

Company Registration No. 09359462 (England and Wales)

EDGIFY AI LTD.

CONSOLIDATED ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

PAGES FOR FILING WITH REGISTRAR

EDGIFY AI LTD.

CONTENTS

	Page
Group and company statements of financial position	1 - 2
Group statement of changes in equity	3
Company statement of changes in equity	4
Notes to the financial statements	5 - 13

EDGIFY AI LTD.

GROUP AND COMPANY STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	Group 2021 £	2020 £	Company 2021 £	2020 £
Fixed assets					
Property, plant and equipment	5	40,787	55,600	12,613	7,832
Investments	6	-	-	290,787	212
		<u>40,787</u>	<u>55,600</u>	<u>303,400</u>	<u>8,044</u>
Current assets					
Trade and other receivables	8	117,143	117,274	71,678	37,930
Cash and cash equivalents		2,095,938	2,213,702	1,799,670	1,865,500
		<u>2,213,081</u>	<u>2,330,976</u>	<u>1,871,348</u>	<u>1,903,430</u>
Current liabilities	9	<u>(364,805)</u>	<u>(344,186)</u>	<u>(655,432)</u>	<u>(160,307)</u>
Net current assets		<u>1,848,276</u>	<u>1,986,790</u>	<u>1,215,916</u>	<u>1,743,123</u>
Total assets less current liabilities		<u>1,889,063</u>	<u>2,042,390</u>	<u>1,519,316</u>	<u>1,751,167</u>
Non-current liabilities	10	<u>(3,615,600)</u>	<u>-</u>	<u>(3,615,600)</u>	<u>-</u>
Net assets		<u>(1,726,537)</u>	<u>2,042,390</u>	<u>(2,096,284)</u>	<u>1,751,167</u>
Equity					
Called up share capital	11	550,732	550,732	550,732	550,732
Share premium account	13	12,874,241	12,858,565	12,874,241	12,858,565
Capital redemption reserve	13	4,255	4,255	4,255	4,255
Other reserves	13	290,575	-	290,575	-
Retained earnings	13	(15,446,340)	(11,371,162)	(15,816,087)	(11,662,385)
Total equity		<u>(1,726,537)</u>	<u>2,042,390</u>	<u>(2,096,284)</u>	<u>1,751,167</u>

These financial statements have been prepared in accordance with the provisions applicable to groups and companies subject to the small companies regime.

The company has not presented its own income statement and related notes. The company's loss for the year was £4,153,702 (2020 - £2,388,783 loss).

EDGIFY AI LTD.

GROUP AND COMPANY STATEMENTS OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2021

The financial statements were approved by the board of directors and authorised for issue on 18 August 2022 and are signed on its behalf by:

Mr. Ofri Ben-Porat
Director

Company Registration No. 09359462

EDGIFY AI LTD.

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Share premium account	Capital redemption reserve	Other reserves	Retained earnings	Total
Notes	£	£	£	£	£	£
Balance at 1 January 2020	34,570	8,520,711	4,255	1,035,829	(9,077,781)	517,584
Year ended 31 December 2020:						
Loss for the year	-	-	-	-	(2,306,965)	(2,306,965)
Other comprehensive income:						
Currency translation differences	-	-	-	-	13,584	13,584
Total comprehensive income for the year	-	-	-	-	(2,293,381)	(2,293,381)
Issue of share capital	516,162	4,337,854	-	(1,035,829)	-	4,854,016
Other movements	-	-	-	-	-	(1,035,829)
Balance at 31 December 2020	550,732	12,858,565	4,255	-	(11,371,162)	2,042,390
Year ended 31 December 2021:						
Loss for the year	-	-	-	-	(4,102,018)	(4,102,018)
Other comprehensive income:						
Currency translation differences	-	-	-	-	26,840	26,840
Total comprehensive income for the year	-	-	-	-	(4,075,178)	(4,075,178)
Contribution in subsidiary	-	-	-	290,575	-	290,575
Other movements	-	15,676	-	-	-	15,676
Balance at 31 December 2021	550,732	12,874,241	4,255	290,575	(15,446,340)	(1,726,537)

EDGIFY ALLTD.

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Share capital	Share premium account	Capital redemption reserve	Other reserves	Retained earnings	Total
Notes	£	£	£	£	£	£
Balance at 1 January 2020	34,570	8,520,711	4,255	1,035,829	(9,273,602)	321,763
Year ended 31 December 2020:						
Loss and total comprehensive income for the year	-	-	-	-	(2,388,783)	(2,388,783)
Issue of share capital	11	516,162	4,337,854	-	-	4,854,016
Other movements	-	-	-	(1,035,829)	-	(1,035,829)
Balance at 31 December 2020	550,732	12,858,565	4,255	-	(11,662,385)	1,751,167
Year ended 31 December 2021:						
Loss and total comprehensive income for the year	-	-	-	-	(4,153,702)	(4,153,702)
Contribution in subsidiary	-	-	-	290,575	-	290,575
Other movements	-	15,676	-	-	-	15,676
Balance at 31 December 2021	550,732	12,874,241	4,255	290,575	(15,816,087)	(2,096,284)

EDGIFY AI LTD.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

Edgify AI Ltd. ("the company") is a private company limited by shares and domiciled and incorporated in England and Wales. The registered office is 12 The Polygon, Flat 1, London, United Kingdom, SW4 0JG.

The group consists of Edgify AI Ltd. and its subsidiary, Edgify Ltd (formerly PicInt Ltd). Edgify Ltd is a company based in Israel and provides research and development services. Edgify Ltd has 1,000 ordinary shares of which Edgify AI Ltd. owns 100%.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

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

The financial statements have been prepared under the historical cost convention, except for certain financial instruments held at fair value. The principal accounting policies adopted are set out below.

1.2 Basis of consolidation

The consolidated group financial statements consist of the financial statements of the company Edgify AI Ltd together with all entities controlled by the company (its subsidiaries).

All financial statements are made up to 31 December 2021. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

A subsidiary is an entity controlled by the group. Control is the power to govern financial and operating policies of the entity so as to obtain benefits from its activities.

1.3 Going concern

The group is developing a machine learning training platform. At the balance sheet date, the group had net liabilities of £1.7m (2020: net assets of £2.0m) and made a loss of £4.1m (2020: £2.3m) for the year ended 31 December 2021.

The financial statements have been prepared on a going concern basis, notwithstanding the losses incurred and the excess of liabilities over assets.

The group is dependent on the funding provided by its investors. Following the year end the company is undertaking new fundraising, which will provide the funds sufficient to continue the operations of the group for a period of not less than 12 months from the date of signing these financial statements.

Additionally, during 2022 the group claimed research and development tax relief, which will result in a tax credit being issued. Thus the directors have adopted the going concern basis in preparing the financial statements.

1.4 Research and development expenditure

All research and development expenditure is recognised as an expense in the period in which it is incurred.

EDGIFY AI LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (Continued)

1.5 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation 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:

Leasehold improvements	10%
Fixtures, fittings and equipment	6% - 15%
Computers	33%

Leasehold improvements are depreciated by the straight line method over the term of the lease or the economic useful life of the improvements, whichever is shorter.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.6 Non-current investments

In the company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

1.7 Impairment of non-current assets

At each reporting period end date, the group reviews the carrying amounts of its tangible 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).

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include deposits held at call with banks.

1.9 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

EDGIFY AI LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. 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 asset's 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.

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts 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 interest method.

Future fund

The future fund is accounted for in accordance with Section 12 "Other financial instruments issues" of FRS 102. The future fund is initially measured at transaction price and subsequently measured at fair value through profit and loss at each reporting date.

EDGIFY AI LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.10 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

Other reserves

In the prior year, other reserves comprise capital subscriptions for shares received in advance of share issues, where the company has no obligation to repay the funds to the investors.

In the current year, other reserves comprise the value of options to acquire the share capital of the company granted to employees of the subsidiary undertaking, and are non-distributable.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity under 'other reserves'.

EDGIFY AI LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.15 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The assets and liabilities of overseas subsidiary undertakings are translated into the presentational currency at the rate of exchange ruling at the balance sheet date. Income and expenses for each statement of comprehensive income are translated at exchange rates at the dates of transaction. All resulting exchange differences are recognised in other comprehensive income.

1.17 Exceptional item

The group classifies certain one-off charges or credits that have a material impact on the group's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the group.

2 Exceptional item

	2021	2020
	£	£
Expenditure		
Exceptional item - net settlement costs	248,195	-
	<u> </u>	<u> </u>

Net settlement costs comprise amounts payable as a result of an arbitration in the year, net of insurance payouts.

3 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2021 Number	2020 Number	Company 2021 Number	2020 Number
Total	19	17	2	2
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

4 Other gains and losses

	2021	2020
	£	£
Fair value gains/(losses)		
Change in value of financial liabilities held at fair value through profit or loss	(690,000)	-
	<u> </u>	<u> </u>

EDGIFY AI LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

5 Property, plant and equipment

Group	Land and buildings	Plant and machinery etc	Total
	£	£	£
Cost			
At 1 January 2021	15,618	128,467	144,085
Additions	-	29,513	29,513
Disposals	-	(23,132)	(23,132)
At 31 December 2021	15,618	134,848	150,466
Depreciation and impairment			
At 1 January 2021	5,168	83,317	88,485
Depreciation charged in the year	10,450	30,513	40,963
Eliminated in respect of disposals	-	(19,769)	(19,769)
At 31 December 2021	15,618	94,061	109,679
Carrying amount			
At 31 December 2021	-	40,787	40,787
At 31 December 2020	10,450	45,150	55,600
Company		Plant and machinery etc	
			£
Cost			
At 1 January 2021			40,306
Additions			11,158
At 31 December 2021			51,464
Depreciation and impairment			
At 1 January 2021			32,474
Depreciation charged in the year			6,377
At 31 December 2021			38,851
Carrying amount			
At 31 December 2021			12,613
At 31 December 2020			7,832

EDGIFY AI LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

6 Fixed asset investments

	Notes	Group 2021 £	2020 £	Company 2021 £	2020 £
Investments in subsidiaries	7	-	-	290,787	212

Movements in non-current investments

Company

Shares in group undertakings

Cost or valuation

At 1 January 2021

212

Additions

290,575

At 31 December 2021

290,787

Carrying amount

At 31 December 2021

290,787

At 31 December 2020

212

7 Subsidiaries

Details of the company's subsidiaries at 31 December 2021 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
Edgify Ltd	Monahem Begin 11, Ramat Gan, Tel Aviv 52462, Israel	Ordinary	100.00

8 Trade and other receivables

	Group 2021 £	2020 £	Company 2021 £	2020 £
Amounts falling due within one year:				
Trade receivables	-	256	-	256
Corporation tax recoverable	-	51,489	3,212	3,212
Other receivables	99,467	44,851	68,466	34,462
	99,467	96,596	71,678	37,930
Deferred tax asset	17,676	20,678	-	-
	117,143	117,274	71,678	37,930

EDGIFY AI LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

9 Current liabilities

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Trade payables	25,893	62,184	26,701	46,601
Amounts owed to group undertakings	-	-	591,387	95,920
Corporation tax payable, net	44,281	-	-	-
Other taxation and social security	31,923	27,555	8,540	6,301
Other payables	262,708	254,447	28,804	11,485
	<u>364,805</u>	<u>344,186</u>	<u>655,432</u>	<u>160,307</u>

10 Non-current liabilities

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Convertible loans	3,615,600	-	3,615,600	-
	<u>3,615,600</u>	<u>-</u>	<u>3,615,600</u>	<u>-</u>

During the year the company took advantage of the Government's Future Fund initiative in raising additional finance. Interest accrues on the principal amount of £2,760,000 at 8% per annum, payable on conversion of the loan. The loan, and accrued interest, can convert into a variable number of shares in Edgify A.I. Limited in a variety of circumstances and upon maturity of the loan on 31 March 2024. This convertible loan is classified as a non-current liability.

11 Share capital

	2021	2020	2021	2020
Ordinary share capital	Number	Number	£	£
Issued and fully paid				
Ordinary shares of 8.89977p each	386,611	386,611	34,408	34,408
Seed Preferred shares of 0.1p each	481,104,477	481,104,477	481,104	481,104
Ordinary 2 shares of 0.1p each	162,532	162,532	163	163
A1 Ordinary shares of 0.1p each	35,057,243	35,057,243	35,057	35,057
	<u>516,710,863</u>	<u>516,710,863</u>	<u>550,732</u>	<u>550,732</u>

12 Audit report information

As the income statement has been omitted from the filing copy of the financial statements, the following information in relation to the audit report on the statutory financial statements is provided in accordance with s444(5B) of the Companies Act 2006:

The auditor's report was unqualified.

The senior statutory auditor was Kim Youle FCA.
The auditor was Citroen Wells.

EDGIFY AI LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

13 Reserves

Share premium

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Capital redemption reserve

This reserve records the nominal value of shares repurchased by the company.

Other reserves

In the prior year, other reserves comprise capital subscriptions for shares received in advance of share issues, where the company has no obligation to repay the funds to the investors.

In the current year, other reserves comprise the value of options to acquire the share capital of the company granted to employees of the subsidiary undertaking, and are non-distributable.

14 Directors' transactions

At the start of the year, the company was owed £5,156 by a director which was fully repaid during the year.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.