who is also the Company Secretary): he 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 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 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 a network of external advisers and receive regular briefings on legal, accounting and regulatory matters from these advisers where necessary to keep their skills and knowledge base up to date.

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 6 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.

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

As a small and cohesive Board we openly discuss our performance and effectiveness against strategy on a regular basis. The effectiveness of the Board is reviewed by the Chairman on an annual basis. As part of this yearly review, we specifically ask our Nomad and Broker and UK lawyers for their opinion on the effectiveness of the Board.

As a Board, we conduct an annual evaluation of the Board, led by the Chairman, in accordance with the recommendation from the FRC and with reference to the FRC guidance on the list of questions a board should be asking of themselves.

We have three committees, being Audit, Remuneration and Nomination. Given the size of our board with only two NEDs, the NEDS sit on each committee Richard Day is Chairman of Audit and Remuneration, and Pieter Verkade is Chairman of Nomination. The QCA consider it is unusual for the Chairman of an AIM company also to be Chairman of the Remco; however, this was discussed with our Nomad and investors when we floated in 2017. Richard Day is also a member of the QCA group which produced the new version of the QCA Remuneration Code.

These committees are required to act independently of the executive of the Board and indeed may need at times to be in conflict with the executive members. Because of the respective experience and qualities of the NEDs, they are considered by our Nomad to have sufficient qualities to fulfil these roles.

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 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.

In regard to how ethical values are recognised and

and respected, we include a specific Environmental, Social and Governance section in this Annual Report. We aim to conduct our business with integrity, respecting the different cultures and the dignity and rights of individuals in the countries where we operate. We support the UN Universal Declaration of Human Rights and recognise 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. All the board have a responsibility to ensure we follow appropriate ethical values.

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 as necessary. 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 2020 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 frequent dialogue with all of its stakeholders, both in person and through formal channels such as the Annual Report (which, inter alia, contains details of the work of the Board and the various committees during the year) and the London Stock Exchange Regulatory News Service.

Audit Committee

Audit Committee Report

Dear Shareholder

As Chairman of Pelatro's Audit Committee, I present the Audit Committee Report for the year ended 31 December 2021, 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;
- 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 2020 at iEnergizer Limited, quoted on the AIM market of the London Stock Exchange. Pieter Verkade holds a Bachelor's degree in business economics and has held a number of controller and management accountant roles in AT&T and Telenor, culminating in the CFO role for KPN Orange in Belgium.

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, CFO, 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 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 was required (other than as required by IFRS 9) and was satisfied that the trade receivables balance was 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 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 2021 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 thereto but the Board as a whole 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 2020. In doing so, the Committee considered the reports produced by Crowe, met the audit engagement partner and discussed the audit with the CFO. 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 in respect of certain routine overseas tax matters. This was considered permissible under the Financial Reporting Council's Revised Standard.

Richard Day

Chairman of the Audit Committee

20 May 2022

Remuneration Committee

Remuneration Committee Report

Dear Shareholder

As Chairman of Pelatro's Remuneration Committee, I present the Remuneration Committee Report for the year ended 31 December 2021, 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 arrangements

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 2021

Both Subash Menon and Sudeesh Yezhuvath declined to take a bonus payment in the previous year, pending our trading conditions returning to a more normalised footing. Difficult operating conditions have continued this year from the COVID-19 pandemic, but staff have been increasingly able to return to the offices and the executive team have now started to travel again from our Indian centre. Against this backdrop, significant progress has still been made across the business and performance bonuses have been awarded to each of the three executive directors. Under our existing Bonus Plan for the executive team, there are six broad targets for any performance bonus award, allocated proportionally to the executives;

- sales - the total contract value signed in the period
- revenue - total revenue for the period
- net result - the net Result for the period
- share price change
- accounts receivable and DSO
- status reporting and pipeline plus product releases

These are in addition to an assessment of overall progress being made in the business. Accordingly, notwithstanding the disappointing performance of our share price over the period, performance bonuses have been made

Richard Day

Chairman of the Remuneration Committee

20 May 2022

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 typically 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 revenue contracts 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 (f) 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. 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. Like 2020, 2021 has been a challenging year for all employees, both corporately and personally.

(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 acknowledges 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. In normal times employees typically would travel for three activities – sales, implementation and support. With regard to sales, whilst traveling is essential and much more helpful to progress various cases, video conferencing as a tool can replace physical meetings to a limited extent. 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; in fact the Group has managed successfully to transition almost entirely to remote implementation this year with a consequent reduction of both costs and environmental impact. Further information on our environmental impact and the steps being taken to mitigate it are set out in our Environmental, Social and Governance report.

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. Of particular note is the Group's commitment to employing graduates and others from local second-tier villages in India, hence enabling us to make a major contribution to the overall quality of life of our employees which may otherwise be out of their reach.

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 the relevant Principles of the Code, which can be found in the section on Corporate Governance and on the Pelatro website at:

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

(e) The desirability of the Group maintaining a reputation for high standards of business conduct

The Directors and the Group are committed to high standards of business conduct and governance. The Group has fully adopted the QCA Corporate Governance Code. Additionally, where there is a need to seek advice on particular issues, the Board will seek advice from its lawyers and/or nominated adviser to ensure the consideration of business conduct, and its reputation is maintained.

(f) 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. We have enhanced this contact this coming year by increasing use of online platforms giving private investors access to the management team.

Through its advisers, the Directors seek and obtain feedback from meetings with 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.

Environmental, Social and Governance Statement

We as a company are mindful of our various Environmental, Social and Governance ("ESG") obligations and welcome the opportunity to engage with our stakeholders on the various considerations, measures and steps we follow in this regard. As a technology and support services company to the telco industry, we are not engaged in any manufacturing process directly producing harmful substances or products. However, we are mindful of the sustainable conservation of natural resources and monitor and control our energy and water consumption as well as our waste production. All employees are valued members of the team and we seek to implement provisions to retain and incentivise them in a fair and open way. We have adopted the Quoted Companies Alliance Corporate Governance Code and believe that strong and transparent governance policies are not only fair but also good business and a key ingredient of our success.

With the increasing focus on ESG issues around the world and the widespread concern over sustainable conservation of natural resources, we present below our key ESG metrics. In reporting these metrics, we have carefully noted the message from the stakeholders in our business that they do not feel one size fits all: they would rather have a relevant review with the right metrics, appropriate to the company. We also consider that a responsible corporate outlook helps us demonstrate the quality of our management, identify how we are mitigating exposure to any business risks and work on areas where we can leverage business opportunities.

Environmental

Being a provider of services to telcos, we are not directly involved in the direct manufacture of harmful substances or products. In more normal times, our operations are predominantly office-based or delivered from the offices of our customers, where we can monitor and control our energy and water consumption as well as waste production more effectively. However, with the widespread lockdowns continuing to be felt particularly in India where most of our operations are based and, as a result of the COVID-19 pandemic, our office occupancy is still around the 35% level and our teams have been predominantly working from home. As such, these measures are not currently relevant.

Social

A key ethos at Pelatro is encouraging our talented people to do well with us and giving them every opportunity to succeed. Our main research and development operations is at our sites in Bangalore, India and, by the nature of our business, most of our intake of new employees are graduates. There is a wide talent pool available from the major cities in India; however, we also have an active recruitment drive of approximately 30% of our intake from the second-tier villages as well, where opportunities to progress in an international technology company such as Pelatro can be more limited. As such, we are able to make a major contribution to the overall quality of lives of our employees which may otherwise be out of their reach.

Pelatro recognises the importance of investing in its employees and provides opportunities for training and personal development, as well as encouraging the involvement of employees in the planning and direction of their work.

Employee turnover	30%
Tax paid (% of turnover)	4%
Male/female employee ratio	3/1
Health & Safety events in year	None
Employees participating in share scheme	19%

The pandemic this year has seen a necessary change in working practices, with national lockdowns in various countries. Mindful of our overall employee well-being, we have sought to be flexible and supportive of their needs, as well as those of our business. We have run various support programmes open to our employees to attend remotely, such as: ergonomics during working from home, run by a physiotherapist; nutrition during work and also nutrition for women's common health problems, run by a nutrition expert; mental well-being; and free counselling by certified counsellors.

Governance

We have a diversity on our Board of various skill sets, experience and qualities, with members from Asia, the Netherlands and the United Kingdom. We believe that good governance is also good business, with transparency helping to build trust and confidence with our stakeholders.

Pelatro 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.

Independent board members	40%
CEO cash compensation v UK median earnings	6.1x
Chairman/CEO role split	Yes
Adheres to Corporate Governance Code	Yes-QCA

Fuller details and information on the way the Board operates and the various committees of our Board is set out in the separate corporate governance section in this report.

Directors' Report

For the year ended 31 December 2021

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 2021.

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.

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 UK-adopted international accounting standards and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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.

Financial instruments

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	Chief Financial Officer
Subash Menon	Managing Director
Pieter Verkade	Non-Executive
Sudeesh Yezhuvath	Executive Director

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

The Directors at 31 December 2021 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	83,000
Richard Day	19,475	18,000
Pieter Verkade	-	-

1 held in the name of Bannix Management LLP
2 52,600 Ordinary shares held by his wife, Dr Fawzia Ali

No changes took place in the beneficial interests of the Directors between 31 December 2021 and 20 May 2022.

The market price of the Ordinary Shares at 31 December 2021 was 29.8p and the range during the year was 29.5p to 61.0p.

Substantial shareholdings

As at 20 May 2022, the Company had received notification (or is otherwise aware) 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	28.6%
Rathbones Investment Management	3,116,205	6.9%
Herald Investment Management	1,962,035	4.3%

* 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, nomination 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

Whilst the Group suffered some impact of in-country restrictions during the year due to the coronavirus pandemic, such restrictions have now been partly or fully lifted in the principal countries in which the Group operates. This, as well as a gradual "return to normal" on the part of our customers and the global rollout of vaccination programmes, means that the Directors consider that coronavirus no longer presents a material risk to the Group.

By order of the Board

Nic Hellyer
Company Secretary
49 Queen Victoria Street
London
EC4N 4SA

20 May 2022

Independent Auditors' Report

For the year ended 31 December 2021

Opinion

We have audited the financial statements of Pelatro Plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2021, which comprise:

- the Group statement of comprehensive income for the year ended 31 December 2021;
- the Group and Parent Company statements of financial position as at 31 December 2021;
- 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 UK-adopted international accounting standards. 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 (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the ability of the Group and Parent Company to continue to adopt the going concern basis of accounting included the following procedures:

- Obtaining the directors' assessment of going concern which covered the period to 31 December 2023 and included a range of scenarios
- Evaluating the reasonableness of the assumptions used in the assessment including obtaining details of the latest sales pipeline and the current cash position
- Considering the plausibility of potential actions that the directors could take to preserve cash in a 'worst case scenario' position.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.
Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 $56,000, based on approximately 2% EBITDA, a key reporting metric. Parent's materiality was determined to be $39,000.

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. This is set at $39,000 for the Group and $27,000 for the Parent.

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 $1,700. 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 group audit engagement team. Where the finance functions are based in India work was performed with the assistance of a Crowe Global network firm locally as a subcontracting auditor.

The group audit team led by the Group audit partner was ultimately responsible for the scope and direction of the audit process. The group audit team interacted regularly with the local team during various stages of the audit and were responsible for the scope and direction of the audit process and as part of the audit the Group audit partner had meeting calls with 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.

We identified going concern as a key audit matter and have detailed our response in the conclusions relating to going concern section above.

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
Capitalisation of development costs	
As disclosed in note 18, the Group has capitalised approximately $2.6 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 future sale or licensing of the product. The Directors determined that the development costs meet the criteria for capitalisation.	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. Tests of detail included; • testing the allocation of overhead costs to capitalised development costs for mathematical accuracy and reasonableness including challenging whether the overheads were directly attributable to the software development and agreeing underlying data to headcount 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.

Key audit matter	How the scope of our audit addressed the key audit matter
The capitalisation of intangibles and assessment of indications of impairment is included within note 4 as an area of critical accounting estimate and judgement. The accounting policy for intangibles is outlined in note 3.	We considered, challenging management where appropriate, as to whether there were indications the carrying value of the asset may be impaired.
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.

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.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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 the 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 59, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the relevant company law and taxation legislation in the UK and India, the Group's primary operating locations.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management and the inappropriate use of accounting estimates and judgements to achieve a particular financial reporting outcome. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for bias.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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.

Peter Gilligan
(Senior Statutory Auditor)
for and on behalf of
Crowe U.K. LLP
Statutory Auditor
London
20 May 2022

Group Statement of Comprehensive Income

For the year ended 31 December 2021

	Note	2021 $'000 (audited)	2020 $'000 (audited)
Revenue	5	7,266	4,020
Cost of sales and provision of services		(2,206)	(1,710)
Gross profit		**5,060**	**2,310**
Administrative expenses	6	(4,831)	(3,647)
Adjusted operating profit/(loss)		**229**	**(1,337)**
Exceptional items	7	-	149
Amortisation of acquisition-related intangibles	18	(686)	(686)
Share-based payments	11	(32)	(32)
Operating (loss)		**(489)**	**(1,906)**
Finance income	12	44	64
Finance expense	13	(221)	(240)
(Loss) before taxation		**(666)**	**(2,082)**
Income tax expense	14	(181)	(375)
(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		**(847)**	**(2,457)**
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(147)	31
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of equity balances		50	(55)
Other comprehensive income, net of tax		**(97)**	**(24)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(944)**	**(2,481)**
Earnings per share			
Attributable to the owners of the Pelatro Group (basic and diluted)	15	(2.1)¢	(7.2)¢

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

Group Statement of Financial Position

For the year ended 31 December 2021

	Note	2021 $'000 (audited)	2020 $'000 (audited)
Assets			
Non-current assets			
Intangible assets	18	11,453	11,649
Tangible assets	19	982	1,218
Right-of-use assets	20	240	308
Deferred tax assets		14	16
Contract assets	21	606	751
Trade receivables	21	163	149
		13,458	**14,091**
Current assets			
Contract assets	21	555	609
Trade receivables	21	4,793	3,335
Other assets	22	315	485
Cash and cash equivalents		3,331	1,805
		8,994	**6,234**
TOTAL ASSETS		**22,452**	**20,325**
Liabilities			
Non-current liabilities			
Borrowings	23	608	1,196
Lease liabilities	24	80	172
Contract liabilities	25	278	207
Long-term provisions	26	202	173
		1,168	**1,748**
Current liabilities			
Short term borrowings	23	136	244
Lease liabilities	24	188	174
Trade and other payables	25	603	1,093
Contract liabilities	25	469	495
Provisions	26	72	163
		1,468	**2,169**
TOTAL LIABILITIES		**2,636**	**3,917**
NET ASSETS		**19,816**	**16,408**

	Note	2021 $'000 (audited)	2020 $'000 (audited)
Issued share capital and reserves attributable to owners of the parent			
Share capital	27	1,501	1,212
Share premium	27	18,046	14,045
Other reserves		(639)	(583)
Retained earnings		908	1,734
TOTAL EQUITY		**19,816**	**16,408**

The financial statements of Pelatro Plc, registered number 10630166, were approved by the board of Directors and authorised for issue on 20 May 2022. 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 2021

	2021 $'000 (audited)	2020 $'000 (audited)
Cash flows from operating activities		
Profit/(loss) for the year	(847)	(2,457)
Adjustments for:		
Income tax expense recognised in profit or loss	181	375
Finance income	(44)	(20)
Finance costs	221	232
Depreciation of tangible non-current assets	467	366
Profit on disposal of fixed assets	(10)	(10)
Amortisation of intangible non-current assets	2,814	2,122
Fair value adjustment on contingent consideration	-	(149)
Share-based payments	32	32
Foreign exchange gains/(losses)	9	25
Operating cash flows before movements in working capital	**2,823**	**516**
(Increase)/decrease in trade and other receivables	(1,271)	2,229
(Increase) in contract assets	206	(544)
Increase in trade and other payables	(532)	676
Increase/(decrease) in contract liabilities	45	(276)
Cash generated from operating activities	**1,271**	**2,601**
Income tax paid	(258)	(339)
Net cash generated from operating activities	**1,013**	**2,262**
Cash flows from investing activities		
Development of intangible assets	(2,540)	(2,807)
Purchase of intangible assets	(42)	(9)
Acquisition of property, plant and equipment	(88)	(902)
Payment of earn out consideration relating to prior period acquisition	-	(851)
Net cash used in investing activities	**(2,670)**	**(4,569)**
Cash flows from financing activities		
Proceeds from issue of ordinary shares, net of issue costs	4,290	2,589
Proceeds from borrowings	70	1,753
Repayment of borrowings	(748)	(919)
Repayments of principal on lease liabilities	(173)	(171)
Interest received	44	20
Interest paid	(203)	(185)

	2021 $'000 (audited)	2020 $'000 (audited)
Interest expense on lease liabilities	(25)	(16)
	______	______
Net cash generated by/(used in) financing activities	**3,255**	**3,071**
Net increase/(decrease) in cash and cash equivalents	**1,598**	**764**
Foreign exchange differences	(72)	(60)
Cash and cash equivalents at beginning of period	1,805	1,101
	______	______
Cash and cash equivalents at end of period	**3,331**	**1,805**

Group Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital $'000	Share premium $'000	Exchange reserve $'000	Merger reserve $'000	Share-based payments reserve $'000	Retained profits $'000	Total $'000
Balance at 1 January 2020 as previously reported	**1,065**	**11,603**	**(216)**	**(527)**	**100**	**4,177**	**16,202**
(Loss) after taxation for the period	-	-	-	-	-	(2,457)	(2,457)
Share-based payments	-	-	-	-	98	-	98
Transfer on lapse of share options					(14)	14	
Other comprehensive income:							
Exchange differences	-	-	(24)	-	-	-	(24)
Transactions with owners:							
Shares issued by Pelatro Plc for cash	147	2,620	-	-	-	-	(2,767)
Issue costs	-	(178)	-	-	-	-	(178)
	----------	---------	---------	---------	---------	--------	----------
Balance at 31 December 2020	1,212	14,045	(240)	(527)	184	1,734	16,408
(Loss) after taxation for the period	-	-	-	-	-	(847)	(847)
Share-based payments	-	-	-	-	62	-	62
Transfer on lapse of share options					(21)	21	-
Other comprehensive income:							
Exchange differences	-	-	(97)	-	-	-	(97)
Transactions with owners:							
Shares issued by Pelatro Plc for cash	289	4,334	-	-	-	-	4,623
Issue costs	-	(333)	-	-	-	-	(333)
Balance at 31 December 2021	**1,501**	**18,046**	**(337)**	**(527)**	**225**	**908**	**19,816**

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 foreign operations 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.

Notes to the Group Financial Statements

For the year ended 31 December 2021

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 and impact of new and/or revised standards

One amendment has been adopted in the annual financial statements for the year ended 31 December 2021, but have not had a significant effect on the Group:

- Revised Conceptual Framework for Financial Reporting

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 UK-adopted international accounting standards and UK Company Law.

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 2021 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.

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 and goodwill

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 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.

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:

(i) when a performance obligation has been satisfied, that is, a customer obtains control of a good or service;

(ii) consideration receivable is fixed or determinable; and

(iii) collection of the amount due from the customer is reasonably assured

The amount which is recognised is the amount to which the Group expects to be entitled to in exchange for the goods or services transferred. 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") notwithstanding 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. 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. 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.

Change Requests

Revenue in respect of Change Requests (i.e. formal proposals from customers to change an existing system, product or service) is recognised on completion of the work necessary to implement the required change.

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

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 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 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. 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. Amortisation is calculated so as to write off the cost of an 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 derived using hypothetical likely default amounts estimated 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 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.

Long-term trade receivables

Long-term trade receivables 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 as a result of the sale of licenses 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) gains made by the purchaser 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.

Contract fulfilment assets

Contract fulfilment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Group firstly considers any other applicable standards. If those standards preclude capitalisation of a particular cost, then an asset is not recognized under IFRS 15. If other standards are not applicable to contract fulfilment costs, the Group applies the following criteria which, if met, result in capitalisation: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered.

The assessment of these criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

The Group's contract fulfilment assets are due principally to sales commissions payable to third parties in return for assistance in obtaining certain contracts. The Group amortises capitalised costs to obtain a contract over the expected life of that contract in line with the recognition of revenue relating to that contract. Such amortisation is included within cost of sales.

A capitalised cost to obtain a contract is derecognised either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal. At each reporting date, the Group determines whether there is an indication that cost to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

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 of financial position.

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. Long-term provisions are those provisions where the settlement of the obligation is expected to be on a date more than one year from the reporting date.

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 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

Critical judgements	Estimates
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 ("SSP") 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.	Estimates relating to revenue include the appropriate SSP for various components of a contract, and in the case of contracts which have a Significant Financing Component, the appropriate discount rate to apply to the payment profile in order to derive an appropriate present value to record as revenue. 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.

Capitalised development costs

Critical judgements	Estimates
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.	Estimates relating to capitalised development costs include the asset's likely revenue generation 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.

Impairment reviews

Critical judgements	Estimates
The Group tests goodwill, intangible assets and property, plant and equipment annually for impairment, or more frequently if there are indications that an impairment may be required. Judgement is required as to whether indicators of impairment exist and hence whether to perform more detailed analysis to evaluate any impairment required. Identifying indicators of impairment requires judgements to be made as to the prospects and value drivers of the individual assets. In valuing these assets and liabilities, judgement is required as to the likelihood of occurrence of future events which will affect the value of such assets.	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. Estimates are therefore required of the level of future growth, resulting cash flows as well as an appropriate discount rate to derive their carrying value. Assumptions regarding sales and operating profit growth, gross margin, and discount rate are considered to be the key areas of estimation in the impairment review process – further disclosure regarding such estimates is made in Note 18.

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 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 ("gain share");

(2) contracts based on the sale of perpetual licenses for use of the Group's proprietary enterprise software;

(3) provision of specific customer-requested modifications to Group software ("change requests");

(4) provision of maintenance and support for the software and its users; and

(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	2021 $'000	2020 $'000
Recurring software sales and services	3,456	1,528
Maintenance and support	1,334	1,323
Total recurring revenues	**4,790**	**2,851**
Change requests	1,958	426
Total repeating revenues	6,748	3,277
Software – new licenses	498	698
Consulting	20	45
	-	-
	7,266	**4,020**

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	2021 $'000	2020 $'000
Caribbean	130	145
Central Asia	443	175
Eastern Europe	426	168
North Africa	104	64
South Asia	2,656	1,096
South East Asia	3,407	2,372
Sub-Saharan Africa	100	-
	7,266	**4,020**

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

Customer concentration

The Group has two customers representing individually over 10% of revenue each and in aggregate approximately 38% of total revenue at $2.73m (2020: three customers, approximately 53% of total revenue at $2.14m). The two customers accounted for revenue of $1.63m and $1.10m (2020: $0.89m, $0.63m and $0.62m).

Revenue recognition

License revenue

As explained in Note 3, 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 are recognised (at the point of transfer of the license) as the capitalised value of the income stream. In addition, interest income accrues on the credit deemed to be extended to the customer (on a reducing balance basis). For the financial year 2021 this figure amounts to license revenue of $0.50m and interest income of $38,000 (2020: $0.20m and $44,000).

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 PCS income is deemed to accrue 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 consequent adjustments to revenue to derecognise revenue in later years when contractual payments exceed revenue to be recognised); 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 2021 revenue includes/(excludes) (i) a net amount of $(101,000) representing income from PCS already recognised ahead of its contractually due dates (2020: $(88,000)), and (ii) an amount of $40,000 (2020: $nil) representing revenue netted off license income 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		
	2022 $'000	2023 $'000	2024-7 $'000
Revenue expected to be recognised on software and service contracts	449	314	320

Comparative figures for the year ended 31 December 2020 were as follows:

	Year to 31 December		
	2021 $'000	2022 $'000	2023-6 $'000
Revenue expected to be recognised on software and service contracts	579	394	442

Costs of obtaining and fulfilling contracts of $0.12m have been capitalised in 2021 (net of amortisation against revenue recognised in respect of those contracts) (2020: $0.59m).

Non-current assets

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

At 31 December	2021 $'000	2020 $'000
India	991	1,208
Russia	26	25
Singapore	6,329	5,516
UK	5,329	6,426
	12,675	13,175

Non-current assets comprise intangible assets, goodwill, and plant, property and equipment.

6. Operating expenses

Profit for the year has been arrived at after charging:

	2021 $'000	2020 $'000
Amortisation of intangible non-current assets	2,814	2,122
Depreciation of tangible non-current assets	413	298
(Profit)/loss on disposal of Right to Use assets	(10)	(10)
Staff costs (see note 9)	2,865	1,787
Auditor's remuneration (see note 8)	47	41
Short-term lease expenses	35	23
Realised foreign exchange (gains)/losses	17	3

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	2021 $'000	2020 $'000
Operating profit/(loss)	(489)	(1,906)
Adjusted for:		
Amortisation and depreciation	3,227	2,420
	____	____
EBITA	2,738	514
Revenue recognised as interest under IFRS 15	38	44
Expensed share-based payments	32	32
Exceptional items:		
- gain on adjustment of contingent liability	-	(149)
	____	____
Adjusted EBITDA	**2,808**	**441**

Criteria for adjustments to operating profit or loss in the calculation of adjusted EBITDA are that they (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.

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 in Note 15) 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.

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.

EBITDA (and adjusted EPS) are financial measures that are not defined or recognised under IFRS and should not be considered as an alternative to other indicators of the Group's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. Accordingly, these non-IFRS measures should be viewed as supplemental to, but not as a substitute for, measures presented in this Annual Report and Accounts. Information regarding these measures is sometimes used by investors to evaluate the efficiency of an entity's operations; however, there are no generally accepted principles governing the calculation of these measures and the criteria upon which these measures are based can vary from company to company. These measures, by themselves, do not provide a sufficient basis to compare the Group's performance with that of other companies and should not be considered in isolation or as a substitute for operating profit or any other measure as an indicator of operating performance, or as an alternative to cash generated from operating activities as a measure of liquidity.

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

8. Auditor's remuneration

Year to 31 December	2021 $'000	2020 $'000
Audit of the financial statements of Pelatro Plc	47	41
Amounts receivable by auditor in respect of: Tax compliance	1	4
	48	**45**

9. Staff Costs

Year to 31 December	2021 $'000	2020 $'000
Wages and salaries	5,256	4,410
Social security contributions	80	83
Less: amounts capitalised as intangible assets	(2,471)	(2,706)
	2,865	**1,787**

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

Year to 31 December	2021	2020
Sales	3	4
Software development	98	96
Support	113	48
Marketing	3	3
Administration	18	15
	235	**166**

10. Directors' remuneration and transactions

The Directors' emoluments in the year ended 31 December 2021 were:

	Basic salary 2021 $'000	Bonus 2021 $'000	Benefits in kind 2021 $'000	Share-based payments 2021 $'000	Pension 2021 $'000	Total 2021 $'000	Total 2020 $'000
Executive Directors							
N. Hellyer	87	21	10	1	3	**122**	137
S. Menon	201	57	21	-	-	**279**	220
S. Yezhuvath	201	57	14	-	-	**272**	207
Non-Executive Directors							
R. Day	66	-	-	-	2	**68**	72
P. Verkade	41	-	-	-	-	**41**	39
	596	**135**	**45**	**1**	**5**	**782**	675

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 options granted to a director at the time of the Group's 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, and may be exercised at any time from the date of vesting to the date of expiry.

A charge of $32,000 (net of amounts capitalised of $30,000) (2020: $32,000) 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) 1,323,500 options granted under the Plan (net of lapsed or forfeited options) and (b) the 33,000 options (net of forfeited options) issued at the time of the Company' 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, $14,000 net (2020: $27,000) 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		Weighted average exercise price	
	2021	2020	2021	2020
Outstanding at the beginning of the year	**1,505,500**	1,631,500	72.7p	72.7p
Forfeited/cancelled during the year	(149,000)	(126,000)	73.0p	73.0p
Outstanding at the end of the year	**1,356,500**	**1,505,500**	**72.7p**	**72.7p**

Outstanding options are exercisable at prices between 62.5p and 73p and have a weighted average remaining contractual life of 6.8 years.

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 2021 was £0.295 (31 December 2020: £0.380) and hence no deferred tax is provided in respect of the potential exercise of options currently extant.

12. Finance income

	2021 $'000	2020 $'000
Interest receivable on interest-bearing deposits	6	20
Notional interest accruing on contracts with a significant financing component	38	44
Total finance income	**44**	**64**

13. Finance expense

	2021 $'000	2020 $'000
Interest and finance charges paid or payable on borrowings	202	198
Interest on lease liabilities under IFRS 16	25	31
Less: amounts capitalised as intangible assets	(6)	(14)
Acquisition-related financing expense (unwinding of discount on financial liabilities)	-	25
Total finance expense	**221**	**240**

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	2021 $'000	2020 $'000
Current tax		
UK corporation tax charge/(credit) on profit for the current year	-	-
Overseas income tax charge/(credit)	232	321
Adjustments in respect of prior periods	(42)	(18)
Total current income tax	190	303
Deferred tax		
Reversal/(recognition) of deferred tax asset	(9)	72
Total deferred income tax	(9)	72
Total income tax expense recognised in the year	**181**	**375**

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% (2020: higher). 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	2021 $'000	2020 $'000
(Loss) before taxation	**(666)**	**(2,082)**
Tax charge/(credit) at the applicable rate of 19%	(127)	(396)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Fixed asset differences	(275)	(425)
Expenses not deductible for tax purposes and other permanent items	244	247
Income not taxable and other permanent items	11	5
Movement in fair value of contingent consideration not taxable	-	(28)
Tax exemptions, allowances and rebates	-	(47)
Foreign tax credits	109	186
Overseas taxation at different rates	12	63
(De)recognition of deferred tax liability	(11)	24
(De)recognition of deferred tax asset	(2)	61
Loss carry back/tax repayable	(67)	-
Adjustments recognised in current year tax in respect of prior years	13	(18)
Current tax (prior period) exchange difference	-	(1)
Deferred tax not recognised	274	704
Income tax expense recognised for the current year	**181**	**375**

The tax effect of exchange differences recorded within the Group Statement of Comprehensive Income is a credit of $4,000 (2020: $6,000 credit).

Temporary differences associated with Group investments

At 31 December 2021, there was no recognised deferred tax liability (2020: $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

	2021 $'000	2020 $'000
At 1 January 2021	16	63
Recognised in profit and loss	(2)	(47)
At 31 December 2021	14	16
Comprising:		
Tax losses	14	16
	14	16

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. The deferred income tax assets at 31 December 2021 above are expected to be utilised in the next two years.

Recognised deferred tax liability

	2021 $'000	2020 $'000
At 1 January 2021	24	-
Recognised in profit and loss	(11)	24
At 31 December 2021	13	24
Comprising:		
Timing differences	13	24
	13	24

Factors affecting future tax charges

UK

The current rate for corporation tax in the UK is 19% but, as a result of the March 2021 Budget statement which was enacted in May 2021, this is due to rise to 25% from 1 April 2023 for profits in excess of £250,000. This tax rate is therefore considered when calculating deferred tax on timing differences expected to reverse on or after 1 April 2023.

India

Under Indian tax law, with effect from 1 April 2019 any company which opted not to utilise certain tax exemptions or incentives was eligible for a reduced income tax rate of 22% (previously 25%). For the local tax year to 31 March 2020 the effective tax rate for the Group's Indian subsidiary PSPL was therefore 27.82% inclusive of surcharges and cess. PSPL has now opted for the reduced rate and its effective tax rate from henceforth will be 25.17%.

15. Earnings

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 Group has one category of security potentially dilutive to ordinary shares in issue, being those share options granted to employees where the exercise price (plus the remaining expected charge to profit under IFRS 2) is less than the average price of the Company's ordinary shares during the period in issue. No dilution arose in the year as the exercise price was above the average share price for the year.

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

Year to 31 December	2021 $'000	2020 $'000
Profit/(loss) attributable to equity holders of the parent:		
Profit/(loss) attributable to ordinary equity holders of the parent for basic earnings	(847)	(2,475)
Weighted average number of ordinary shares in issue	41,153,537	34,136,617
Basic earnings/(loss) per share attributable to shareholders	**(2.1)¢**	**(7.2)¢**

Adjusted earnings per share

Adjusted earnings per share is calculated as follows:

	2021 $'000	2020 $'000
Profit/(loss) attributable to ordinary equity holders of the parent for basic earnings	(847)	(2,475)
Adjusting items:		
- exceptional items (see note 7)	-	(149)
- share-based payments	32	32
- finance expense on liabilities relating to contingent consideration	-	25
- amortisation of acquisition-related intangibles	686	686
- prior year adjustments to tax charge	(42)	(18)
Adjusted earnings attributable to owners of the Parent	(171)	(1,881)
Weighted number of ordinary shares in issue	41,153,537	34,136,617
Adjusted earnings/(loss) per share attributable to shareholders	**(0.4)¢**	**(5.5)¢**

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 (2020: 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	Dormant	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 2021	Development costs $'000	Third party software $'000	Patents $'000	Customer relationships $'000	Goodwill $'000	Total $'000
Cost						
At 1 January 2021	9,263	110	27	6,862	470	**16,732**
Additions	2,576	12	30	-	-	**2,618**
Foreign exchange	-	(2)	-	-	-	**(2)**
At 31 December 2021	11,839	120	57	6,862	470	**19,348**
Amortisation						
At 1 January 2021	(3,373)	(52)	-	(1,658)	-	**(5,083)**
Charge for the year	(2,105)	(21)	(2)	(686)	-	**(2,814)**
Foreign exchange	-	2	-	-	-	**2**
At 31 December 2021	(5,478)	(71)	(2)	(2,344)	-	**(7,895)**
Net carrying amount						
At 31 December 2021	**6,361**	**49**	**55**	**4,518**	**470**	**11,453**
At 31 December 2020	**5,890**	**58**	**27**	**5,204**	**470**	**11,649**

Financial year 2020	Development costs	Third party software	Patents	Customer relationships	Goodwill	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost						
At 1 January 2020	6,391	108	23	6,862	470	**13,854**
Additions	2,872	4	4	-	-	**2,880**
Foreign exchange	-	(2)	-	-	-	**(2)**
At 31 December 2020	9,263	110	27	6,862	470	**16,732**
Amortisation						
At 1 January 2020	(1,957)	(34)	-	(972)	-	**(2,963)**
Charge for the year	(1,416)	(20)	-	(686)	-	**(2,122)**
Foreign exchange	-	2	-	-	-	**2**
At 31 December 220	(3,373)	(52)	-	(1,658)	-	**(5,083)**
Net carrying amount						
At 31 December 2020	**5,890**	**58**	**27**	**5,204**	**470**	**11,649**
At 31 December 2019	**4,434**	**74**	**23**	**5,890**	**470**	**10,891**

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. 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 2021 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 was at the time to develop the Group's software and provide administrative support for the rest of the Group. Subsequent to its acquisition, the activities of this subsidiary have grown to include the provision of post-contract support and other services to customers.

The Directors noted that, at the time of testing, the market capitalisation of the Group was less than its net asset value. Under IAS 36 this is an indicator of potential impairment and accordingly the Directors considered the cause of this as well as a number of other indicators, none of which suggested impairment.

The goodwill relating to this CGU was tested for impairment at 31 December 2021 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 over 5 years.

The key assumptions used in the value in use calculations were as follows:

(i) The operating cash flows for this business for the years to 31 December 2022 and 2023 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 still mostly intra-Group and is thus dependent on other Group companies making third-party sales (the balance of third party sales is material but is largely under fixed revenue contracts);

(ii) A range of scenarios for growth in costs and revenues for the remainder of the value in use has been considered, notably with regard to costs which have been assumed to increase in line with local inflation rates. Revenue growth after 5 years is forecast at nil% in local currency terms;

(iii) A pre-tax discount rate of 17.6% has been used (being the Weighted Average Cost of Capital in local currency)

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 analyses 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 2021.

19. Tangible assets

Financial Year 2021	**Leasehold improvements $'000**	**Computer equipment $'000**	**Office equipment $'000**	**Vehicles $'000**	**Total $'000**
Cost					
At 1 January 2021	131	1,084	59	305	**1,579**
Additions	-	88	-	-	**88**
Foreign exchange differences	(2)	(21)	(1)	(6)	**(30)**
At 31 December 2021	129	1,151	58	299	**1,637**
Depreciation					
At 1 January 2021	(24)	(222)	(20)	(95)	**(361)**
Charge for the year	(18)	(238)	(11)	(36)	**(303)**
Foreign exchange differences	1	6	-	2	**9**
At 31 December 2021	(41)	(454)	(31)	(129)	**(655)**
Net carrying amount					
At 31 December 2021	**88**	**697**	**27**	**170**	**982**
At 31 December 2020	**107**	**862**	**39**	**210**	**1,218**

Financial Year 2020	**Leasehold improvements $'000**	**Computer equipment $'000**	**Office equipment $'000**	**Vehicles $'000**	**Total $'000**
Cost					
At 1 January 2020	109	197	59	312	**677**
Additions	24	877	1	-	**902**
Foreign exchange differences	(2)	10	(1)	(7)	**-**
At 31 December 2020	131	1,084	59	305	**1,579**
Depreciation					
At 1 January 2020	(7)	(87)	(9)	(59)	**(162)**
Charge for the year	(17)	(134)	(11)	(36)	**(198)**
Foreign exchange differences	-	(1)	-	-	**(1)**
At 31 December 2020	(24)	(222)	(20)	(95)	**(361)**
Net carrying amount					
At 31 December 2020	**107**	**862**	**39**	**210**	**1,218**
At 31 December 2019	**102**	**110**	**50**	**253**	**515**

20. Right-of-use assets

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

2021	Office building $'000	Vehicles $'000	Total $'000
Cost			
At 1 January 2021	661	32	**693**
Additions in respect of new leases	112	-	**112**
Disposals in respect of leases terminated	(10)	(32)	**(42)**
Effects of foreign exchange movements	(13)	-	**(13)**
	______	______	______
At 31 December 2021	750	-	**750**
Depreciation			
At 1 January 2021	(355)	(30)	**(385)**
Charge for the period	(164)	(2)	**(166)**
Eliminated on leases terminated	-	32	**32**
Effects of foreign exchange movements	9	-	**9**
	______	______	______
At 31 December 2021	(510)	-	**(510)**
Net carrying amount			
At 31 December 2021	**240**	**-**	**240**
At 31 December 2020	**306**	**2**	**308**

2020	Office buildings $'000	Vehicles $'000	Total $'000
Cost			
At 1 January 2020	690	31	**721**
Additions in respect of new leases	227	-	**227**
Disposals in respect of leases terminated	(231)	-	**(231)**
Effects of foreign exchange movements	(25)	1	**(24)**
	______	______	______
At 31 December 2020	661	32	**693**
Depreciation			
At 1 January 2020	(368)	(14)	**(382)**
Charge for the period	(153)	(14)	**(167)**
Eliminated on leases terminated	157	-	**157**
Effects of foreign exchange movements	9	(2)	**7**
	______	______	______
At 31 December 2020	(355)	(30)	**(385)**
Net carrying amount			
At 31 December 2020	**306**	**2**	**308**
At 31 December 2019	**322**	**17**	**339**

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, or fulfilment assets (“contract assets”)

Contract assets

Due after one year	2021 $’000	2020 $’000
At 1 January	751	519
Contract assets recognised in the period	195	441
Transfer to current contract assets	(340)	(209)
	________	________
At 31 December	606	751

Due within one year	2021 $’000	2020 $’000
At 1 January	609	293
Contract assets recognised in the period, net of releases to receivables or cash, or amortisation to profit or loss	(394)	107
Transfer from non-current contract assets	340	209
	________	________
At 31 December	555	609

Contract assets are comprised as follows:

Due after one year	2021 $'000	2020 $'000
Contract assets relating to revenue	227	311
Contract fulfilment assets	379	440
	606	751

Due within one year	2021 $'000	2020 $'000
Contract assets relating to revenue	375	457
Contract fulfilment assets	180	152
	555	293

Trade terms, credit risk and impairments

The Group's exposure to credit risk equates to the carrying value of cash held on deposit (whether at banks or as deposits against liabilities, e.g. leases) 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 3, 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:

	2021 $'000	2020 $'000
Loss allowance at 1 January	37	29
Increase in loss allowance	52	8
Loss allowance at 31 December	89	37

The loss allowance is comprised as follows:

	2021 $'000	2020 $'000
On trade receivables	75	30
On contract assets	14	7
Loss allowance at 31 December	89	37

The largest individual counterparty to a receivable included in trade and other receivables at 31 December 2021 was $1.14m (of which some $0.68m related to unbilled revenue) (2020: $0.56m). Based on invoiced receivables, the largest individual counterparty owed the Group $0.52m (2020: $0.20m). The increase in loss allowance is due almost entirely to two individually significant receivables balances (other than the largest) from customers located in a jurisdiction with a notionally higher risk of default, and the weighting of the largest within the loss allowance calculation. Other than these, the Group's customers are spread across a broad range of geographies, and approximately $1.5m has been received from customers since the reporting date.

Trade receivables by hypothetical "probability of default" (by reference to country risk)

At 31 December 2021	Gross amount	Impairment	Impairment	Carrying amount
Default risk	$'000	$'000	%	$'000
0 - 1%	1,719	(16)	*0.9%*	1,703
1 - 2%	1,927	(26)	*1.3%*	1,901
2 - 3%	1,349	(32)	*2.4%*	1,317
3 - 4%	36	(1)	*3.1%*	35
	5,031	**(75)**		**4,956**

At 31 December 2020	Gross amount	Impairment	Impairment	Carrying amount
Default risk	$'000	$'000	%	$'000
0 - 1%	1,750	(5)	*0.3%*	1,745
1 - 2%	1,651	(22)	*1.3%*	1,629
2 - 3%	99	(2)	*2.1%*	97
3 - 4%	14	(1)	*3.5%*	13
	3,514	**(30)**		**3,484**

22. Other assets

At 31 December	2021 $'000	2020 $'000
Prepayments	146	130
Deposits	77	80
Other assets (including withholding tax, GST and VAT refunds)	92	275
Total other assets	315	485

23. Loans and borrowings

Loans and borrowings comprise:

At 31 December	2021 $'000	2020 $'000
Non-current liabilities		
Secured term loans	23	277
Unsecured borrowings	585	919
	608	1,196
Current liabilities		
Current portion of term loans	11	99
Unsecured borrowings	125	145
	136	244
Total loans and borrowings	**744**	**1,440**

The Group has two term loans, in its operating subsidiary in India and denominated in INR, with interest rates between 10% and 15.5% (in INR) , repayable between 5 and 6 years from their inception, between June 2023 and September 2024.

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

	1 January 2021	Non-cash changes – foreign exchange movements	Non-cash changes – net lease liabilities taken on	Interest accruals included in cash flow	Transfer from non-current to current	Cash flows - net (repayments) and drawdowns	31 December 2021
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Non-current liabilities							
Secured term loans	277	(3)	-	-	(77)	(174)	23
Unsecured borrowings	919	(14)	-	-	(161)	(159)	585
Lease liabilities	172	(3)	14	-	(103)	-	80
Current liabilities							
Current portion of secured term loan	99	-	-	-	77	(165)	11
Unsecured borrowings	145	(1)	-	-	161	(180)	125
Lease liabilities	174	(6)	88	-	103	(171)	188
Total	**1,786**	**(27)**	**102**	**-**	**-**	**(849)**	**1,012**

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.

2021

Amounts due in more than one year	Office buildings $'000	Vehicles $'000	Total $'000
At 1 January 2021	172	-	**172**
Liabilities taken on in the period	24	-	**24**
Liabilities (disposed of) in the period	(10)	-	**(10)**
Transfer from long-term to short-term	(103)	-	**(103)**
Effects of foreign exchange movements	(3)	-	**(3)**
At 31 December 2021	**80**	**-**	**80**

Amounts due in less than one year	Office buildings $'000	Vehicles $'000	Total $'000
At 1 January 2021	174	-	174
Liabilities taken on in the period	89	-	89
Liabilities (disposed of) in the period	(1)	-	(1)
Repayments of principal	(171)	-	(171)
Transfer to short-term from long-term	103	-	103
Effects of foreign exchange movements	(6)	-	(6)
At 31 December 2021	**188**	**-**	**188**

2020

Amounts due in less than one year	Office buildings $'000	Vehicles $'000	Total $'000
At 1 January 2020	186	1	187
Liabilities taken on in the period	163	-	163
Liabilities (disposed of) in the period	(28)	-	(28)
Transfer from long-term to short-term	(140)	(1)	(141)
Effects of foreign exchange movements	(9)	-	(9)
At 31 December 2020	**172**	**-**	**172**

Amounts due in less than one year	Office buildings $'000	Vehicles $'000	Total $'000
At 1 January 2020	193	12	205
Liabilities taken on in the period	69	-	69
Liabilities (disposed of) in the period	(56)	-	(56)
Repayments of principal	(164)	(12)	(176)
Transfer to short-term from long-term	140	1	141
Effects of foreign exchange movements	(8)	(1)	(9)
At 31 December 2020	**174**	**-**	**174**

PSPL, the Group's main operating subsidiary, has entered into various leases over office space in Bangalore and Mumbai, which are now all out of their initial commitment terms on notice periods of typically 2-3 months with rollover options. The Group also has a lease on office space in Nizhny Novgorod in Russia. Now the impact of COVID-19 is diminishing and working from home flexibility is becoming more defined, the Group intends to review its office accommodation with a view to consolidating its principal office accommodation rom the beginning of 2023.

25. Trade and other payables and contract liabilities

At 31 December	2021 $'000	2020 $'000
Due within one year		
Trade payables	152	810
Other payables	451	283
	______	______
Total trade and other payables	603	1,093

Trade payables include amounts due in respect of sales commissions due to sales agents which is payable in less than one year. Other payables comprise principally amounts due in respect of staff bonuses declared for December and paid in January.

The average credit period taken for normal 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.

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.

At 31 December	2021 $'000	2020 $'000
Due after one year		
Contract liabilities at 1 January	207	274
Contract liabilities recognised in the period	152	20
Transfers to short-term liabilities	(81)	(87)
	______	______
Contract liabilities at 31 December	278	207

At 31 December	2021 $'000	2020 $'000
Due within one year		
Contract liabilities at 1 January	495	665
Contract liabilities recognised/ (released to revenue) in the period	(107)	(257)
Transfers from long-term liabilities	81	87
	______	______
Contract liabilities at 31 December	469	495

26. Provisions

At 31 December	2021 $'000	2020 $'000
Due within one year		
Employee gratuities	141	116
Leave encashment	61	57
	______	______
	202	173

At 31 December	2021 $'000	2020 $'000
Due after one year		
Employee gratuities	7	13
Leave encashment	30	24
Other provisions (including tax)	35	126
	72	163

Other provisions comprise tax and other expenses.

Under the Indian Payment of Gratuity Act 1972, employees with more than 5 years' service are eligible for the payment of a "gratuity" upon certain end of employment events, including retirement, resignation, death and termination or redundancy. The calculation of the gratuity due is based on the last drawn salary and number of years of service. The potential liability arising from these requirements is calculated by third party actuaries based on employee profiles, their completed number of years in the organization, their age, salary and also on the probability of termination of employment, and a provision made accordingly.

Under the terms of their employment, employees are eligible to carry forward 30 "earned leaves" (EL) to the next calendar year. Any EL balance over and above this is paid in cash by March the following year, hence resulting in a long-term provision.

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 2020	1,065	32,532,431
Issued for cash during the year	147	4,500,000
At 31 December 2020	1,212	37,032,431
Issued for cash during the year	289	8,375,000
At 31 December 2021	1,501	45,407,431

On 2 and 5 July the Company issued a further 8,375,000 2.5 pence Ordinary shares at a price of 40.0 pence per share by way of a placing to institutional and other investors. The Company incurred incremental costs totalling $333,000 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 $333,000.

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 and deposits, trade receivables, contract assets, borrowings and trade payables. 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 credit rating on its senior unsecured medium term notes from Moody's and a BBB- rating from Standard & Poors, and Kotak Mahindra Bank, which has an A-3 (short term) and BBB- (long term) credit rating from Standard & Poors. The credit quality of customers is assessed by considering their financial position, 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 and 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 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, as follows:

At 31 December	2021 $'000	2020 $'000
Financial assets		
Borrowings	744	1,440
Equity attributable to equity holders of the parent	19,816	16,408
	______	______
	20,560	**17,848**

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 2021 $'000	Group 2020 $'000
Financial assets at amortised cost		
Cash	3,331	1,805
Deposits	77	80
Trade receivables	4,956	3,484
Contract assets	1,161	1,360
Financial liabilities at amortised cost		
Other payables and accruals	451	283
Trade payables	152	810
Short-term borrowings	136	244
Long-term borrowings	608	1,196
Lease liabilities	268	346

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), both with respect to balance sheet amounts and income and expenditure. 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 2021	USD '000	GBP '000	INR '000
Cash and cash equivalents	406	1,875	27,282
Deposits	-	-	5,430
Trade receivables	4,331	-	52,641
Contract assets	939	-	-
Borrowings	-	-	(53,477)
Trade payables	(121)	(19)	(7,823)
Lease liabilities	-	-	(17,961)
Net currency exposure	5,555	1,856	6,092

As at 31 December 2020	USD '000	GBP '000	INR '000
Cash and cash equivalents	580	556	33,060
Deposits	-	-	5,845
Trade receivables	3,271	-	20,857
Contract assets	1,360	-	-
Borrowings	-	-	(105,146)
Trade payables	(780)	(18)	(2,550)
Lease liabilities	-	(1)	(25,191)
Net currency exposure	4,431	537	(73,125)

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 $154,000 (2020: $10,000).

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.

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 2021	Weighted average effective interest rate	Less than 1 year $'000	2-5 years $'000	More than 5 years $'000	Total $'000	*Carrying value*
Fixed rate instruments - borrowings	15.0%	231	819	-	1,050	744
Lease liabilities	7.1%	201	87	-	288	268
Trade and other payables	-	603	-	-	603	603
Total		**1,035**	**906**	**-**	**1,941**	**1,615**

As at 31 December 2020	Weighted average effective interest rate	Less than 1 year $'000	2-5 years $'000	More than 5 years $'000	Total $'000	Carrying value
Fixed rate instruments - borrowings	13.2%	392	1,399	179	1,970	1,440
Lease liabilities	9.2%	195	188	-	383	346
Trade and other payables	-	1,093	-	-	1,093	1,093
Total		**1,680**	**1,587**	**179**	**3,446**	**2,879**

Fair values of financial assets and financial liabilities

As at 31 December 2021 and 31 December 2020 there were no material differences between the book value and fair value of the Group's financial assets and liabilities.

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	2021 $'000	2020 $'000
Key management personnel - outstanding reimbursements in respect of expenses incurred on behalf of Group companies	2	-

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.

	2021 $'000	2020 $'000
Wages and salaries	596	581
Bonuses	135	28
Share-based payments	1	5
Pension cost and other benefits in kind	50	61
	782	675

Suresh Yezhuvath (the brother of Subash Menon and Sudeesh Yezhuvath), due to his participation in a loan to the Group taken out in 2020, received interest of approximately $138,000 on normal commercial terms.

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 balance of approximately $5,000 outstanding at the year end in relation to 2021 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 2021 the Group had no material capital commitments (2020: nil) nor any contingent liabilities (2020: nil).

31. Events after the reporting

There have been no events subsequent to the reporting date which would have a material impact on the financial statements.

Company Statement of Financial Position

As at 31 December 2021

	Note	2021 $'000 (audited)	2020 $'000 (audited)
Assets			
Non-current assets			
Investments in subsidiaries	7	371	825
Intangible assets	8	4,744	5,742
Right-of-use assets		-	1
Contract assets	9	606	746
Trade and other receivables	10	121	149
		5,842	**7,463**
Current assets			
Contract assets	9	548	552
Trade and other receivables	10	6,241	4,042
Cash and cash equivalents		2,778	1,206
		9,567	**5,800**
Total Assets		**15,409**	**13,263**
Liabilities			
Non-current liabilities			
Contract liabilities	11	278	207
		278	**207**
Current liabilities			
Lease liabilities		-	1
Contract liabilities	11	462	486
Trade and other payables	13	145	820
		607	**1,307**
Total Liabilities		**885**	**1,514**
NET ASSETS		**14,524**	**11,749**

Issued share capital and reserves attributable to owners of the parent			
Share capital	13	1,501	1,212
Share premium	13	18,046	14,045
Other reserves		(96)	(186)
Retained earnings	13	(4,927)	(3,322)
TOTAL EQUITY		**14,524**	**11,749**

*For the period ended 31 December 2021, the Company recorded a loss of $1,606,000 (2020: loss $2,923,000).

The financial statements of Pelatro Plc, registered number 10630166, were approved by the board of Directors and authorised for issue on 20 May 2022. They were signed on its behalf by:

Subash Menon
Director

Nic Hellyer
Director

The accompanying notes 1 to 16 are an integral part of these financial statements.

Company Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital	Share premium	Exchange reserve	Share-based payments reserve	Retained profits	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2020	**1,065**	**11,603**	**(314)**	**100**	**(399)**	**12,055**
Profit/(loss) after taxation for the year	-	-	-	-	(2,923)	(2,923)
Share-based payments	-	-	-	83	-	83
Other comprehensive income:						
Exchange differences	-	-	(55)	-	-	(55)
Transactions with owners:						
Shares issued by Pelatro Plc for cash	147	2,620	-	-	-	2,767
Issue costs	-	(178)	-	-	-	(178)
Balance at 31 December 2020	**1,212**	**14,045**	**(369)**	**183**	**(3,322)**	**11,749**
Profit/(loss) after taxation for the year	-	-	-	-	(1,606)	(1,606)
Share-based payments	-	-	-	41	-	41
Transfer on lapse of share options	-	-	-	(1)	1	-
Other comprehensive income:						
Exchange differences	-	-	50	-	-	50
Transactions with owners:						
Shares issued by Pelatro Plc for cash	289	4,334	-	-	-	4,623
Issue costs	-	(333)	-	-	-	(333)
Balance at 31 December 2021	**1,501**	**18,046**	**(319)**	**223**	**(4,927)**	**14,524**

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 Company
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 16 are an integral part of these financial statements.

Notes to the Company financial statements

For the year ended 31 December 2021

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 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 20 May 2022.

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. 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.

4. Directors' remuneration

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

5. 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.

6. 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.

7. Investment in subsidiaries

	$'000
At 1 January 2020	746
Investment in the period – share-based payments in respect of subsidiaries	79
At 31 December 2020	825
Investment in the period – share-based payments in respect of subsidiaries	36
Impairment provision	(490)
At 31 December 2021	371

During the year the Directors considered the carrying value of the Group's investment in Pelatro LLC ("LLC"). This amount arose as part of the group reconstruction in September 2017 and not as a result of direct investment by Pelatro Plc in the subsidiary; however, given the levels of trading activity in LLC, the Directors considered it appropriate to reduce the carrying value to its net asset value.

8. Intangible assets

Intangible assets comprise software acquired through business combinations, customer relationships and goodwill.

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

Financial year 2021	Acquired software $'000	Customer relationships $'000	Goodwill $'000	Total $'000
Cost				
At 1 January 2021	1,250	6,862	43	**8,155**
Additions	-	-	-	**-**
At 31 December 2021	1,250	6,862	43	**8,155**
Amortisation or impairment				
At 1 January 2021	(755)	(1,658)	-	**(2,413)**
Charge for the year	(312)	(686)	-	**(998)**
At 31 December 2021	(1,067)	(2,344)	-	**(3,411)**
Net carrying amount				
At 31 December 2021	**183**	**4,518**	**43**	**4,744**
At 31 December 2020	**495**	**5,204**	**43**	**5,742**

Goodwill arose on the acquisition of the Danateq Assets. It is assessed as having an indefinite life but the Company tests whether goodwill has suffered any impairment on an annual basis. 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 the Company, thus leading to the recognition of an amount of goodwill.

9. Contract assets

Due after one year	2021 $'000	2020 $'000
At 1 January	746	467
Contract assets recognised in the period, net of releases to receivables or cash, or amortisation to profit or loss	195	430
Transfer to current contract assets	(335)	(151)
At 31 December	**606**	**746**

Due within one year	2021 $'000	2020 $'000
At 1 January	552	224
Contract assets recognised in the period, net of releases to receivables or cash, or amortisation to profit or loss	(339)	177
Transfer from non-current contract assets	335	151
At 31 December	**548**	**552**

Contract assets are comprised as follows:

	2021 $'000	2020 $'000
Contract assets relating to revenue	595	706
Contract fulfilment assets	559	592
	1,154	**1,298**

Credit risk and impairments

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:

	2021 $'000	2020 $'000
Loss allowance at 1 January	37	29
Increase in loss allowance	52	8
Loss allowance at 31 December	**89**	**37**

The loss allowance is comprised as follows:

	2021 $'000	2020 $'000
On trade receivables	75	30
On contract assets	14	7
Loss allowance at 31 December	**89**	**37**

10. Trade and other receivables

	2021 $'000	2020 $'000
Due within a year		
Trade receivables	3,997	2,915
Other receivables and prepayments	162	96
Intra-Group receivables	2,082	1,031
Total trade and other receivables	6,241	4,042
Due after more than one year		
Trade receivables	121	149

The Directors considered the carrying value of the intra-Group receivables at the reporting date and concluded that no impairment was required.

11. 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.

At 31 December	2021 $'000	2020 $'000
Due after one year		
Contract liabilities at 1 January	207	274
Contract liabilities recognised in the period	152	20
Transfers to short-term liabilities	(81)	(87)
Contract liabilities at 31 December	**278**	**207**

At 31 December	2021 $'000	2020 $'000
Due within one year		
Contract liabilities at 1 January	486	637
Contract liabilities recognised/(released to revenue) in the period	(105)	(238)
Transfers from long-term liabilities	81	87
Contract liabilities at 31 December	**462**	**486**

12. Trade and other payables

	2021 $'000	2020 $'000
Due within a year		
Trade payables	133	446
Other payables	12	14
Total trade and other payables	145	460

13. Share capital and reserves

Share capital and share premium

Ordinary shares of 2.5p each (issued and fully paid)	$'000	Number
At 1 January 2020	1,065	32,532,431
Issued for cash during the year	147	4,500,000
	______	______
At 31 December 2020	**1,212**	**37,032,431**
Issued for cash during the year	289	8,375,000
	______	______
At 31 December 2021	**1,501**	**45,407,431**

On 2 and 5 July the Company issued a further 8,375,000 2.5 pence Ordinary shares at a price of 40.0 pence per share by way of a placing to institutional and other investors. The Company incurred incremental costs totalling $333,000 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 $333,000.

Share-based payments

As further detailed in Note 11 to the Consolidated Financial Statements, the Company has granted under the terms of a share option plan for employees options 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. An expense of $32,000 (2020: $27,000) recorded in the Consolidated Financial Statements 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		Weighted average exercise price	
	2021	2020	2021	2020
Outstanding at the beginning of the year	**1,505,500**	1,631,500	72.7p	72.7p
Granted during the year	-	-	-	-
Forfeited/ cancelled during the year	(149,000)	(126,000)	73.0p	73.0p
	______	______		
Outstanding at the end of the year	1,356,500	1,505,500	72.7p	72.7p

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 2021 was £0.298 (31 December 2020: £0.380) and hence no deferred tax is provided in respect of the potential exercise of options currently extant.

tax is provided in respect of the potential exercise of options currently extant.

14. Capital commitments and contingent liabilities

Other than as disclosed in the Group financial statements, as at 31 December 2021 the Group had no material capital commitments nor any contingent liabilities (2020: $nil)

15. Events after the reporting date

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

16. 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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