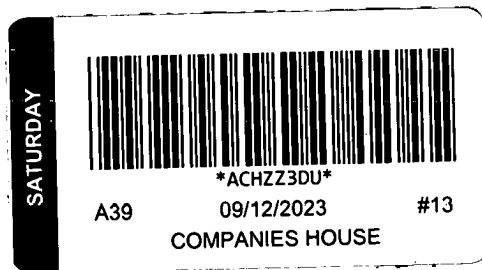


COMPANY REGISTRATION NUMBER: 10784763

Epos Now Ltd
Annual report and financial statements
31 May 2023



Epos Now Ltd

Financial statements

Year ended 31 May 2023

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Epos Now Ltd

Officers and professional advisers

Director

J Heavens

Registered office

2 Whiting Road
Norwich Business Park
Norwich
NR4 6DJ

Independent Auditor

Azets Audit Services
6th Floor Bank House
Cherry Street
Birmingham
B2 5AL

Epos Now Ltd

Strategic Report

Year ended 31 May 2023

Introduction

The Director presents the Strategic Report for the year ended 31 May 2023.

Principal activities

The principal activity of the group is to empower a diverse global base of merchants across multiple geographies and languages with a powerful all-in-one total business management tool that is critically needed to optimise their business and simplify payments and finance.

Our platform provides point-of-sale, payments, embedded finance, stock control, employee management, booking, and customer management services with omnichannel capabilities. It is the modern business-critical technology needed to compete, win and automate so merchants can focus on doing what they love.

Business review

In the year ended 31 May 2023 we continued to deliver on our long-term strategy of shifting focus from upfront product sales into predictable recurring revenues (and consistent value to the merchants). We continued to build upon the successful launch of our proprietary payments product with the release of our 'instant settlement' offering, designed to improve merchant cash flows.

This strategy was very successful with revenue from recurring lines increasing 37% (2022: 78.5%) year on year. This growth improved our profitability with a gross profit increase from £32.7m to £41.5m (gross margins increasing from 68% to 69%). As the revenue continues to compound, the positive effects of this strategy will continue long into the future.

Along with this shift we continued to invest heavily in the period in net new customer acquisition and expansion of functionality for our existing customers, which contributed to a notable total overall revenue increase of 25% year on year (from £48.0m to £59.8m). This investment in the group meant that profit before tax was £2m for the year (2022: £2.1m).

	2023 £'000	2022 £'000
Turnover	59,794	48,005
Operating profit	3,337	3,021
Depreciation & amortisation	2,232	1,176
Adjusted items	14,524	10,210
Adjusted EBITDA**	20,093	14,407

**Adjusted EBITDA is defined as operating profit before depreciation, amortisation and adjusted items.

This trading period coincided with the cost of living crisis, and economic headwinds stemming from heightened energy prices and general inflation, squeezing our merchant base of mainly small and medium sized businesses. The consequence of which was increased customer churn. However, looking to the future, we can see that for many merchants adopting our technology is the cheapest and most effective way to combat these market challenges, and as a result future trading is expected to be very positive.

Epos Now Ltd

Strategic Report (continued)

Year ended 31 May 2023

Business review (continued)

The group made significant investments in its platform and people to support our merchants in this ever-challenging market environment, quickly launching new products and services to meet changing consumer demands. Significant contributors to the relative performance year-on-year are:

- Successfully launching new products and services quickly with very strong demand and uptake, providing our merchants with the technology they need to successfully navigate through hurdles or challenges.
- Moving to a multi-year recurring revenue model from an upfront product sales model and increasing our recurring revenues and commissions as a percentage of total revenue, at the expense of product sales in the current and previous trading periods.
- Large investment in customer acquisition and associated short term costs such as onboarding.
- Investing significantly in infrastructure, products, people and talent to future proof the business to meet the demands of the customer.

The group made no further use in the year ended 31 May 2023 of government support (with £163,391 having been claimed in 2022 under the Coronavirus Job Retention Scheme in the UK and equivalent schemes outside of the UK) and continued to benefit from the support of its funders. In August 2022, the group secured a large revolving credit facility with one of Europe's largest banks. The combination of these factors, together with access to additional funding facilities mean that the outlook is considered to remain very positive with the company well positioned for continued growth.

Future developments

The group recognises the very challenging period that has been navigated by our customers. Specific observations in this regard include:

- The current economic conditions including inflation (affecting supply chain) and the cost of living crisis (affecting consumer spend) could have a large detrimental effect on our customer base. However, the adoption of our platform and technology is a very effective way for merchants to combat these challenges so demand is expected to be strong going forward.
- The business has positioned itself well by releasing essential functionality quickly such as Epos Now payment services and Instant Settlement, as well as expanding our Epos Now Capital offering.
- Our products are now essential tools, such as order and pay, so consumers can check out on their phones, and e-commerce solutions, so merchants can get online quickly.
- The business has developed a number of new products to support businesses through the current economic climate. Some of which result in smaller businesses being able to be more flexible and obtain cash and funding much quicker than ever before.

Key performance indicators

The group uses a range of performance measures to monitor and manage the business effectively.

The key performance indicators are considered to be turnover, gross profit, gross margin, adjusted EBITDA and customer locations. These are summarised below:

Epos Now Ltd

Strategic Report (continued)

Year ended 31 May 2023

Key performance indicators (continued)

	2023	2022
Turnover (£'000)	59,794	48,005
Gross profit (£'000)	41,471	32,718
Gross profit margin (%)	69%	68%
Adjusted EBITDA (£'000)	20,093	14,407
Customer locations	64,703	55,843

Other KPIs used by the business are in relation to employees and customers. The success of the company depends on recruiting, retaining and developing the skills of its employees. The company provides a range of opportunities and incentives to staff with regular communication company wide in order to develop and provide progression and therefore minimise churn rates. In relation to customers, communication remains a key priority with new channels opened in the year. There is an ongoing focus on improving and maintaining key performance indicators, however as these are commercially sensitive, the Group does not plan to disclose this information.

Section 172 Statement

The Director of the Company considers that he has acted to promote the success of the business in the making of decisions during the year ended 31 May 2023. In doing so he has had regard to:

- The likely consequences of decisions taken in the long term. The aim of the Company is to grow organically with a focus on developing recurring revenue and investment in building the customer base. New products have been launched in collaboration with key partners, such as payments solutions and subsidiaries have been set up in overseas territories in order to expand globally. The focus over the next few years is to build recurring revenue by offering a complete solution for the ever evolving needs of our customer base. As a privately owned company, investment and decision-making can be and is focussed entirely on maximising value for the shareholders.
- Interests of the company's employees. The success of the company depends on recruiting, retaining and developing the skills of the staff and the company provides a range of opportunities, including working from home. Staff communication includes regular webinars across the whole workforce, weekly updates, feedback processes, weekly 1 to 1's and the use of a company-wide messaging system with group channels. A new bonus system has been launched and the company envisages launching a share scheme available to all staff in the future.

Epos Now Ltd

Strategic Report (continued)

Year ended 31 May 2023

Section 172 Statement (continued)

- The need to foster the company's business relationships with other stakeholders, such as customers, suppliers and strategic business partners. Communication with customers remains a key priority with new channels opened in the year and an ongoing focus on improving and maintaining good levels of key performance indicators
- The impact of the company's operations on the community and the environment. With many of our staff working from home the company's operations are grounded firmly in the local community. Work is ongoing to assess the impact of the business on the environment; one key benefit has been the carbon reduction from a move to home working and the eradication of hundreds of commuter journeys each week. We will continue to monitor the impact our operations have on the environment and react accordingly to ensure we take action where appropriate and protect the environment and the communities within which we operate.
- The desirability of the company to maintain high standards of business ethics. We will continue to develop and improve our corporate governance and over the last year a number of senior management staff with experience of working within listed entities have been recruited. The company has a number of core values which it will continue to inculcate throughout its business and business operations.
- The need to act fairly as a whole across stakeholders of the company. Our aim is to be responsible and to build long-lasting relationships based upon trust developed through fair business practices and through treating everyone equally.

Principal risks and uncertainties

These are considered to be as follows:

- **Industry and competition:** The group operates in a very competitive market that is subject to technological advances, changing customer needs and strong competition. The group must anticipate and respond to those changes in order to remain competitive, and must therefore continue to invest in research and development and market analysis to mitigate the risk.
- **Customer stability:** Many of the group's customers are small and medium sized businesses and as such, the group is subject to the risk of those businesses being unable to satisfy their obligations to the group. With the ongoing challenging environment being faced by the retail and hospitality sectors, particularly with regards to workforce and supply chain, it is essential that the group continues to develop its products to help meet these challenges.
- As the majority of the group's customer base are small and medium sized businesses in the retail and hospitality sectors, many of the group's merchants faced difficulties as the cost of living crisis unfolded, with higher energy costs and inflation squeezing consumer spend. As a result, a small number of merchants closed their businesses, and the group recognised an appropriate bad debt expense during the period in relation to their outstanding debtor balances. However, the group believes that the underlying retail and hospitality markets have recovered well from the disruption experienced and continue to represent a strong opportunity for growth, especially given the accelerated transition to technology adoption for many such businesses.

Financial risk management objectives and policies

The group uses various financial instruments including deposit accounts and cash, and items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these

Epos Now Ltd

Strategic Report

Year ended 31 May 2023 (continued)

financial instruments is to ensure sufficient finance for the group's operations. The existence of these financial instruments exposes the group to a number of financial risks, which are described in more detail below. The main risks arising from the company's financial instruments are credit risk and interest rate risk, they are summarised below. These policies have remained unchanged from previous periods.

Price risk

The group's principal price risk is in the purchase of inventory from third parties for resale. The group maintains strong commercial relationships and clear lines of communication with all key suppliers, and will typically buy in bulk at a fixed price to avoid the impact of short term price changes.

Credit risk

The group's principal credit risk is in the recovery of amounts owed by trade debtors. In order to manage credit risk, the Director assesses customers based on a combination of payment history and other information. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history.

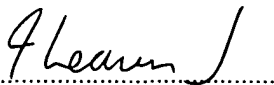
Interest rate risk

The group seeks to enter into borrowing arrangements with regulated institutions at contracted rates in line with general market availability. Please refer to note 21 for a full breakdown of borrowing.

Liquidity risk

As a result of healthy cash balances being held and access to additional funds from external lending facilities, the Director did not consider liquidity or cashflow risk to be an issue as at 31 May 2023. These areas continue to be closely monitored to ensure the group's procedures continue to operate effectively to minimise risk in this regard.

This report was approved by the Director on 27 November 2023 and signed by:



J Heavens
Director

Registered office:
2 Whiting Road
Norwich Business Park
Norwich
NR4 6DJ

Epos Now Ltd

Director's Report

Year ended 31 May 2023

The Director presents his report and the group consolidated financial statements for the year ended 31 May 2023.

Director of the group

The sole Director who held office during the year and up to the point of signing the financial statements was J Heavens.

Dividends

No dividends (2022: £nil), were declared during the year.

Research and development

A large proportion of the group's revenues, including the majority of recurring revenue streams, are powered by its proprietary technology platform. In addition to providing a complete electronic point of sale solution to our merchants, the platform also provides the business with a number of important competitive advantages, including flexibility, speed of development of new features, and differentiation from more generic propositions available in the market. To remain competitive and promote innovation, ongoing investment in the technology platform remains a priority for the business. Research and development spend of £4,087,868 (2022 - £2,084,210) was capitalised as intangible assets in the year and £1,193,031 (2021: £636,923) has been recognised as an expense.

Disclosure of information in the Strategic Report

The Strategic Report includes the following disclosures that would otherwise have been included in the Directors' Report:

- An indication of exposure to price risk, credit risk, interest rate risk and liquidity risk;
- Financial risk management objectives and policies;
- Future developments

Going concern

The going concern basis of preparation has been adopted in preparing these financial statements. In determining that this basis is appropriate the Director has assessed the company and group's forecast trading performance and financial resources for a period to November 2024, being considered the foreseeable future. Underpinning the Director's assessment is a forecast model that has been prepared to consider at monthly intervals the trading, cash flow and balance sheet position of the group of which the company is a member.

It takes account of existing and expected working capital facilities together with consideration of the following principal assumptions that could give rise to a material variation from expected outturn.

- Customer acquisition and conversion rates
- Customer churn rates
- Average Gross Transaction Values per customer
- Growth rate of payment product lines
- Cost inflation
- Working capital assumptions

While consideration has been given to the effect of sensitivities the forecasts have been prepared on what are judged to be conservative assumptions. Beyond this, separate stress test scenarios have

Epos Now Ltd

Director's Report (continued)

Year ended 31 May 2023

been modelled demonstrating the impact of reduced growth and removal of upselling to our customer base. Under all scenarios there were a number of actions management could take to mitigate the impact and improve cashflow and as a result there was not deemed to be a risk to going concern in the stressed scenarios.

This approach implicitly takes account of mitigating actions that could be taken to address shortfalls against expectations such as a reduction in marketing expenditure or product development on a short-term basis to conserve cash balances. Working capital facilities available to the group of which this company is a part principally comprise:

- Revolving credit facilities secured to August 2024. These are subject to continued compliance with contractual terms including financial covenant measures, which are currently being met and forecasted to be met throughout the period the facility is available. The Director maintains a close relationship with the lenders and expects that an offer received from the lender to extend the facility, for a minimum of a further 12 months from the current expiry date of August 2024, will be approved in the near future. The Director is confident that should the existing facility not be renewed, alternative funding arrangements would also be available.
- Group cash balances as at 31 May 2023 of £7.1m (£6.8m at 31 May 2022).

The forecasts indicate that all debt financial covenants will be met in the forecast period. In the Director's opinion it remains appropriate to adopt the going concern basis of preparation.

Employee engagement

We have continued to increase the level of employee engagement this year. We have regular touchpoints with our employees at all levels periodically across the year. We obtain insight and use this to continue to redefine our culture, to ensure we correctly define our "why", using this as the building blocks for our people strategy moving forward.

Valuing our shared company culture

Recognising we are entering our next stage of growth, we have been working to re-establish our culture which supports a clear vision for the future. This vision is designed to inspire and unite our people, while fuelling business growth. This year we have launched our culture and values framework, which was designed in collaboration with our employees via our global people roadshow.

Developing and enhancing our people's performance

We continue to focus on developing capabilities that drive product knowledge and innovation to aid us to continue to scale but retain the customer at the heart of decision making. This provides the dual benefit of investing in our people and ensuring our company's strategic objectives are realised.

We have significantly expanded our people team to help our teams develop clear objectives, track their progress, and guide their personal development, with the goal of helping us grow as individuals and as a business.

Epos Now Ltd

Director's Report (continued)

Year ended 31 May 2023

Increasing engagement and wellbeing

Adapting to the changing demands following the pandemic has been a major focus within our people strategy. A significant aspect of this is continuing to improve and optimise employee engagement. We introduced our quarterly people survey, obtaining valuable insights in where we can further improve the employee experience and our company culture.

We are responsive to the needs of our employees. As such, should any employee become disabled during their time with us, we will actively retrain that employee and make reasonable adjustments to their working environment where possible, in order to keep the employee with the business. It is the policy of Epos Now that the recruitment, training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Rewarding and energising our people

The foundations are now in development to launch our new value and behaviour framework which will build on our aspirations to become an employer of choice. Recognising the importance of attracting and retaining top talent, significant improvements have been made to ensure we are matching the right talent to our company culture and providing the right career opportunities, which along with career mapping is key to retaining talent and further cementing the inclusive culture we are building.

Becoming an employer of choice

The foundations are now in development to launch our new value and behaviour framework which will build on our aspirations to become an employer of choice. Recognising the importance of attracting and retaining top talent, significant improvements have been made to ensure we are matching the right talent to our company culture and providing the right career opportunities, which along with career mapping is key to retaining talent and further cementing the inclusive culture we are building.

Director's responsibilities statement

The Director is responsible for preparing the Strategic Report, and Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and The Republic of Ireland').

Under company law the Director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs and profit or loss of the group and the company for that period.

In preparing these financial statements, the Director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

Epos Now Ltd

Director's Report (continued)

Year ended 31 May 2023

Director's responsibilities statement (continued)

The Director is responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Director's liability

The company has provided an indemnity for the Director, which is a qualifying third party indemnity provision for the purpose of s.234 of the Companies Act 2006. An indemnity is in place in relation to the financial year and up to the date of approval of the financial statements.

Disclosure of information to auditors

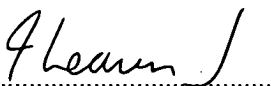
The Director confirms that:

- so far as they are aware, there is no relevant audit information of which the group and the company's auditor is unaware; and
- The Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the group and the company's auditor is aware of that information.

Reappointment of auditors

The auditors, Azets Audit Services were appointed during the year and have expressed their willingness to continue in office. A resolution to re-appoint them will be proposed at the Annual General Meeting.

This report was approved by the Director on 27 November 2023 and signed by:



J Heavens
Director

Registered office:
2 Whiting Road
Norwich Business Park
Norwich
NR4 6DJ

Epos Now Ltd

Independent Auditor's Report to the Members of Epos Now Ltd

Year ended 31 May 2023

Opinion

We have audited the financial statements of Epos Now Ltd (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 May 2023, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 May 2023 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the group and the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Epos Now Ltd

Independent auditor's report to the members of Epos Now Ltd (continued)

Year Ended 31 May 2023

Other information

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Epos Now Ltd

Independent auditor's report to the members of Epos Now Ltd (continued)

Year Ended 31 May 2023

Responsibilities of the Director for the financial statements

As explained more fully in the director's responsibilities statement, the director is 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 director determines 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 director is responsible for assessing the group's and the 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 director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the group and the company through enquiry and inspection;

Epos Now Ltd

Independent auditor's report to the members of Epos Now Ltd (continued)

Year Ended 31 May 2023

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Use of 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.



Ben Sheldon ACA
(Senior Statutory Auditor)

Date: 27 November 2023

For and on behalf of Azets Audit Services

Chartered Accountants
Statutory Auditor

6th Floor, Bank House
Cherry Street, Birmingham
United Kingdom
B2 5AL

Epos Now Ltd

Consolidated Statement of Comprehensive Income

Year ended 31 May 2023

	Note	2023 £	2022 £
Turnover	5	59,793,720	48,004,942
Cost of sales		<u>(18,322,978)</u>	<u>(15,287,041)</u>
Gross profit		41,470,742	32,717,901
Administrative expenses		(38,159,063)	(29,860,335)
Other operating income	6	<u>25,533</u>	<u>163,391</u>
Operating profit	7	3,337,212	3,020,957
Other interest receivable and similar income	11	5,371	985
Interest payable and similar expenses	12	<u>(1,378,342)</u>	<u>(880,538)</u>
Profit before tax		1,964,241	2,141,404
Tax on profit	13	<u>(530,663)</u>	<u>690,471</u>
Profit for the financial year		1,433,578	2,831,875
Other comprehensive income:			
Exchange (losses)/gains arising on the translation of foreign operations and intercompany balances treated as part of the Group's net investment		<u>(21,073)</u>	<u>31,760</u>
Profit and total comprehensive income for the year		<u>1,412,505</u>	<u>2,863,635</u>
Profit for the year attributable to :			
Owners of the parent		1,266,026	2,831,875
Non-controlling interest		<u>167,552</u>	<u>-</u>
		<u>1,433,578</u>	<u>2,831,875</u>
Total comprehensive income attributable to:			
Owners of the parent		1,247,415	2,863,635
Non-controlling interest		<u>165,090</u>	<u>-</u>
		<u>1,412,505</u>	<u>2,863,635</u>

All the activities of the group are from continuing operations.

The notes on pages 21 to 43 form an integral part of these financial statements.

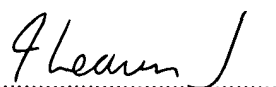
Epos Now Ltd

Consolidated Statement of Financial Position

31 May 2023

	Notes	2023 £	2022 £
Fixed assets			
Intangible assets	14	6,356,658	3,624,988
Tangible assets	15	4,117,074	1,941,935
		<u>10,473,732</u>	<u>5,566,923</u>
Current assets			
Stocks	17	849,435	1,650,572
Debtors	18	8,526,606	8,422,891
Cash at bank and in hand		7,071,450	6,802,929
		<u>16,447,491</u>	<u>16,876,392</u>
Creditors: Amounts falling due within one year	19	<u>(24,751,106)</u>	<u>(21,146,680)</u>
Net current liabilities		<u>(8,303,615)</u>	<u>(4,270,288)</u>
Total assets less current liabilities		<u>2,170,117</u>	<u>1,296,635</u>
Creditors: Amounts falling due after more than one year	20	<u>(1,823,128)</u>	<u>(2,362,151)</u>
Net assets/(liabilities)		<u>346,989</u>	<u>(1,065,516)</u>
Capital and reserves			
Called up share capital	25	2,000	2,000
Profit and loss account		473,564	(1,067,516)
Foreign exchange reserve		(190,673)	-
Equity attributable to owners of the parent		<u>284,891</u>	<u>(1,065,516)</u>
Non-controlling interests		62,098	-
Shareholders' funds/(deficit)		<u>346,989</u>	<u>(1,065,516)</u>

These financial statements were approved by the Director and authorised for issue on 27 November 2023 and are signed by:



J Heavens
Director
Company registration number: 10784763

The notes on pages 21 to 43 form an integral part of these financial statements.

Epos Now Ltd

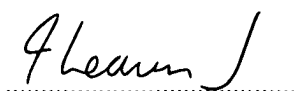
Company Statement of Financial Position

31 May 2023

	Notes	2023 £	2022 £
Fixed assets			
Investments	16	200	200
Current assets			
Debtors	18	2,000	2,000
Creditors: Amounts falling due within one year	19	<u>(3,144)</u>	<u>(3,144)</u>
Net current liabilities		<u>(1,144)</u>	<u>(1,144)</u>
Net liabilities		<u>(944)</u>	<u>(944)</u>
Capital and reserves			
Called up share capital	26	2,000	2,000
Profit and loss account		<u>(2,944)</u>	<u>(2,944)</u>
Shareholders' deficit		<u>(944)</u>	<u>(944)</u>

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these Financial Statements. The profit for the financial year of the parent company was £Nil (2022: £Nil).

These financial statements were approved by the Director and authorised for issue on 27 November 2023 and are signed by:



J Heavens
Director

Company registration number: 10784763

The notes on pages 21 to 43 form an integral part of these financial statements.

Epos Now Ltd

Consolidated Statement of Changes in Equity

Year ended 31 May 2023

	Share capital	Foreign currency reserve	Profit and loss account	Attributable to owners of the parent	Non-controlling interest	Total
	£	£	£	£	£	£
At 1 June 2021	2,000	-	(3,931,151)	(3,929,151)	-	(3,929,151)
Profit for the year	-	-	2,831,875	2,831,875	-	2,831,875
Foreign currency retranslation	-	-	31,760	31,760	-	31,760
At 31 May 2022	2,000	-	(1,067,516)	(1,065,516)	-	(1,065,516)
Recognition of non-controlling interest	-	14,677	88,315	102,992	(102,992)	-
Profit for the year	-	-	1,266,026	1,266,026	167,552	1,433,578
Foreign currency retranslation	-	(205,350)	186,739	(18,611)	(2,462)	(21,073)
At 31 May 2023	2,000	(190,673)	473,564	284,891	62,098	346,989

The notes on pages 21 to 43 form an integral part of these financial statements.

Epos Now Ltd

Company Statement of Changes in Equity

Year ended 31 May 2023

	Share capital £	Profit and loss account £	Total £
At 1 June 2021	2,000	(2,944)	(944)
Result for the year	-	-	-
At 31 May 2022	<u>2,000</u>	<u>(2,944)</u>	<u>(944)</u>
Result for the year	-	-	-
At 31 May 2023	<u>2,000</u>	<u>(2,944)</u>	<u>(944)</u>

The notes on pages 21 to 43 form an integral part of these financial statements.

Epos Now Ltd

Consolidated Statement of Cash Flows

Year ended 31 May 2023

	2023	2022
Note	£	£
Cash flows from operating activities		
Profit for the year	1,433,578	2,831,875
Adjustments to cash flows from non-cash items:		
Depreciation and amortisation	14 & 15 2,231,972	1,175,817
Loss on disposal	-	1,641
Finance income	11 (5,371)	(985)
Interest expense	12 1,378,342	880,538
Foreign exchange movements	(287,967)	718,820
Income tax charge/(credit)	13 530,663	(690,471)
Decrease/(increase) in stock	17 794,610	(726,318)
Increase in debtors	18 (1,266,859)	(307,369)
Increase in creditors	19 771,060	1,580,179
Income taxes received	665,718	353,009
Net cash flows from operating activities	6,245,746	5,816,736
Cash flows from investing activities		
Acquisitions of tangible assets	15 (1,565,380)	(1,950,137)
Acquisition of intangible assets	14 (4,154,643)	(2,084,310)
Net cash flows from investing activities	(5,720,023)	(4,034,447)
Cash flows from financing activities		
Proceeds from/(repayment of) bank borrowings	969,211	(663,227)
Interest paid	(1,167,067)	(895,268)
Interest received	5,371	985
Net cash flows from financing activities	(192,485)	(1,557,510)
Net increase in cash at bank and in hand	333,238	224,779
Cash at bank and in hand at beginning of year	6,802,929	6,578,150
Effect of foreign exchange on opening cash balances	(64,717)	-
Cash at bank and in hand at end of year	7,071,450	6,802,929

The notes on pages 21 to 43 form an integral part of these financial statements.

Epos Now Ltd

Notes to the Financial Statements

Year ended 31 May 2023

1 General information

Epos Now Ltd is a private company limited by shares and incorporated in England and Wales. Its registered head office is located at 2 Whiting Road, Norwich Business Park, Norwich, NR4 6DJ.

The principal activity of the company was a non-trading holding company. The principal activity of the group was the provision of point of sale software, with hardware (where applicable) and additional services such as payments, table-side ordering, delivery integrations and omnichannel ordering. The target customers are predominantly in the retail, hospitality and service sectors. The group services a large addressable market predominantly in the USA, UK and Australia.

2 Statement of compliance

These financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

3 Accounting policies

Basis of preparation of the financial statements

The financial statements are prepared on a going concern basis, under the historic cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group and company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

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

Disclosure exemptions

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The parent company is included in the consolidated financial statements and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- No separate parent company Cash Flow Statement with related notes is included.

Going concern

The going concern basis of preparation has been adopted in preparing these financial statements. In determining that this basis is appropriate the Director has assessed the company and group's forecast trading performance and financial resources for a period to November 2024, being considered the foreseeable future. Underpinning the Director's assessment is a forecast model that has been prepared to consider at monthly intervals the trading, cash flow and balance sheet position of the group of which the company is a member.

It takes account of existing and expected working capital facilities together with consideration of the following principal assumptions that could give rise to a material variation from expected outturn:

- Customer acquisition and conversion rates

Epos Now Ltd

Notes to the Financial Statements

Year ended 31 May 2023

3 Accounting policies (continued)

Going concern (continued)

- Customer churn rates
- Average Gross Transaction Values per customer
- Growth rate of payment product lines
- Cost inflation
- Working capital assumptions

While consideration has been given to the effect of sensitivities the forecasts have been prepared on what are judged to be conservative assumptions. Beyond this, separate stress test scenarios have been modelled demonstrating the impact of reduced growth and removal of upselling to our customer base. Under all scenarios there are a number of actions management could take to mitigate the impact and improve cashflow and as a result there was not deemed to be a risk to going concern in the stressed scenarios.

This approach implicitly takes account of mitigating actions that could be taken to address shortfalls against expectations such as a reduction in marketing expenditure or product development on a short-term basis to conserve cash balances. Working capital facilities available to the group of which this company is a part principally comprise:

- Revolving credit facilities secured to August 2024. These are subject to continued compliance with contractual terms including financial covenant measures, which are currently being met and forecasted to be met throughout the period the facility is available. The Director maintains a close relationship with the lenders and expects that an offer received from the lender to extend the facility, for a minimum of a further 12 months from the current expiry date of August 2024, will be approved in the near future. The Director is confident that should the existing facility not be renewed, alternative funding arrangements would also be available.
- Group cash balances as at 31 May 2023 of £7.1m (£6.8m at 31 May 2022).

The forecasts indicate that all financial covenants associated with the debt will be met in the forecast period. In the Director's opinion it remains appropriate to adopt the going concern basis of preparation.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of Epos Now Ltd and all of its subsidiary undertakings.

Intercompany transactions and balances between group companies are eliminated in full.

The results of subsidiaries acquired or disposed of during the year are included from or to the date that control passes.

The parent company has applied the exemption contained in section 408 of the Companies Act 2006 and has not presented its individual profit and loss account.

A non-controlling interest is recognised for the share of equity in a subsidiary which is not attributable to the parent company of the group. Where there is a change in the parent company's controlling interest in a subsidiary which does not result in a change of control in a subsidiary, this is accounted

Epos Now Ltd

Notes to the Financial Statements

Year ended 31 May 2023

3 Accounting policies (continued)

Basis of consolidation (continued)

for as a transaction between equity holders with no gain or loss being recognised. The share of net assets attributable to the non-controlling interest is recognised and updated accordingly each year.

Adjusted EBITDA

The business is managed and measured on a day-to-day basis using underlying results (adjusted EBITDA). This is an important metric utilised within the business to monitor performance and guide strategic business decisions. The metric captures the group's view of underlying trading performance after excluding non-recurring items and initial investment/set-up costs related to acquiring new customers and establishing the group's global operations. Management applies judgement in determining which items should be excluded from adjusted EBITDA. The considerations factored into this judgement include but are not limited to:

- Nature of the item;
- Significance of the item on the financial results; and
- Management's expectation on the recurring or non-recurring nature of the item.

These items are excluded from adjusted EBITDA as management believe their inclusion distorts the underlying trading performance. This is consistent with the way that financial performance is measured by management and reported to the Board.

Government grants

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised using the accrual model and performance model.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income and not deducted from the carrying amount of the asset.

Revenue recognition

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

Sale of goods

Revenue from the sale of goods is recognised at the point of dispatch, as long as all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Epos Now Ltd

Notes to the Financial Statements

Year ended 31 May 2023

3 Accounting policies (continued)

Rendering of services

Revenue from contracts to provide services, including access to software, ongoing support, and payments, is recognised in the period in which the services are accessible by the customer as long as all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the costs incurred or to be incurred in the provision of the service can be measured reliably.

Composite transactions

Where a transaction comprises separable components (i.e. when software and hardware are sold as a complete solution) revenue is recognised for each component as if it were an individual contract.

Supplier Subsidies

If a fee, commission or form of consideration (subsidy) is received from a supplier and is not in connection with any distinct goods or services, it is considered as falling into one of the following categories:

- Category 1 – performance related consideration; or
- Category 2 – non-performance related consideration (e.g. subsidy of expenses)

Fees and commissions from suppliers will be initially recognised at the fair value of the asset received (or receivable), and if any of the fees or commissions become repayable, the Group will recognise a liability at the point in time at which the repayment meets the definition of a liability.

Category 1 subsidies will be recognised on a systematic basis up to the point the performance criteria is satisfied. Category 2 subsidies will be recognised as the expenses and associated costs are incurred, but no earlier than the subsidy being received or receivable. Any subsidies received but not meeting the recognition criteria will be recognised as deferred consideration (liabilities) on the balance sheet.

Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the group operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Consolidated Statement of Financial Position date, except that:

Epos Now Ltd

Notes to the Financial Statements

Year ended 31 May 2023

3 Accounting policies (continued)

Current and deferred tax (continued)

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Foreign currencies

The group and company's functional and presentation currency is the pound sterling and is rounded to the nearest pound.

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the Consolidated Statement of Comprehensive Income.

The trading results of group undertakings are translated into sterling at the average exchange rates for the year. The assets and liabilities of overseas undertakings, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates ruling at the year-end. Exchange adjustments arising from the retranslation of opening net investments and from the translation of the profits or losses at average rates are recognised in other comprehensive income.

Exchange differences recognised in Group entities' separate financial statements on the retranslation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned, are reclassified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation.

Borrowing costs

Borrowing costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Epos Now Ltd

Notes to the Financial Statements

Year ended 31 May 2023

3 Accounting policies (continued)

Operating Leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Intangible assets

Intangible assets are initially recorded at cost and are subsequently stated at cost less any accumulated amortisation and impairment losses.

Intangible assets acquired as part of a business combination are only recognised separately from goodwill when they arise from contractual or other legal rights, are separable, the expected future economic benefits are probable and the cost or value can be measured reliably.

Capitalisation and amortisation of development costs

Directly attributable payroll and third party development costs incurred in the development of the Epos Now platform are capitalised as an intangible asset in accordance with the requirements of FRS 102.

Amortisation

Amortisation is calculated to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Asset class	Amortisation method and rate
Platform development costs	5 years
Computer software	5 years

The period over which platform development costs are amortised is determined to be the minimum expected lifetime during which value will be derived from the asset.

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Research and development

Research expenditure is written off in the period in which it is incurred.

Development expenditure incurred is capitalised as an intangible asset only when all of the following criteria are met:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- There is the intention to complete the intangible asset and use or sell it;
- There is the ability to use or sell the intangible asset;
- There are adequate technical, financial, and other resources available to complete the development and to use or sell the intangible asset; and

Epos Now Ltd

Notes to the Financial Statements

Year ended 31 May 2023

3 Accounting policies (continued)

Research and development (continued)

- The expenditure attributable to the intangible asset during its development can be measured reliably.

Expenditure that does not meet the above criteria is expensed as incurred.

Tangible assets

Tangible assets are stated in the Consolidated Statement of Financial Position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation

Depreciation is calculated to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Asset class	Depreciation method and rate
Leasehold property improvements	25% straight line
Office equipment	25% straight line
Motor vehicles	25% reducing balance
Computer equipment	25% straight line
Payment devices & similar equipment	20% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Finished goods include labour and attributable overheads.

Epos Now Ltd

Notes to the Financial Statements

Year ended 31 May 2023

3 Accounting policies (continued)

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Financial instruments

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped based on similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

Defined contribution pension obligation

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Epos Now Ltd

Notes to the Financial Statements

Year ended 31 May 2023

3 Accounting policies (continued)

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance costs in the Statement of Comprehensive Income and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Dividends

Dividends and other distributions to the group's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

Related party transactions

The group discloses transactions with related parties which are not wholly owned within the same group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Director, separate disclosure is necessary to understand the effect of the transactions on the group financial statements.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

Epos Now Ltd

Notes to the Financial Statements

Year ended 31 May 2023

4 Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are considered to be the areas of estimation uncertainty where a material variation from actual to estimated outcomes may arise:

- Determining whether an allowance is required against certain customer and other receivable balances involves an estimate of the ability of counterparties to make required payments. If the financial positions of the counterparties were to deteriorate, affecting their ability to make payments, additional allowances may be required in future periods. Refer to note 18 for further information regarding debtor carrying values and note 7 for impairment charges recognised in the period.
- Management estimate the proportion of internal costs, associated with the ongoing development of the platform, which should be capitalised by reference to the nature of the work undertaken and only when the relevant criteria have been met (note 3).

The following are considered to be the principal areas where judgement has been applied in preparing these financial statements:

- Revenue recognition: See note 3 for narrative concerning the basis of disaggregation of revenue derived from bundled sales of hardware and software solutions.
- For customers who cancel their contracts, the group recognises the revenue due to it from that customer over the remaining period of the contract. Management then assess and estimate the level of risk and doubtful debt associated with such balances periodically and where appropriate, will provide for or impair the balances accordingly. Refer to note 18 for further information regarding debtor carrying values and note 7 for impairment charges recognised in the period.

Epos Now Ltd

Notes to the Financial Statements

Year ended 31 May 2023

5 Turnover

Turnover arises from:

	2023 £	2022 £
Sale of goods	5,562,383	7,281,762
Rendering of services	46,823,099	32,799,087
Commissions received	6,750,897	7,832,029
Other services	657,341	92,064
	<u>59,793,720</u>	<u>48,004,942</u>

The turnover is attributable to the one principal activity of the group. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	2023 £	2022 £
Europe	38,168,791	29,279,299
Americas	16,294,208	14,075,556
Asia-Pacific	5,330,721	4,649,087
	<u>59,793,720</u>	<u>48,003,942</u>

6 Other operating income

	2023 £	2022 £
Other	25,533	163,391

The government grants included within other operating income comprise funding received from government backed coronavirus support schemes in the UK, US and Australia.

7 Operating profit

Operating profit or loss is stated after charging/(crediting):

	2023 £	2022 £
Depreciation expense	798,112	365,410
Amortisation expense	1,433,860	810,407
Impairment of trade debtors	5,939,719	4,018,453
Research and development cost	1,193,031	666,092
Foreign exchange (gains)/losses	<u>(232,551)</u>	<u>716,468</u>

Epos Now Ltd

Notes to the Financial Statements

Year ended 31 May 2023

8 Auditors' remuneration

	2023 £	2022 £
Audit of the parent company and the group's consolidated financial statements	50,000	22,207
Audit of the company's subsidiaries	<u>60,000</u>	<u>78,733</u>

9 Staff costs

The average number of persons employed by the group during the year, including the Director, was:

	2023 Number	2022 Number
Operations	89	93
Product development	84	50
Administrative staff	231	214
	<u>404</u>	<u>357</u>

No individuals were employed by the company in this or the prior year.

The aggregate payroll costs incurred during the year, relating to the above, were:

	2023 £	2022 £
Wages and salaries	13,764,914	12,411,954
Social security costs	1,259,487	1,407,824
Other pension costs	262,335	315,324
	<u>15,286,736</u>	<u>14,135,102</u>

No group employee received any remuneration from the company in this or the prior year.

10 Director's remuneration

The Director's aggregate remuneration in respect of qualifying services was:

	2023 £	2022 £
Remuneration	<u>231,974</u>	<u>98,160</u>

The remuneration for the current year included £31,974 relating to the prior year.

It is considered there are no key management personnel other than the Director.

Epos Now Ltd

Notes to the Financial Statements

Year ended 31 May 2023

11 Other interest receivable and similar income

	2023 £	2022 £
Other interest receivable and similar income	5,371	985

12 Interest payable and similar expenses

	2023 £	2022 £
Interest on bank loans and overdrafts	1,378,342	880,538

13 Taxation

	2023 £	2022 £
Current tax		
UK current tax income	1,915	-
Adjustments in respect of prior periods	2,416	(680,769)
Total UK current tax	4,331	(680,769)
Foreign current tax	133,917	4,770
Adjustments in respect of prior periods	(1,344)	-
Total current tax	136,904	(675,999)
Deferred tax		
Origination and reversal of timing differences	186,724	(14,472)
Adjustments in respect of prior periods	207,035	-
Total deferred tax	393,759	(14,472)
Tax on profit	530,663	(690,471)

Epos Now Ltd

Notes to the Financial Statements

Year ended 31 May 2023

13 Taxation (continued)

Reconciliation of tax income

The tax assessed on the profit on ordinary activities for the year is higher than (2022: lower than) the standard rate of corporation tax in the UK of 20% (2022: 19%).

The differences are reconciled below:

	2023 £	2022 £
Profit before tax	<u>1,964,241</u>	<u>2,141,404</u>
Corporation tax at standard rate - 20% (2022 - 19%)	392,848	406,867
Adjustment to tax charge in respect of prior periods - current tax	1,072	(680,769)
Adjustment to tax charge in respect of prior periods - deferred tax	207,035	-
Effect of expense not deductible for tax purposes	15,481	18,737
Effect of capital allowances and depreciation	(19,769)	(28,284)
Additional deduction for R&D expenditure	(368,050)	(432,250)
Remeasurement of deferred tax for changes in tax rate	23,341	(3,473)
Difference in overseas rates	32,834	-
Other timing differences	46,323	(134,275)
Other differences	1,915	(25,838)
Deferred tax not recognised	197,632	188,814
Tax on profit	<u>530,663</u>	<u>(690,471)</u>

Factors that may affect future tax charges

With effect from 1 April 2023 the main rate of corporation tax in the United Kingdom rose to 25% for companies earning annual taxable profits in excess of £250,000. Companies earning annual taxable profits of £50,000 or less continue to pay corporation tax at 19% with a marginal rate adjustment for companies earning annual taxable profits between the two levels.

Epos Now Ltd
Notes to the Financial Statements

Year ended 31 May 2023

14 Intangible assets

Group

	Development costs	Computer Software	Total
Cost	£	£	£
At 1 June 2022	5,020,832	-	5,020,832
Additions	4,087,868	66,584	4,154,452
FX differences	4,271	-	4,271
At 31 May 2023	<u>9,112,971</u>	<u>66,584</u>	<u>9,179,555</u>
Amortisation			
At 1 June 2022	1,395,844	-	1,395,844
Charge for the year	1,433,860	-	1,433,860
FX differences	(6,807)	-	(6,807)
At 31 May 2023	<u>2,822,897</u>	<u>-</u>	<u>2,822,897</u>
Carrying amount			
At 31 May 2023	<u>6,290,074</u>	<u>66,584</u>	<u>6,356,658</u>
At 31 May 2022	<u>3,624,988</u>	<u>-</u>	<u>3,624,988</u>

Amortisation on intangible assets is charged to administrative expenses.

Company

The company has no intangible assets.

Epos Now Ltd
Notes to the Financial Statements

Year ended 31 May 2023

15 Tangible assets

Group

	Leasehold property improvements	Office equipment	Motor vehicles	Computer equipment	Payment devices	Total
	£	£	£	£	£	£
Cost						
At 1 June 2022	377,430	162,333	30,332	663,637	1,908,340	3,142,072
Additions	2,521	55,241	-	115,599	2,807,392	2,980,753
FX differences	640	(605)	-	(4,400)	(15,272)	(19,637)
Disposals	-	-	-	-	-	-
At 31 May 2023	<u>380,591</u>	<u>216,969</u>	<u>30,332</u>	<u>774,836</u>	<u>4,700,460</u>	<u>6,103,188</u>
Depreciation						
At 1 June 2022	363,880	142,744	29,915	426,298	237,300	1,200,137
Charge for the year	2,727	18,988	-	124,678	651,719	798,112
FX differences	476	(356)	-	(3,949)	(8,306)	(12,135)
At 31 May 2023	<u>367,083</u>	<u>161,376</u>	<u>29,915</u>	<u>547,027</u>	<u>880,713</u>	<u>1,986,114</u>
Carrying amount						
At 31 May 2023	<u>13,508</u>	<u>55,593</u>	<u>417</u>	<u>227,809</u>	<u>3,819,747</u>	<u>4,117,074</u>
At 31 May 2022	<u>13,550</u>	<u>19,589</u>	<u>417</u>	<u>237,339</u>	<u>1,671,040</u>	<u>1,941,935</u>

Company

The company has no tangible assets.

16 Investments

Group

The group has no investments.

Company

	Shares in group undertakings £
Cost	
At 1 June 2022 and 31 May 2023	<u>200</u>
Impairment	
At 1 June 2022 and 31 May 2023	<u>-</u>
Carrying amount	
At 1 June 2022 and 31 May 2023	<u>200</u>

Epos Now Ltd

Notes to the Financial Statements

Year ended 31 May 2022

16 Investments (continued)

Details of undertakings

Details of the investments in which the company directly or indirectly holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Holding	Proportion of voting rights and shares held	
		2023	2022
Subsidiary undertakings			
Epos Now (UK) Ltd	Ordinary	100%	100%
EposNow LLC	Ordinary	100%	100%
Epos Systems Pty Ltd	Ordinary	100%	100%
Epos Now SL	Ordinary	100%	100%
Epos Now Limited	Ordinary	100%	n/a
Epos Now SA de CV	Ordinary	50%	n/a

The registered office of Epos Now (UK) Ltd is 2 Whiting Road, Norwich Business Park, Norwich, NR4 6DJ.

The registered office of EposNow LLC is The Chase Plaza, South Tower, Suite 2021, 189 S. Orange Avenue, Orlando, FL-32801, United States.

The registered office of Epos Systems Pty Ltd is 47 Gordon Street, Hendra, Queensland, 4011, Australia.

The registered office of Epos Now SL is Calle Vallehermoso 82, Bajo Ext Izda, 28015 Madrid, Spain.

The registered office of Epos Now Limited is 1881 Steeles Ave., W., C/o Cbes 406, Toronto, Ontario, Canada, M3H 0A1.

The registered office of Epos Now SA de CV is 2 Whiting Road, Norwich Business Park, Norwich, NR4 6DJ.

Epos Now Ltd
Notes to the Financial Statements

Year ended 31 May 2023

17 Stocks

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Finished goods and goods for resale	849,435	1,650,572	-	-

18 Debtors

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Trade debtors	4,793,974	4,926,328	-	-
Deferred tax asset	673,022	1,066,781	-	-
Prepayments and accrued income	2,002,069	868,615	-	-
Director's loan account	3,092	-	-	-
Other debtors	1,054,449	878,577	2,000	2,000
Corporation tax recoverable	-	682,590	-	-
	<u>8,526,606</u>	<u>8,422,891</u>	<u>2,000</u>	<u>2,000</u>

19 Creditors: Amounts falling due within one year

	2023	2022	2023	2022
	£	£	£	£
Loans and borrowings	11,309,755	9,299,608	-	-
Trade creditors	4,699,343	2,822,416	-	-
Accruals and deferred income	5,998,995	6,773,515	-	-
Upfront supplier payments	969,250	1,378,008	-	-
Corporation tax payable	115,878	-	-	-
Social security and other taxes	1,577,827	804,948	-	-
Other payables	80,058	68,185	3,144	3,144
	<u>24,751,106</u>	<u>21,146,680</u>	<u>3,144</u>	<u>3,144</u>

20 Creditors: Amounts falling due after more than one year

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Loans and borrowings	-	1,171,668	-	-
Long term trade creditors	1,431,729	-	-	-
Upfront supplier payments	391,398	1,164,950	-	-
Other payables	-	25,533	-	-
	<u>1,823,127</u>	<u>2,362,151</u>	<u>-</u>	<u>-</u>

Epos Now Ltd

Notes to the Financial Statements

Year ended 31 May 2023

21 Loans and borrowings

Analysis of the maturity of loans is given below:

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Amounts falling due within one year				
Loans and borrowings	<u>11,309,755</u>	<u>9,299,608</u>	<u>-</u>	<u>-</u>
Amounts falling due after one year				
Bank loans due between one and two years	-	380,000	-	-
Bank loans due between two and five years	-	<u>791,668</u>	-	-
	<u>-</u>	<u>1,171,668</u>	<u>-</u>	<u>-</u>

During the year the Group secured a new revolving credit facility totalling £21,000,000. The facility is secured by a fixed and floating charge over the assets of the company and the company's subsidiary Epos Now (UK) Limited and its interest in EposNow LLC. Each amount drawn down on the facility is repayable, along with interest due, at the end of a six month term. The facility is subject to interest rates of 4% above the Bank of England's Sterling Overnight Index Average (SONIA) rate on drawn amounts and 1.6% on undrawn amounts. At 31 May 2023 the Group had utilised £10,676,649 of this facility.

The facility is also subject to the following covenants:

- Liquidity (comprising cash plus undrawn facility) shall at all times be at least £5,000,000;
- The aggregate of the revenues for the period of three months should not fall below amounts set out in the facility agreement.

Amounts drawn down against the new facility during the year were used to repay in full the previous loans and facilities. Loans in the UK entity were repaid in full, and the debt facility in place in the US based subsidiary had an outstanding balance at the year end of £442,394 (2022: £7,363,801), which was fully repaid by August 2023.

The US facility was secured against specific customer contracts, repayable over 12 months, and subject to an interest rate of 6.1%.

Epos Now Ltd

Notes to the Financial Statements

Year ended 31 May 2023

22 Deferred tax

The deferred tax included in the Statement of Financial Position is as follows:

	2023	2022
	£	£
Included in debtors (note 18)	<u>673,022</u>	<u>1,066,781</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2023	2022
	£	£
Fixed asset timing differences	(163,251)	(95,392)
Short term timing differences	13,451	14,581
Losses and other deductions	822,822	1,147,592
Included in debtors (note 18)	<u>673,022</u>	<u>1,066,781</u>

23 Contingent liabilities

In the prior year, the group was party to a cross guarantee and debenture in favour of Blue House Investments Limited, a related party. This charge was satisfied on 2 December 2022.

24 Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £262,335 (2022: £315,324).

Epos Now Ltd

Notes to the Financial Statements

Year ended 31 May 2023

25 Financial instruments

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Financial assets				
Financial assets measured at fair value	7,071,450	6,802,929	-	-
Financial assets measured at amortised cost	5,851,513	6,671,520	2,000	2,000
	<u>12,922,963</u>	<u>13,474,449</u>	<u>2,000</u>	<u>2,000</u>
Financial liabilities				
Financial liabilities measured at fair value	-	-	-	-
Financial liabilities measured at amortised cost	18,143,936	22,703,883	3,144	3,144
	<u>18,143,936</u>	<u>22,703,883</u>	<u>3,144</u>	<u>3,144</u>

Financial assets measured at fair value through profit and loss comprise cash and cash equivalents.

Financial assets measured at amortised cost comprise investments, trade debtors, amounts owed by group undertakings, and other debtors.

Financial liabilities measured at fair value through profit and loss are nil in both periods.

Financial liabilities measured at amortised cost comprise bank loans, trade creditors, amounts owed to group undertakings, accruals, upfront supplier payments and other creditors.

26 Share capital

Issued and called up

	2023		2022	
	Number	£	Number	£
A Ordinary shares of £0.01 each	100,000	1,000	100,000	1,000
B Ordinary shares of £0.01 each	100,000	1,000	100,000	1,000
	<u>200,000</u>	<u>2,000</u>	<u>200,000</u>	<u>2,000</u>

The A and B shares rank pari passu in all respects other than as follows:

- The company may not distribute profits to the holders of the B shares without prior approval of the holders of the A shares.
- The B shares shall not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of the company or in any written resolution.
- On a return of assets on liquidation or capital reduction or otherwise the surplus of assets of the company shall be applied first in paying the holders the A shares and the B shares the nominal value of each such shares and secondly 100% shall be distributed amongst the holders of the A shares.

Epos Now Ltd

Notes to the Financial Statements

Year ended 31 May 2023

27 Analysis of changes in net debt

	At 1 June 2022	Cash flows	Non-cashflow	At 31 May 2023
	£	£	£	£
Cash at bank and in hand	6,802,929	268,521	-	7,071,450
Debt due within one year	(9,299,608)	(2,426,722)	416,575	(11,309,755)
Debt due after one year	(1,171,668)	1,171,668	-	-
	<u>(3,668,347)</u>	<u>(986,533)</u>	<u>416,575</u>	<u>(4,238,305)</u>

28 Operating leases

The total of future minimum lease payments under non-cancellable operating leases are as follows:

	2023	2022
	£	£
Not later than 1 year	41,525	43,909
Later than 1 year and not later than 5 years	-	41,525
	<u>41,525</u>	<u>85,434</u>

The value of operating leases recognised as an expense in the Consolidated Statement of Comprehensive Income for the year is £46,910 (2022: £171,942).

29 Director's advances, credits and guarantees

During the year the Director entered into the following advances and credits with the company and its subsidiary undertakings:

	2023	2022
	£	£
Balance brought forward	-	58,936
Advances to/(payments from) the Director	3,092	(58,936)
Balance outstanding	<u>3,092</u>	<u>-</u>

No interest was charged on the outstanding balance during the current or prior period.

Epos Now Ltd

Notes to the Financial Statements

Year ended 31 May 2023

30 Related party transactions

Group

The related party balance as at year end includes a receivable from Blue House Investments Limited, of which the ultimate owner is J Heavens. The balance of £501,614 (2022: £501,614) relates to expenses paid by the group on behalf of Blue House Investments Limited. It is included within other debtors in the Statement of Financial Position. Other related party transactions undertaken during the year relate to rental charges from Blue House Investments Limited to the company, for the use of premises it owns. These total £228,000 (2022: £228,000) and are paid monthly. There was no outstanding balance for rental charges at year end.

The related party balance as at year end includes a receivable from Technology Growth Ventures Limited, of which the ultimate owner is J Heavens. The balance of £1,972 (2022: £1,972) relates to expenses paid by the group on behalf of Technology Growth Ventures Limited. It is included in other debtors in the Statement of Financial Position. There were no related party transactions undertaken during the year.

The related party balance at the year end includes a receivable from Chase 20 LLC, of which the ultimate owner is J Heavens. The balance of £512,274 (2022: £305,373) relates to overhead expenses paid by the group on behalf of Chase 20 LLC. It is included within other debtors within the Statement of Financial Position. These expenses total £206,901 (2022: £84,615) for the period. In addition, the group's US subsidiary pays rental charges to Chase 20 LLC for the use of premises it owns. These charges total £80,277 for the year (2022: £86,503). £68,921 (2022: £75,602) was payable by the group at year end, included within trade creditors.

The related party balance at year end includes a receivable of £18,614 (2022 - £18,614) from Recruitment Junky Limited, of which J Heavens is a shareholder, relating to expenses paid by the group on behalf of Recruitment Junky Limited. In addition, Recruitment Junky provided recruitment services to the group during the year. The charges for the year total £597,031 (2022: £511,526) and are paid monthly. As at the period end a balance of £nil (2022: £26,778) was outstanding and an amount of £54,043 (2022: £46,163) had been accrued in the accruals and deferred income balance.

During the year there were transactions between J Heavens and Epos Now (UK) Ltd through the Director's loan account. The loan account balance at the year end was a debtor of £3,092 (2022: £nil).

Company

At the year end the Company owed £200 (2022: £200) to Epos Now (UK) Limited, in relation to unpaid share capital.

31 Controlling party

At the balance sheet date, 100% of the A shares and 100% of the B shares in the company were owned by Technology Growth Holdings Limited, a company wholly owned by J Heavens. J Heavens is regarded as the ultimate controlling party of the group.

These financial statements represent the largest group for which consolidated financial statements are prepared.