Registered number: 09060564

SORTED GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 15 MONTH PERIOD ENDED 31 DECEMBER 2023

COMPANY INFORMATION

Directors	S Wilkinson (Appointed 24 May 2024) M Warriah (Appointed 19 February 2024)
Registered number	09060564
Registered office	Level 6 111 Piccadilly Manchester M1 2HY
Independent auditor	Rawlinson & Hunter Auditor LLP Chartered Accountants & Statutory Auditor Eighth Floor 6 New Street Square New Fetter Lane London EC4A 3AQ

CONTENTS

STRATEGIC REPORT
FOR THE 15 MONTH PERIOD ENDED 31 DECEMBER 2023

Introduction
The directors present their Strategic Report for Sorted Group Limited ("Sorted" or "the company") for the 15 months period ended 31 December 2023. The comparatives are for the year ended 30 September 2022. Given the longer period in FY23, it should be noted that amounts are not fully comparable with the comparative period.

Business review
The principal activity of the company is the provision of a Software as a Service ("SaaS") Delivery Experience Platform ("DEP") that powers dynamic checkouts, delivery management and tracking globally. Through partnerships with some of the biggest global carriers and customer-obsessed retailers, Sorted transforms the delivery experience into a delight, for everyone that touches it. Sorted provides mission critical software using an API driven platform that enables fast and seamless integrations with retailers offering enhanced features. Sorted is focused on delivering a market leading SaaS solution in the sector through constant development of its platform in terms of features, carrier services and scale. Sorted have made considerable platform advances during this period through this continued investment. As a result, the company has grown through new customers and maintaining a high retention of existing customers who continually increase volume of business through the platform.

Results and developments
Sorted experienced significant challenges in the current period and Sorted's future is inextricably linked with activities of the parent undertaking, Sorted Holdings Limited ("SHL") (Note 22). This is discussed in detail throughout the Strategic Report and, especially, in the Future Plans section, incorporating the activities of SHL that impact Sorted.

Despite these challenges, Sorted continued to enjoy revenue growth for the 15 month period ended 31 December 2023 with revenue of £6.72 million (*2022: £5.27 million for 12 months*), with a number of client wins during the period. Net revenue retention remained strong at 81% despite various challenges. EBITDA has improved, when annualised against the prior year (as shown in the KPIs section below) due to dealing with legacy issues, customer stabilisation, enhancement costs, platform investment and cost efficiency savings.

The company has continued to invest heavily in its product portfolio with a strong focus on resilience, monitoring and alerting across all services as large retailer acquisition and the increasing volume demands associated with business growth continued through the period. In addition to the focus on resilience, the group continued to add new carrier services to its platform, with particular focus on its post-purchase experience proposition, where enhancements were also made to the user interface, communication formats offered in the platform and the richness of the multi-parcel tracking pages available to customers.

The main cost driver is employee cost of £9.7 million (*2022: £9.2 million for 12 months*). The main reduction in costs relate to impairment losses in 2022 of £5.7 million which did not reoccur in FY23.

As enhancement of the platform continues, this has led to an addition in capitalised development costs during the period of £3.1 million (*2022: £7.0 million for 12 months*). Refer to Note 12 for further details.

Other significant movements in the balance sheet includes the recognition of a R&D tax credit of £2.0 million (*2022: £Nil*) as part of debtors (Note 14).

The company has in overall terms reported a loss after tax of £9.7 million (*2022: £18.6 million for 12 months*) in the 15 month period ended 31 December 2023. The combination of the factors referred to in the above paragraphs resulted in the company being cash consumptive prior to financing cash inflows and continues to rely on financing from SHL (Note 15). Such pre-financing cash consumption has continued in the post balance sheet period which has required further funding from related parties, SHL and the new ultimate controlling company, Sorted Group Holdings Plc ("SGH") (Note 22). The company has also continued to implement cost reductions to reduce the levels of monthly cash consumption. Please refer to the related going concern disclosures contained in Note 2.2 to the financial statements for further consideration of these matters.

Summary of Key performance indicators (KPI's)
The primary KPIs for the company are revenue, net revenue retention and EBITDA which are reported monthly to the Board and are forecast to the end of the next reporting period. A deterioration in net revenue retention is noted, illustrating the challenges that Sorted has faced throughout the period. The KPIs are as follows:

	15 months to 31 December 2023	12 months to 30 September 2023 (pro-rata)	*12 months to 30 September 2022*
	£'000	£'000	*£'000*
Revenue	**£6,720**	£5,376	*£5,266*
Net Revenue Retention	**81%**	92%	*87%*
EBITDA (Earnings before Interest, Taxes, Depreciation, Amortisation, and Impairment)	**(£8,134)**	(£6,506)	*(£8,122)*

EBITDA is calculated as follows:	**£'000**	£'000	*£'000*
Operating loss	**(£11,303)**	(£9,042)	*(£18,596)*
Amortisation	**£3,119**	£2,496	*£4,748*
Depreciation	**£50**	£40	*£49*
Impairments	**-**	-	*£5,677*
EBITDA	**(£8,134)**	(£6,506)	*(£8,122)*

Market
The market for the company continues to be favourable, as customers continue to move to online shopping which is driving the industry to improve and develop its delivery services. This continues to be accelerated as a result of the impact of COVID-19 and changing buyer behaviour, increasing the demand for the mission critical software as retailers have had to focus on this channel. The company is in a strong position to support and exploit this opportunity, having already confirmed a number of new enterprise customer contracts which we expect to continue. This shift towards online shopping is anticipated to offset any reduction in consumer spending.

Principal risks and uncertainties
The directors consider the key risks to the business to be as follows. In each case, we have policies and procedures in place to identify, evaluate and manage the exposure to the business.

Credit risk
Credit risk refers to the possibility that a counterparty will default on its contractual obligations resulting in a loss to the company. The company has adopted a policy of only dealing with credit worthy counterparties as a means of mitigating the risk of financial loss from defaults.

Online security risk
As a SaaS platform the company has risk relating to online security vulnerabilities. Sorted has rigorous processes and procedures in place, including collaborating with third-party security specialist firms to validate the robustness of its security measures, to mitigate this risk which is continually reviewed and enhanced to meet the emerging threats and business needs.

Competition risk
The company is continually investing in its platform to become market leader. Key to this is executing Sorted's vision to be the only Delivery Experience Platform able to serve the entirety of the market from SMB through to large enterprise and across all three pillars of the retail post-purchase journey; Carrier Selection, Order Tracking and Returns Management. The acquisition of Clicksit, which took place in the previous reporting period, will ultimately enable Sorted to execute the SMB element of this vision.

Liquidity risk
The company aims to mitigate liquidity risk by investing surplus funds in short term deposit accounts, with the aim of maximising fixed interest rate returns, whilst providing flexibility to fund on-going operations. The directors regularly assess the company's financial position and review against its ability to make debt repayments and meet liabilities. Management actively monitors spend to forecast when future planned equity fund raises are required. Management also pursues new investment when needed to ensure the company can meet requirements to be able to continue to develop its platform and products. Despite all of the aforementioned, the company experienced liquidity constraints, which were alleviated by the Shard Loan facility (Note 16) and various activities in SHL, such as the conversion of certain loan facilities into equity and the issuance of equity. Refer below and the going concern note (Note 2.2) for further details.

Going Concern
In adopting the going concern basis for preparing the financial statements, the directors have considered the business activities, as well as the company's principal risks and uncertainties, within the company's cash flow forecasts and projections through January 2026. These forecasts include significant increases in recurring annual revenues and the costs associated with the development of the software platform. Even when factoring in significant sensitivities to the forecasted cash flows and projections, the directors expect the company to operate within its current cash levels for the foreseeable future.

In February 2024, the ultimate parent company of Sorted Group Holdings plc finalized its most recent round of funding, securing a £2 million placement, a loan conversion of £300,000, and an interest conversion to equity of £600,000. This was part of a reverse takeover by SHL of Location Science plc, leading to the re-listing of Location Science plc, which subsequently changed its name to Sorted Group Holdings plc. In addition, Sorted Group Holdings Limited secured a £3 million loan from Bidco 3 Limited, which the directors do not envisage will be used. Together with the growth in revenue, the company continues to adopt the going concern basis in preparing the statutory report and financial statements.

Future plans
Sorted has continued to drive its Sorted 2.0 transformation plan, which has delivered significant operational improvements. Key FY23 highlights include:

- 6 new corporate/enterprise customer wins, including 4 dual Ship and Track and 1 each standalone Ship and Track.
- 9 corporate/enterprise customer renewals.
- 53.3m shipments created and 74.1m shipments tracked on the Sorted platform.
- Continued robust and resilient platform performance with 99.999% availability.
- Over 290 Track and Ship go live events including new customers on our platform, new warehouse locations and new carrier services.
- The average corporate/enterprise new customer time to revenue has reduced by 48% and new incremental location enablement reduced by 50%.
- Continued cost efficiencies achieved based on technology and organisational improvements.

<u>FY24-26 Focus and Vision</u>
Sorted's ongoing Sorted 2.0 transformation plan, continues to focus on:

- Establishing a leading Delivery Experience Platform ("DEP") across all market tiers.
- Enhancing core technology for automation, self-service, and cost efficiency.

Future plans (continued)

- Diversifying customer acquisition to drive a more robust mix of small, medium and large contracts.
- Delivering balanced revenue growth and profitability.

While Sorted, like other technology providers operating in the retail sector, has faced challenges due to the macro-economic headwinds impacting this sector in particular, we remain committed to delivering value and positive business outcomes to our customers.

Business Implications Board Actions
Despite an ongoing program of cost-savings and efficiency measures coupled with the additional funds provided by way of the Shard Loan facility (Note 16), the company remained cash consumptive. Existing shareholders continue to support the business via SHL through the conclusion of the £2.6 million funding facility provided as part of the Location Sciences Group Plc (“LSG”) transaction (refer below).

At 31 December 2023, the company had cash reserves of £0.3 million which have been supplemented by additional financing obtained in the post balance sheet period (as detailed in Note 23). Pre-financing cash outflows have however continued (albeit at a reduced rate following the successful implementation of a number of cost reduction measures) in the post balance sheet period such that residual cash reserves have now largely been fully utilised. SHL has pursued the option of the reverse acquisition of the wider group by LSG together with access to equity funding raised by LSG on its readmission to AIM and an unsecured facility provided by a shareholder of LSG which has been made available to the wider Sorted group. Please refer to the going concern disclosures in Note 2.2 to the financial statements.

Location Sciences Group Plc Transaction
During the period SHL pursued various options to secure the wider group’s future, including continuing to drive business efficiencies, as noted above, exploring potential acquisitions strategies and new investor discussions. As part of the new investor workstream, in May 2023 (refer Note 23), LSG expressed interest in pursuing an AIM reverse takeover of SHL.

LSG, backed by experienced industry figures acquired the parent undertaking, SHL, and its subsidiaries, on 19 February 2024. Upon completion, LSG assumed approximately £4.5 million of Sorted's existing outstanding debt, and provided a secured convertible loan facility of up to £2.6 million as noted above. In addition, LSG obtained a £3 million debt facility from Bidco 3 Limited (refer Note 23) which, through a letter of support, is made available to SHL (refer Notes 2.2 & 23 for further details).

Conclusion
The directors believe the transaction with LSG provides SHL with the resources and leadership required to scale the business, strengthen its balance sheet, provide access to public markets and secure its ability to continue the execution of its Sorted 2.0 plan for the wider group.

15 August 2024 | 14:22 BST

This report was approved by the board of directors on the ……………… and signed on its behalf by:

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M Warriah
Director

DIRECTORS' REPORT
FOR THE 15 MONTH PERIOD ENDED 31 DECEMBER 2023

The directors present their report and the financial statements of the company for the 15 months ended 31 December 2023. The comparatives are for the year ended 30 September 2022.

Principal activities
The principal activity of the company is the provision of a Software as a Service (SaaS) delivery platform that powers dynamic checkouts, delivery management and delivery tracking around the world.

Results and dividends
The loss for the period, after taxation, amounted to £9.73 million *(2022: loss £18.63 million)*.

The directors do not recommend the payment of a dividend (*2022: £Nil*).

Directors
The directors who served during the period and to the date of signing were:
C Carey (Resigned 24 May 2024)
C J Tenwick (Resigned 18 November 2022)
S Wilkinson (Appointed 24 May 2024)
M Warriah (Appointed 19 February 2024)

Future developments
Sorted is focused on delivering a market leading SaaS solution in the delivery experience platform sector through constant development of its platform in terms of features, carrier services and resilience. For further details on the company's future developments, refer to the discussion in the Strategic Report.

Research and development activities
The company continues to evolve its software platform which links online retailers to Sorted's carrier library and delivery management solutions. Refer to the Strategic Report for further details on the research and development activities through the period.

Going concern
Refer to the Strategic Report and Note 2.2 for further details on the material uncertainty relating to the going concern assessment.

Employees
The company always fully considers all employment applications by persons living with a disability and is focused on the alignment of skills and experience against the specified job requirements when considering any applicant. In the event of an employee becoming disabled, every effort is made to ensure their employment continues and appropriate support is facilitated. The company's policy is committed to ensuring training, career development and promotion of employees living with a disability is, as far as possible, identical with that of employees who are not living with a disability.

Employee engagement statement
The company keeps employees informed of matters affecting them as employees and the financial and economic factors affecting performance of the company.

Qualifying third party indemnity provisions
The company has agreed to indemnify its directors against third party claims which may be brought against them and has put in place a directors' insurance policy.

Matters covered in the strategic report
Details of the company's Business Review, Results and Developments, Key Performance Indicators and Principal Risks and Uncertainties are set out in the Strategic Report.

DIRECTORS' REPORT
FOR THE 15 MONTH PERIOD ENDED 31 DECEMBER 2023 (CONTINUED)

Disclosure of information to auditors
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Post balance sheet events
Refer to Note 23 for further detail on the post balance sheet events.

Directors' responsibilities statement
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law).

Under company law, 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 of the profit and loss of the company for that period.

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements 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.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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 Companies Act 2006.

This report was approved by the board of directors on 15 August 2024 | 14:22 BST .... and signed on its behalf.

DocuSigned by:

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M Warriah
Director

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF SORTED GROUP LIMITED

Report on the audit of the financial statements

We have audited the financial statements of Sorted Group Limited ("the company") for the 15 month period ended 31 December 2023, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its loss for the 15 month period 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2.2 in the financial statements, which indicates that the company incurred a net loss of £9,725,000 for the period and has net current liabilities of £56,396,000 and net liabilities of £52,144,000 at the balance sheet date which may cast doubt on the company’s ability to continue as a going concern. As stated in Note 2.2, these events or conditions, along with other matters as set forth in Note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

Other information

The other information comprises the information included in the Annual Report and Financial Statements other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information contained within the Annual Report and Financial Statements. 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 Directors’ Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors’ Report has 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and 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 directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Director's Responsibilities Statement set out on page 8, 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 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SORTED GROUP LIMITED (CONTINUED)

We designed our audit procedures to respond to identified audit risks, including non-compliance with laws and regulations (irregularities) that are material to the financial statements. Some of the specific procedures performed to detect irregularities, including fraud, are detailed below:

- the review of control accounts and journal entries for large, unusual or unauthorised entries;
- the analytical review of the detailed profit and loss account for variances that are either unexpected or considered not to be in accordance with our understanding of the business during the period;
- obtaining and reviewing for completeness a list of entities and persons considered to be related parties (as defined by Financial Reporting Standard 102) and reviewing the ledgers of the company for previously unreported related party transactions;
- the review of transactions and journals for any indication of fraud or management override and bias; and
- the verification of the existence of a sample of employees to documentation outside the accounting system.

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 is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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.

Rawlinson & Hunter Audit LLP

William Watson (Senior Statutory Auditor)
for and on behalf of
Rawlinson & Hunter Audit LLP

Statutory Auditor & Chartered Accountants

Eighth Floor
6 New Street Square
New Fetter Lane
London
EC4A 3AQ
Date: 15 August 2024

STATEMENT OF COMPREHENSIVE INCOME
FOR THE 15 MONTH PERIOD ENDED 31 DECEMBER 2023

	Note	**15 month period ended 31 December 2023**	*Year ended 30 September 2022*
	Note	**£'000**	*£'000*
Revenue	4	**6,720**	*5,266*
Operating and administrative expenses	5	**(18,023)**	*(23,862)*
Operating loss	5	**(11,303)**	*(18,596)*
Interest payable and similar expenses	10	**428**	*(32)*
Interest receivable and other similar income	9	**6**	*1*
Loss before taxation		**(11,725)**	*(18,627)*
Tax on loss	11	**2,000**	-
Total comprehensive loss for the period / year		**(9,725)**	*(18,627)*

There were no other items of comprehensive income for 2023 or 2022 other than those included in the statement of comprehensive income.

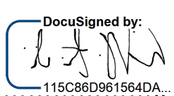
The notes on pages 15 to 30 form part of these financial statements.

SORTED GROUP LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note		2023		*2022*
			£'000		*£'000*
Fixed assets					
Intangible assets	12		**7,023**		*7,108*
Tangible assets	13		**34**		*72*
			7,057		*7,090*
Current assets					
Debtors: amounts falling due within one year	14	**2,725**		*1,483*	
Cash at bank an in hand		**322**		*6,828*	
		3,047		*8,311*	
Creditors: amounts falling due within one year	15	**(59,443)**		*(55,255)*	
Net current liabilities			**(56,396)**		*(46,944)*
Total assets less current liabilities			**(49,339)**		*(39,854)*
Creditors: amounts falling due after more than one year	16		**(2,805)**		*(2,805)*
Net Liabilities			**(52,144)**		*(42,659)*
Capital and reserves					
Called up share capital	17		**-**		-
Other reserve	18		**240**		-
Profit and loss account	18		**(52,384)**		*(42,659)*
			(52,144)		*(42,659)*

The financial statements were approved and authorised for issue by the board of directors and were signed on its behalf on



M Warriah
Director

The notes on pages 15 to 30 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE 15 MONTH PERIOD ENDED 31 DECEMBER 2023

	*Called up share capital	Other reserve	Profit and loss account	Total equity
	£'000	£'000	£'000	£'000
At 1 October 2022	-	-	(42,659)	(42,659)
Loss for the period	-	-	(9,725)	(9,725)
Total comprehensive loss for the period	-	-	(9,725)	(9,725)
Transactions with owners				
Shard Loan interest contribution by parent (Notes 16 & 18)	-	240	-	240
Total transactions with owners	-	240	-	240
At 31 December 2023	**-**	**240**	**(52,384)**	**(52,144)**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2022

	*Called up share capital	Profit and loss account	Total equity
	£'000	£'000	£'000
At 1 October 2021	-	(24,032)	(24,032)
Loss for the year	-	(18,627)	(18,627)
Total comprehensive loss for the year	-	(18,627)	(18,627)
At 30 September 2022	**-**	**(42,659)**	**(42,659)**

* Amount represents £1

The notes on pages 15 to 30 form part of these financial statements.

1. General information

Sorted Group Limited ("Sorted" or "the company") is a private company limited by shares and incorporated in England and Wales. Its registered head office is located at Level 6, 111 Piccadilly, Manchester, England, M1 2HY.

The principal activity of the company is the provision of a Software as a Service ("SaaS") delivery platform that powers dynamic checkouts, delivery management and delivery tracking around the world.

2. Accounting policies

2.1. Basis of preparation of financial statements

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

The company changed its accounting reference date in accordance with the Companies Act to 31 December during the current period. The company is therefore reporting its results for the extended, 15 month period ended 31 December 2023. The results for 2022, being the year ended 30 September 2022, are therefore not directly comparable with the 2023 results.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see Note 3).

The financial statements are presented in Sterling (£'000s), which is the functional currency of the company.

In preparing the financial statements of the company, advantage has been taken of the following disclosure exemptions in FRS 102:

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Sorted Holdings Limited ("SHL") as at 31 December 2023 and these financial statements may be obtained from Companies House. This is the largest and smallest set of consolidated accounts that they are included in.

2.2. Going concern

During the period the company made a loss after tax of £9,725,000 and at the balance sheet date, the company had net current liabilities of £56,396,000, net liabilities of £52,144,000 and a cash balance of £322,000 with cash expenditure exceeding cash income from trading activities.

In adopting the going concern basis for preparing the financial statements the directors have considered the business activities as well as the company's principal risks and uncertainties within the company's cash flow forecasts and projections to January 2026. These forecasts include further increases in recurring

2.2. Going concern (continued)

annual revenues and costs of development of the software platform. Even withstanding significant sensitivities to the forecasted cash flows and projections the directors expect the company to operate within the level of its current available funds for the foreseeable future. In assessing the appropriateness of the going concern assumption, the company and SHL have prepared a detailed budget for the period ending 31 January 2026. SHL is included as the company's cash flow is inextricably linked with financing provided by SHL to the company.

On 28 June 2023, Location Sciences Group Plc ("LSG") announced a secured convertible bridge loan agreement (the "Convertible Loan Agreement") with SHL to lend it up to £2.6 million for working capital purposes. The Convertible Loan Agreement has a redemption premium of 50% and was secured by a first fixed and floating charge over SHL's business and assets. At SHL's option, the loan could be converted into shares representing nearly 100% of the fully diluted share capital of SHL.

LSG, backed by experienced industry figures, acquired SHL and its subsidiary on 19 February 2024. Upon completion LSG assumed approximately £4 million of Sorted's existing outstanding debt and provided a secured convertible loan facility of up to £2.6 million as noted above.

The company expects the continued support of the parent undertaking, SHL, which has confirmed that it will provide such other financial support the company may require to meet its obligations. SHL has received confirmation from LSG that it will not seek repayment of its loan of £2.5m until 31 January 2026 and in January 2024 SHL was provided with a £3m facility from Bidco 3 Limited.

2.3. Revenue

Revenue represents the total invoice value, excluding value added tax, of services provided during the period and derives from the provision of services falling within the company's ordinary activities.

Implementation, set-up fees and maintenance fees are recognised in the period in which the service is provided.

Subscription and support fees are recognised over the period of the contract from the commencement date. Depending on the contract, revenue is calculated based on the volume of labels processed through the system or based on a fixed periodic price.

2.4. Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic life of 4 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.5. Finance costs

Finance 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.

2.6. Intangible fixed assets and amortisation

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software development	4 years
Domain name	10 years
Computer software	3 years
Website implementation	3 years

2.7. Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line method.

Depreciation is provided on the following basis:

Leasehold improvements	25% or shorter dependent upon the lease term
Computer equipment	33%

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 Statement of Comprehensive Income.

2.8. Impairment of intangible fixed assets

At each reporting period end date, the company 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 it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

2.9. Debtors

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

2.10. Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.11. Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.12. Pensions

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

2.13. Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is the amount of income tax payable in respect of the taxable profit for the period or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

2.13. Taxation (continued)

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing differences.

2.14. Financial instruments

The company has chosen to adopt the sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at the market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the assets' original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except those investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled or (b) substantially all the risks and regards of the ownership of the asset are transferred to another party or c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies, the Shard loan and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn-down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.14. Financial instruments (continued)

Trade payables are obligations to pay for good or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective internet method.

Non-basic financial instruments include warrants.

Warrants are initially recognised at fair value and are subsequently re-measured at their fair value at the reporting date. Changes in the fair value are recognised in profit or loss in finance costs or income as appropriate.

Financial liabilities are de-recognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expired.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical accounting judgements and estimates

Impairment – methodology for determining fair value less costs to sell
As explained in Note 12, in the current period, the recoverable amount for the Shipping CGU was measured using fair value less costs to sell using a methodology of a multiple of annual recurring revenue. The multiple of 1.5 was used and selection of this methodology and multiple is a significant judgement.

A multiple of annual recurring revenue is deemed appropriate for the Shipping CGU due to the nature of the CGU's services resulting in largely recurring revenue.

Deferred tax
A deferred tax asset was not recognised for UK tax losses as the directors do not expect that the tax losses will be utilised in the foreseeable future.

System development costs capitalised within intangible fixed assets
The company capitalises intangible fixed assets to the extent that they create an enduring asset that delivers economic benefits at least as great as the amount capitalised. System development costs are amortised on a straight line basis over 4 years and regular reviews are carried out to consider if the asset is subject to impairment.

3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

In some instances, when determining the amount to be capitalised, the directors exercise judgement in determining the amount of time certain employees have spent on a capital project. The directors complete a detailed assessment, understanding each individuals' project / operational priorities and commitments, reviewed as part of regular and ongoing project meetings, before deciding whether a project is deemed to be capital in nature. Any time which is deemed not to have been spent on a capital project is written off to the profit and loss account as incurred.

Key sources of estimation uncertainty

Impairment – determining the recoverable amount
As set out in the critical judgements section above, the Shipping CGU's recoverable amount was based on a multiple of recurring revenue method. The multiple recurring revenue method is dependent on an estimation of recurring revenue, as well as an appropriate multiple. The company used budgeted forecasts to estimate the recurring revenue. Note 12 sets out the recurring revenue multiple, which is a critical estimation.

Non-basic financial instruments
Non-basic financial instruments are required to be measured at fair value at the reporting date. This value has been determined using a Monte Carlo simulation model to simulate the share price and using a discounted cash flow approach to value the conversion value, debt interest and repayment cash flows. This valuation is prepared using management assumptions, the key one requiring estimation being the probability of qualified funding taking place. For further disclosures see Note 16.

4. Revenue

Turnover is attributable to the principal activity of the company and the majority arose in the United Kingdom.

	15 months ended 31 December 2023	*Year ended 30 September 2022*
	£'000	*£'000*
UK Revenue	**6,698**	*5,236*
ROW Revenue	**22**	*30*
	6,720	*5,266*

5. Operating loss

The operating loss is stated after charging:

	15 months ended 31 December 2023	*Year ended 30 September 2022*
	£'000	*£'000*
Amortisation of intangible assets	**3,119**	*4,748*
Impairment loss	**-**	*5,677*
Depreciation of tangible fixed assets	**50**	*49*
Operating lease rental – Land and buildings	**357**	*264*
Operating lease rental – Other	**4**	*39*
Loss on disposal	**5**	*-*

The operating and administrative expenses line is disaggregated as follows:

Cost of sales	**2,421**	*2,079*
Administrative expenses	**15,602**	*21,783*
	18,023	*23,862*

6. Auditor's remuneration

	15 months ended 31 December 2023	*Year ended 30 September 2022*
	£'000	*£'000*
Audit of the accounts	**72**	*48*
Taxation compliance services	**10**	*2*
All other taxation advisory services	**25**	*-*
All non-audit services not covered above	**2**	*-*
	109	*50*

The above audit fee is an appropriate allocation of the group audit fee disclosed in the Sorted Holdings Limited consolidated accounts.

7. Employees

The average number of employees including executive directors during the period / year was as follows:

	15 months ended 31 December 2023	*Year ended 30 September 2022*
	No.	*No.*
Operating and administrative staff	**92**	*105*

7. Employees (continued)

Staff costs including directors' remuneration were as follows:

	15 months ended 31 December 2023	*Year ended 30 September 2022*
	£'000	*£'000*
Wages and salaries	8,275	*7,888*
Social security costs	1,034	*982*
Pension costs (Note 20)	364	*302*
Benefit in kind	2	*2*
	9,675	*9,174*

£1,186,000 (*2022: £1,429,000*) of these staff costs were capitalised as part of the system development costs (refer Note 12).

8. Directors' remuneration

	15 months ended 31 December 2023	*Year ended 30 September 2022*
	£'000	*£'000*
Directors' emoluments	306	*589*
Pensions	14	*23*

The highest paid director received remuneration of £281,000 (*2022: £225,000*) and pension contributions of £14,000 (*2022: £9,000*).

9. Interest receivable and similar income

	15 months ended 31 December 2023	*Year ended 30 September 2022*
	£'000	*£'000*
Bank interest received	6	*1*

10. Interest payable and similar expenses

	15 months ended 31 December 2023	*Year ended 30 September 2022*
	£'000	*£'000*
Bank interest payable	-	*10*
Loan interest payable	428	*22*
	428	*32*

11. Taxation

	15 months ended 31 December 2023	*Year ended 30 September 2022*
	£'000	*£'000*
Current tax	**-**	-
Adjustment in respect of prior period current tax	**(2,000)**	-
Total current tax	**(2,000)**	-
Total deferred tax	**-**	-
Taxation on loss on ordinary activities	**(2,000)**	-

Factors affecting the tax credit for the period/year

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

	15 months ended 31 December 2023	*Year ended 30 September 2022*
	£'000	*£'000*
Loss on ordinary activities before tax	**(11,725)**	*(18,627)*
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (*2022 – 19%)*	**(2,228)**	*(3,539)*
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**564**	*569*
Difference between capital allowances and depreciation	**6**	*(4)*
Income not taxable for tax purposes	**-**	*23*
Adjustment to corporation tax charge in respect of prior period in relation to R&D tax credits	**(2,000)**	-
Deferred tax not recognised	**1,658**	*2,951*
Total tax credit for the period / year	**(2,000)**	-

At 31 December 2023, the company had utilisable tax trading losses carried forward of £43.6 million (*2022: £37 million*). A deferred tax asset of £10.9 million has not been recognised (*2022: £9 million*) as at 31 December 2023 as the directors expect that the losses will not be utilised during the foreseeable future.

12. Intangible assets

	System development costs	Domain name	Computer software costs	Website implementation costs	Total
	£'000			£'000	£'000
Cost					
At 1 October 2022	27,081	160	51	56	**27,348**
Additions	3,112	-	13	-	**3,125**
Disposals	-	-	-	-	-
At 31 December 2023	**30,193**	**160**	**64**	**56**	**20,473**
Depreciation					
At 1 October 2022	(20,185)	(82)	(18)	(46)	**(20,332)**
Charges for the period	(3,071)	(19)	(20)	(9)	**(3,119)**
Disposals	-	-	-	-	-
At 31 December 2023	**(23,256)**	**(101)**	**(38)**	**(55)**	**(23,450)**
Net book value					
At 31 December 2023	**6,937**	**59**	**26**	**1**	**7,023**
At 30 September 2022	*6,896*	*78*	*33*	*10*	*7,018*

Refer to Note 16 relating to charges over the intellectual property as part of security for the Shard Loan.

During the current period, the company's single CGU (being Shipping) had indications that the underlying assets may be impaired. The company estimated the recoverable amount as the higher of value-in-use and the fair value less costs to sell, with the fair value less costs to sell representing the recoverable amount. In assessing the fair value, management considered the lack of comparable companies or market to value these intangibles. This lack of comparability necessitated the use of internal estimates and assumptions to determine the recoverable amount of these assets. Consequently, fair value was primarily estimated based on a multiple of recurring revenue, this multiple being 1.5, consistent with the previous year.

This assessment resulted in no impairment loss having to be recognised (*2022: £5,677,000*).

13. Tangible assets

	Fixtures, fittings and leasehold property	Computer equipment	Total
	£'000	£'000	£'000
Cost			
At 1 October 2022	567	342	**909**
Additions	-	16	**16**
Disposals	-	(4)	**(4)**
At 31 December 2023	**567**	**354**	**921**
Depreciation			
At 1 October 2022	(567)	(270)	**(837)**
Charges for the period	-	(50)	**(50)**
At 31 December 2023	**(567)**	**(320)**	**(887)**
Net book value			
At 31 December 2023	**-**	**34**	**34**
At 30 September 2022	-	*72*	*72*

Refer to Note 16 relating to charges over the fixed property as part of security for the Shard Loan.

14. Debtors

	15 months ended 31 December 2023	*Year ended 30 September 2022*
	£'000	*£'000*
Trade debtors	**630**	*535*
Other debtors	**-**	*188*
Prepayments and accrued income	**95**	*437*
R&D tax receivable	**2,000**	-
Amounts owed by group undertakings	**-**	*323*
	2,725	*1,483*

Amounts owed by group undertakings are repayable on demand, carry no interest, and are unsecured.

15. Creditors: Amounts falling due within one year

	15 months ended 31 December 2023	*Year ended 30 September 2022*
	£'000	*£'000*
Trade creditors	854	*1,370*
Amounts owed to group undertakings	55,941	*52,328*
Other taxation and social security	1,676	*333*
Other creditors	40	*113*
Accruals	670	*819*
Deferred income	262	*292*
	59,443	*55,255*

Amounts owed to group undertakings are repayable on demand and are not secured or interest bearing.

16. Creditors: Amounts falling due after more than one year

	15 months ended 31 December 2023	*Year ended 30 September 2022*
	£'000	*£'000*
Shard Loan	2,605	*2,605*
Warrant liabilities	200	*200*
	2,805	*2,805*

Shard Loan and warrants

The company entered into an arrangement with Shard to obtain funding in August 2022. The Shard Loan is secured (with a fixed charge) over the fixed property (see Note 13) and intellectual property (see Note 12) as well secured (with a variable charge) over all the property and undertaking of the company.

The loan has a fixed interest rate of 10.75%, reduced by 0.25% each if the company has 1) at least one woman on the board of directors; and 2) at least one female shareholder who is a member of the senior management team. These reductions are commonly referred to as ratcheting clauses. SHL met both these conditions from inception and as at the reporting date.

Management assessed the impact of the ratcheting clauses but concluded that the change in the rate of interest due to the ratcheting clauses does not make the revised rate of interest not market related.

The loan is repayable in payments starting 36 months after the closing date of 1 June 2023. Potential prepayments are possible but does not require any more than a reasonable compensation for the prepayment.

The Shard Loan is therefore a basic instrument and measured at amortised cost.

As part of the arrangement, the company also issued 400 warrants to Shard at nil consideration. Each warrant can be exercised at a subscription price of £750, resulting in issuing an H Ordinary Share. Alternatively, the warrants may be exercised on a net basis whereby certain H Ordinary Shares are given up in lieu of the subscription price.

16. Creditors: Amounts falling due after more than one year (continued)

Management assessed the initial fair value of the warrants and concluded that this value represents a cost of obtaining the Shard Loan facility, due to the commercial substance and interlinkage of obtaining the Shard Loan facility and the issuing of the warrants. The initial fair value was therefore deducted from the Shard Loan at recognition and is included in the amortised cost measurement of the Shard Loan. The warrants are subsequently measured at fair value. The Shard Warrant Instrument was cancelled and terminated following the period end as a result of the transaction detailed in Note 23 Post balance sheet events.

17. Share capital

	15 months ended 31 December 2023	*Year ended 30 September 2022*
	£	*£*
Share capital authorised		
Allotted, called up and fully paid		
1 Ordinary share of £1	**1**	*1*

Each share is entitled to one vote. Each share is entitled pari passu to dividend payments or any other distribution. Each share is entitled pari passu to participate in a distribution arising from a winding up of the company. The shares are non-redeemable.

18. Reserves

Profit and loss account
This comprises all current and prior periods retained profits and losses of the company, net of distributions to owners.

Other reserve
This comprises the Shard Loan interest, which will be settled via the issuance of new ordinary shares to SHL.

19. Capital and other commitments

	Land and buildings		**Other**	
	2023	*2022*	**2023**	*2022*
	£'000	*£'000*	**£'000**	*£'000*
Minimum lease payments due				
Within 1 year	**178**	*139*	**7**	-
Between 2 and 5 years	**-**	-	**20**	-
After more than 5 years	**-**	-	**-**	-
Total	**178**	*139*	**27**	-

20. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £364,000 (*2022: £302,000*). Contributions totalling £38,731 (*2022: £53,777*) were payable to the fund at the Statement of Financial Position date and are included in creditors.

21. Related party transactions

The company has taken advantage of the exemption from reporting material transactions between the company and entities within the same group on the basis that it is a 100% owned subsidiary of Sorted Holdings Limited.

22. Controlling party

As at the reporting date, the ultimate parent undertaking of the company is Sorted Holdings Limited ("SHL") by virtue of its 100% shareholding in the company. The directors do not consider there to be an ultimate controlling party. The parent company is registered in England and Wales.

Subsequent to the reporting date, Sorted Group Holdings Plc ("SGH"), formerly known as Location Sciences Group Plc ("LSG"), became the ultimate parent undertaking following its acquisition of 100% of the share capital of Sorted Holdings Limited on 19 February 2024. The directors do not consider there to be an ultimate controlling party. The immediate and ultimate parent company is registered in England and Wales.

23. Post balance sheet events

Post the period end, on 30 January 2024 SGH announced and published an AIM admission document in connection with, inter alia, the proposed acquisition of SHL, a proposed subscription of 2,285,712 new ordinary shares at 87.50 pence per new ordinary share to raise approximately £2.0 million, a proposed 625 to 1 share consolidation, a proposed change of name and AIM ticker symbol to SGH and SORT respectively, director appointments, a notice of general meeting, and the restoration of trading of SGH's existing ordinary shares on AIM. Terms were agreed for the acquisition of the entire issued and to be issued share capital of SHL for an aggregate nominal consideration of approximately £66.73 to be paid in cash at completion.

On 16 February 2024, all resolutions were duly passed at a general meeting of SGH. The proposals set out in the AIM admission document completed on 19 February 2024 with the enlarged group successfully admitting to AIM on the same day.

Bidco 3 Limited Loan Facility held by SGH

Bidco 3 Limited provided a loan facility to SGH in January 2024. As part of the letter of support from SGH (refer to the 'Exclusive Agreement' section later in this note), this loan facility is made available to SHL. This loan facility is for a total of £3 million (refer page 5).

NVM Loan Facility held by SHL

Post 31 December 2023 all parties came to an agreement to extend a loan note of £500,000 owed to NVM Private Equity LLP by SHL, interest bearing at a rate of 8% and unsecured from its initial short-term term arrangement repayable March 2023 to a new long-term arrangement repayable in January 2026. This decision was made with the intention of ensuring a more manageable structure and to better align the loan terms with the financial needs and capabilities of SHL. The new long- term loan period will provide SHL with the flexibility and time needed to meet the wider group's financial obligations without undue strain. The extension is considered beneficial for both parties and will contribute to a more sustainable financial arrangement moving forward.

23. Post balance sheet events (continued)

Exclusive Agreement with Sorted Group Holdings Plc and loan facility

On 19 February 2024, SGH executed a reverse takeover of SHL and its subsidiaries, together with its readmission to the Alternative Investment Market. This provided the SGH group access to equity funds raised of £2 million and the continued support from SGH to the group and parent company for the period to 31 January 2026.

SGH has already provided a loan facility of £2.6 million to SHL. The loan facility carries interest at 1.5% per month with the capital and interest repayable on 31 January 2026. SGH further provided a letter of support to SHL confirming that repayment of the loan facility will occur at earliest January 2026.

In addition, SGH has obtained a £3million debt facility which, through a letter of support, is made available to SHL and the company. Further details on the Bidco 3 Limited facility are provided earlier in this note.