

COMPANY REGISTRATION NUMBER: 09816291

Instadeep Ltd
Audited Financial Statements
31 December 2022

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Instadeep Ltd

Audited Financial Statements

Year ended 31 December 2022

Contents	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	5
Independent auditor's report to the members	7
Statement of comprehensive income	11
Statement of financial position	12
Statement of changes in equity	13
Statement of cash flows	14
Notes to the audited financial statements	15

Instadeep Ltd

Officers and Professional Advisers

The board of directors

A Baccouche
K Beguir
K Ben Jilani
Z Slim
A S Barthelemy
V Vaney

Company secretary

K Beguir

Registered office

5 Merchant Square
London
W2 1AY

Auditor

Shipleys LLP
Chartered Accountants & statutory auditor
10 Orange Street
Haymarket
London
WC2H 7DQ

Instadeep Ltd

Strategic Report *(continued)*

Year ended 31 December 2022

The directors present their strategic report of the company and the group for the year ended 31st of December 2022.

Principal activities

The principal activity of the group and company during the year was that of selling Artificial Intelligence solutions and products, developing cutting edge technology and publishing Research Papers. There have been no significant changes in the nature of these activities during the year.

Business Review

In December 2021, InstaDeep raised m\$72.5 and closed a Series B round led by Alpha Intelligence Capital (AIC) together with CDIB. Investors in the round included BioNTech, Chimera Abu Dhabi, Deutsche Bahn's DB Digital Ventures, Google, G42 and Synergie.

InstaDeep used the funding to advance its high-performance computing infrastructure optimized for Decision-Making AI, continue to hire elite talent and accelerate the launch of disruptive AI products across multiple industries - including biotech, logistics, transportation and electronics manufacturing. The average number of staff in 2022 was 47, compared to 26 in 2021 (mainly engineers and researchers).

The Group expanded its global presence into the United States, (two offices in San Francisco and the Boston area), in Germany (Berlin) and in Abu Dhabi. These offices will help drive the ongoing relationships with prominent universities in the region, as well as immerse the US team in the local life sciences, research and innovation-led environment. And in Europe, the new premises in Berlin will keep InstaDeep close to its key clients and partners BioNTech and Deutsche Bahn, as well as open up new opportunities in the burgeoning German market. The new office in Abu Dhabi will support the company's presence there, alongside the existing Dubai location.

The growth is also significant in terms of revenues, as the total revenues amounted to m£18 in 2022 vs m£11.4 in 2021 (+57%).

One of the main developments in 2022 was the launch of the Early Warning System (EWS) developed in collaboration by BioNTech, which uses AI to predict high-risk variants of SARS-CoV-2, from the thousands of novel variant sequences discovered every week. In testing, the EWS identified 12 out of 13 WHO-designated variants on average two months before they were given their designation, and flagged Omicron on the day its sequence was first uploaded.

The second quarter of 2022 started with some important research achievements: firstly the formation of a new Quantum Machine Learning research team and secondly the company's first-ever publication in leading science journal, Nature Machine Intelligence, also focusing on quantum technologies in relation to AI. Both of these underpin an ongoing focus on the growing intersection of AI and quantum computation and will continue to be developed.

This was swiftly followed up with the confirmation that joint work between InstaDeep, Imperial College London and Sorbonne had been accepted for ICLR 2022 workshop, again speaking to the research department's ongoing prowess in producing novel and significant work.

InstaDeep was the co-organiser of the 2022 Deep Learning Indaba. Held as an in-person gathering for the first time since 2019, approximately 400 researchers, scientists, developers, academics and startup founders from across Africa gathered in Tunis for a week of learning, exchanging ideas and discussing how to ensure Africans actively influence and own the technological advances that promise to reshape business and future economies.

After the Deep Learning Indaba came the three-day AI Hack - the largest ever hackathon in the Middle

Instadeep Ltd

Strategic Report *(continued)*

Year ended 31 December 2022

East and Africa region. Hosted by InstaDeep, with support from Google and Tunisia's Ministry of Industry, Mines and Energy, more than 1000 competitors from all over Africa, plus several hundred mentors, volunteers and support staff, came together in Tunis to solve multiple problems and challenges, then pitch their business ideas to a panel of judges in a knockout-style competition, in an attempt to win the top prizes.

The Research team continued to gain recognition at more conferences through summer and autumn, receiving three acceptances at the Genetic and Evolutionary Computation Conference (GECCO), for their joint work on Quality-Diversity, in conjunction with the Adaptive and Intelligent Robots Lab at Imperial College London. The team traveled to Boston to present all three papers in person.

A few weeks later came a major triumph for the Research team, when the NeurIPS committee accepted a record five papers for the 2022 event.

Going concern

The Directors have prepared the financial statements on the going concern basis. The Directors have considered a number of factors including: detailed rolling forecast projections, strict cost management, cashflow forecast for the next 2 years for the Group and their capital and funding position. The cash flow forecast is projected to continue for 3 years. Having considered the detailed projections, strict cost management process done on the monthly basis, the Directors consider that the Group has raised sufficient funds to ensure that the group and company can operate for at least 24 months from the date of approval of the financial statements.

S172 statement

The Company is exempt from including a s172 statement as the company qualifies as a medium-sized company.

Carbon emissions / Greenhouse gas disclosure

The Company is exempt from the requirement to report on the impact of carbon emission / green house gases as the company qualifies as a medium-sized company.

Key Performance Indicators (KPI's)

The key performance indicators used by the Directors for an understanding of the development and performance of the business include investment performance, cash position and expense variance. The Directors monitor the KPIs using management accounts, rolling forecasts and cash flow forecasts.

Two main KPI's used by the Company are the growth in revenues and operating result/revenues.

The directors are satisfied with the performance and development of the group against the KPI's.

Principal risks and uncertainties facing the business

The Directors consider that there is a general risk of cash flow and a risk of failure to attract, retain and develop staff, including adapting to new skill sets required to run the business.

As the Group is currently loss making, there is risk that execution of its strategy could be inhibited by insufficient cash being available over the longer term. The Directors consider the Group and the company not to be a going concern due to available cash holdings which are considered to be more than adequate to allow the Group and Company to continue in operational existence for the foreseeable future. .

Instadeep Ltd

Strategic Report *(continued)*

Year ended 31 December 2022

Through the changes during 2021 and 2022, the Group has been successful in promoting the best internal talent and recruiting individuals who are global leaders in their specific field. As part of the transformation, the Group has made and continues to make improvements in a number of areas that are key to mitigating talent risk. These include notably clear employee objectives and development plans.

On 24 February 2022, Russia began a military invasion of Ukraine, in a major escalation of the Russo-Ukrainian conflict that had begun in 2014. As it is a significant event for the world, it could manifest in several risk areas for businesses across the world.

Management has considered the potential risks to the Group due to the war in Ukraine and concluded that there are no direct implications to the business. The war has resulted in rising costs and instability in many sectors of the economy, which has indirect cost implications for the business.

This report was approved by the board of directors on ^{28/3/2023} and signed on behalf of the board by:

Karim Beguir

K Beguir
Director

Instadeep Ltd

Directors' Report

Year ended 31 December 2022

The directors present their report and the audited financial statements of the company for the year ended 31 December 2022.

Principal activities

The principal activity of the company during the year continued to be hosting of AI solutions, ranging from optimised pattern-recognition, GPU-accelerated insights and self-learning decision making systems.

Directors

The directors who served the company during the year were as follows:

A Baccouche	
K Beguir	
K Ben Jilani	
Z Slim	
A S Barthelemy	
V Vaney	(Appointed 8 February 2022)
R Cont	(Resigned 4 February 2022)

Dividends

The directors do not recommend the payment of a dividend.

Disclosure of information in the strategic report

The business review, principal risks and uncertainties and the financial key performance indicators are covered in the strategic report.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' report and the audited financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare audited financial statements for each financial year. Under that law the directors have elected to prepare the audited financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the audited financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the audited financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Instadeep Ltd

Directors' Report *(continued)*

Year ended 31 December 2022

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

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

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

This report was approved by the board of directors on 28/3/2023 and signed on behalf of the board by:

Karim Beguir

K Beguir
Director

Instadeep Ltd

Independent Auditor's Report to the Members of Instadeep Ltd

Year ended 31 December 2022

Opinion

We have audited the audited financial statements of Instadeep Ltd (the 'company') for the year ended 31 December 2022 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows 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 FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the audited financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 audited 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 audited financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Instadeep Ltd

Independent Auditor's Report to the Members of Instadeep Ltd *(continued)*

Year ended 31 December 2022

Other information

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

In connection with our audit of the audited financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the audited financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters 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 audited 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.

Instadeep Ltd

Independent Auditor's Report to the Members of Instadeep Ltd *(continued)*

Year ended 31 December 2022

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the audited 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 audited financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the audited 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 audited financial statements

Our objectives are to obtain reasonable assurance about whether the Audited 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 Audited financial statements.

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined the most significant are those that relate to the reporting framework (United Kingdom Generally Accepted Accounting Practice, the Companies Act 2006) and the relevant tax and other compliance regulations in the jurisdictions in which the Company operates.
- We understood how the Company is complying with those frameworks by making enquiries on management, and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes, papers provided to the finance department, discussion with the finance department and management and any correspondence received from regulatory and legal bodies.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by enquiring with management and the finance department, during the planning and execution phase of our audit. We considered the programs and controls that the group and the company have established to address risks identified, or that otherwise prevent, deter and detect fraud and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk including revenue recognition as discussed above. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of the finance team and management; and focused testing.

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

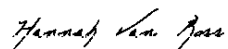
Instadeep Ltd

Independent Auditor's Report to the Members of Instadeep Ltd *(continued)*

Year ended 31 December 2022

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.



Hannah Van Ross (Senior Statutory Auditor)

For and on behalf of
Shipleys LLP
Chartered Accountants & statutory auditor
10 Orange Street
Haymarket
London
WC2H 7DQ
28/3/2023

Instadeep Ltd

Statement of Comprehensive Income

Year ended 31 December 2022

	Note	2022 £	2021 £
Turnover	4	17,975,718	11,431,800
Gross profit		<u>17,975,718</u>	<u>11,431,800</u>
Administrative expenses		(24,152,987)	(13,220,613)
Operating loss	5	(6,177,269)	(1,788,813)
Income from other fixed asset investments	9	-	220,747
Other interest receivable and similar income	10	674,827	382
Loss before taxation		<u>(5,502,442)</u>	<u>(1,567,684)</u>
Tax on loss	11	918,149	668,998
Loss for the financial year		<u>(4,584,293)</u>	<u>(898,686)</u>
Fair value adjustments		(293,893)	242,710
Total comprehensive income for the year		<u>(4,878,186)</u>	<u>(655,976)</u>

All the activities of the company are from continuing operations.

The notes on pages 15 to 26 form part of these audited financial statements.

Instadeep Ltd

Statement of Financial Position

31 December 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	12	2,606,266	1,549,919
Tangible assets	13	2,393,732	617,187
Investments	14	144,054	437,947
		<u>5,144,052</u>	<u>2,605,053</u>
Current assets			
Debtors	15	11,160,198	3,439,055
Cash at bank and in hand		54,606,554	63,328,096
		<u>65,766,752</u>	<u>66,767,151</u>
Creditors: amounts falling due within one year	16	<u>12,654,741</u>	<u>6,237,954</u>
Net current assets		<u>53,112,011</u>	<u>60,529,197</u>
Total assets less current liabilities		<u>58,256,063</u>	<u>63,134,250</u>
Net assets		<u>58,256,063</u>	<u>63,134,250</u>
Capital and reserves			
Called up share capital	19	3	2
Share premium account	20	67,304,417	67,304,417
Other reserves	20	(51,182)	242,712
Profit and loss account	20	(8,997,175)	(4,412,881)
Shareholders funds		<u>58,256,063</u>	<u>63,134,250</u>

These audited financial statements were approved by the board of directors and authorised for issue on 28/3/2023....., and are signed on behalf of the board by:

Karim Beguir

K Beguir
Director

Company registration number: 09816291

The notes on pages 15 to 26 form part of these audited financial statements.

Instadeep Ltd

Statement of Changes in Equity

Year ended 31 December 2022

	Called up share capital £	Share premium account £	Other reserves £	Profit and loss account £	Total £
At 1 January 2021	2	11,246,721	1	(3,514,195)	7,732,529
Loss for the year				(898,686)	(898,686)
Other comprehensive income for the year:					
Fair value adjustments	—	—	242,710	—	242,710
Total comprehensive income for the year	—	—	242,710	(898,686)	(655,976)
Issue of shares	—	56,761,696	—	—	56,761,696
Equity-settled share-based payments	—	—	1	—	1
Transaction costs	—	(704,000)	—	—	(704,000)
Total investments by and distributions to owners	—	56,057,696	1	—	56,057,697
At 31 December 2021	2	67,304,417	242,711	(4,412,882)	63,134,248
Loss for the year				(4,584,293)	(4,584,293)
Other comprehensive income for the year:					
Fair value adjustments	—	—	(293,893)	—	(293,893)
Total comprehensive income for the year	—	—	(293,893)	(4,584,293)	(4,878,186)
Issue of shares	1	—	—	—	1
Total investments by and distributions to owners	1	—	—	—	1
At 31 December 2022	3	67,304,417	(51,182)	(8,997,175)	58,256,063

The notes on pages 15 to 26 form part of these audited financial statements.

Instadeep Ltd

Statement of Cash Flows

Year ended 31 December 2022

	2022 £	2021 £
Cash flows from operating activities		
Loss for the financial year	(4,584,293)	(898,686)
<i>Adjustments for:</i>		
Depreciation of tangible assets	1,816,744	644,529
Amortisation of intangible assets	591,241	359,837
Income from other fixed asset investments	–	(220,747)
Other interest receivable and similar income	(674,827)	(382)
Equity-settled share-based payments	–	1
Tax on loss	(918,149)	(668,998)
Accrued expenses	6,307,827	168,615
<i>Changes in:</i>		
Trade and other debtors	(7,255,795)	2,427,165
Trade and other creditors	978,127	2,284,967
Cash generated from operations	(3,739,125)	4,096,301
Interest received	145,972	382
Tax received	918,149	668,998
Net cash (used in)/from operating activities	<u>(2,675,004)</u>	<u>4,765,681</u>
Cash flows from investing activities		
Purchase of tangible assets	(3,595,414)	(371,021)
Proceeds from sale of tangible assets	2,124	–
Purchase of intangible assets	(1,647,589)	(708,560)
Proceeds from sale of other investments	–	82,218
Dividends received	–	220,747
Net cash used in investing activities	<u>(5,240,879)</u>	<u>(776,616)</u>
Cash flows from financing activities		
Proceeds from issue of ordinary shares	1	56,761,696
Payments of share issue costs	–	(704,000)
Proceeds from loans from group undertakings	(805,660)	(799,386)
Net cash (used in)/from financing activities	<u>(805,659)</u>	<u>55,258,310</u>
Net (decrease)/increase in cash and cash equivalents	(8,721,542)	59,247,375
Cash and cash equivalents at beginning of year	63,328,096	4,080,721
Cash and cash equivalents at end of year	<u>54,606,554</u>	<u>63,328,096</u>

The notes on pages 15 to 26 form part of these audited financial statements.

Instadeep Ltd

Notes to the Audited Financial Statements

Year ended 31 December 2022

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office and principal place of business is 5 Merchant Square, London, W2 1AY.

2. Statement of compliance

These audited financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis and in accordance with applicable accounting standards.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Debtors

Short term debtors are measured at transaction price (which is usually the invoice price), less any impairment losses for bad and doubtful debts. Loans and other financial assets are initially recognised at transaction price including any transaction costs and subsequently measured at amortised cost determined using the effective interest method, less any impairment losses for bad and doubtful debts.

Going concern

In our opinion, on the basis of information and enquiries that are pertinent to the company's circumstances and which we believe to be adequate, it is appropriate to continue to treat the company as a going concern. In particular we believe that adequate cash resources will be available to cover the company's requirements for working capital for at least twelve months from the date of signing the financial statements.

Creditors

Short term creditors are measured at transaction price (which is usually the invoice price). Loans and other financial liabilities are initially recognised at transaction price net of any transaction costs and subsequently measured at amortised cost determined using the effective interest method.

Consolidation

The entity has taken advantage of the exemption from preparing consolidated financial statements contained in Section 401 of the Companies Act 2006 on the basis that it is a subsidiary undertaking and its immediate parent undertaking is not established under the law of an EEA State.

Instadeep Ltd

Notes to the Audited Financial Statements *(continued)*

Year ended 31 December 2022

3. Accounting policies *(continued)*

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for hosting AI solutions, stated net of discounts and of Value Added Tax. The turnover shown in the profit and loss account represents amounts invoiced during the period, exclusive of Value Added Tax. The turnover is recognised once the service has been delivered to the client in line with the contract and by reference to the stage of completion of the project. Where fees are received in advance, revenue is deferred and released in future years in accordance with the contract.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that it is probable the expenses recognised will be recovered.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, 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 tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Foreign currencies

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

Operating leases

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

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Any intangible assets carried at revalued amounts, are recorded at the fair value at the date of revaluation, as determined by reference to an active market, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

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

Instadeep Ltd

Notes to the Audited Financial Statements *(continued)*

Year ended 31 December 2022

3. Accounting policies *(continued)*

Amortisation

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

Development costs - 20% straight line

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

Research and development

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

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

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- There is the intention to complete the intangible asset and use or sell it;
- There is the ability to use or sell the intangible asset;
- The use or sale of the intangible asset will generate probable future economic benefits;
- There are adequate technical, financial and other resources available to complete the development and to use or sell the intangible asset; and
- The expenditure attributable to the intangible asset during its development can be measured reliably.

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

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

Depreciation

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

Computer equipment - 50% straight line
Equipment - 50% straight line
Hardware costs - 50% straight line

Investments

Fixed asset investments are initially recorded at cost, and subsequently measured at fair value with changes in fair value being recognised in other comprehensive income.

Instadeep Ltd

Notes to the Audited Financial Statements *(continued)*

Year ended 31 December 2022

3. Accounting policies *(continued)*

Financial instruments

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

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

Debt instruments are subsequently measured at amortised cost.

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

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

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

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

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided.

Share-based payments

Equity-settled share-based payment transactions are measured at fair value at the date of grant. The fair value is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity. This is based upon the company's estimate of the shares or share options that will eventually vest which takes into account all vesting conditions and non-market performance conditions, with adjustments being made where new information indicates the number of shares or share options expected to vest differs from previous estimates.

Fair value is determined using an appropriate pricing model. All market conditions and non-vesting conditions are taken into account when estimating the fair value of the shares or share options. As long as all other vesting conditions are satisfied, no adjustment is made irrespective of whether market or non-vesting conditions are met.

Where the terms of an equity-settled transaction are modified, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the fair value of the transaction, as measured at the date of modification.

Instadeep Ltd

Notes to the Audited Financial Statements *(continued)*

Year ended 31 December 2022

3. Accounting policies *(continued)*

Share-based payments *(continued)*

Where an equity-settled transaction is cancelled or settled, it is treated as if it had vested on the date of cancellation or settlement, and any expense not yet recognised in profit or loss is expensed immediately.

4. Turnover

Turnover arises from:

	2022	2021
	£	£
AI hosting solutions	<u>17,975,718</u>	<u>11,431,800</u>

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

5. Operating profit

Operating profit or loss is stated after charging:

	2022	2021
	£	£
Amortisation of intangible assets	591,241	359,837
Depreciation of tangible assets	1,816,442	644,529
Impairment of trade debtors	61,063	–
Equity-settled share-based payments expense	–	1
Foreign exchange differences	<u>111,557</u>	<u>219,449</u>

6. Auditor's remuneration

	2022	2021
	£	£
Fees payable for the audit of the audited financial statements	<u>15,750</u>	<u>29,502</u>

7. Staff costs

The average number of persons employed by the company during the year, including the directors and key management personnel, amounted to:

	2022	2021
	No.	No.
Engineering	12	8
Research	10	6
BioAI	15	5
Product development/ML OPS	2	–
Finance & Operations	<u>8</u>	<u>6</u>
	<u>47</u>	<u>25</u>

Instadeep Ltd

Notes to the Audited Financial Statements *(continued)*

Year ended 31 December 2022

7. Staff costs *(continued)*

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

	2022	2021
	£	£
Wages and salaries	6,072,371	3,657,257
Social security costs	639,994	263,405
Other pension costs	139,066	61,909
	<u>6,851,431</u>	<u>3,982,571</u>

8. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2022	2021
	£	£
Remuneration	<u>1,405,012</u>	<u>271,700</u>

Remuneration of the highest paid director in respect of qualifying services:

	2022	2021
	£	£
Aggregate remuneration	<u>1,405,012</u>	<u>271,700</u>

9. Income from other fixed asset investments

	2022	2021
	£	£
Income from other fixed asset investments	<u>—</u>	<u>220,747</u>

10. Other interest receivable and similar income

	2022	2021
	£	£
Interest on cash and cash equivalents	<u>674,827</u>	<u>382</u>

11. Tax on loss

Major components of tax income

	2022	2021
	£	£
Current tax:		
UK current tax income	<u>918,149</u>	<u>668,998</u>
Tax on loss	<u>918,149</u>	<u>668,998</u>

Instadeep Ltd

Notes to the Audited Financial Statements *(continued)*

Year ended 31 December 2022

11. Tax on loss *(continued)*

The company has tax losses amounting to £10,489,193 (2021 - £2,243,671) available for offset against future taxable profits. This translates into a net potential deferred tax asset of £1,992,947 (2021 - £426,297), representing tax losses available to offset against future profit from the same trade and other short term timing differences. The potential asset has not been recognised in these financial statements because the directors have taken a prudent approach and decided not to recognise the deferred tax asset from the outset.

Reconciliation of tax income

The tax assessed on the loss on ordinary activities for the year is higher than (2021: lower than) the standard rate of corporation tax in the UK of 19% (2021: 19%).

	2022	2021
	£	£
Loss on ordinary activities before taxation	(5,502,442)	(1,567,684)
Loss on ordinary activities by rate of tax	(1,045,464)	(297,860)
Effect of expenses not deductible for tax purposes	367,783	96,040
Effect of capital allowances and depreciation	(888,968)	(71,593)
Utilisation of tax losses	918,149	668,998
Deferred tax asset not recognised in the year	1,566,649	273,413
Tax on loss	<u>918,149</u>	<u>668,998</u>

12. Intangible assets

	Development costs
	£
Cost	
At 1 January 2022	2,096,704
Additions	-
Additions from internal developments	1,647,588
At 31 December 2022	<u>3,744,292</u>
Amortisation	
At 1 January 2022	546,785
Charge for the year	591,241
At 31 December 2022	<u>1,138,026</u>
Carrying amount	
At 31 December 2022	<u>2,606,266</u>
At 31 December 2021	<u>1,549,919</u>

Instadeep Ltd

Notes to the Audited Financial Statements *(continued)*

Year ended 31 December 2022

13. Tangible assets

	Computer equipment £	Equipment £	Hardware costs £	Total £
Cost				
At 1 January 2022	373,643	706	1,240,483	1,614,832
Additions	147,293	23,643	3,424,478	3,595,414
Disposals	(2,427)	–	–	(2,427)
At 31 December 2022	<u>518,509</u>	<u>24,349</u>	<u>4,664,961</u>	<u>5,207,819</u>
Depreciation				
At 1 January 2022	332,045	59	665,541	997,645
Charge for the year	59,658	6,785	1,750,302	1,816,745
Disposals	(303)	–	–	(303)
At 31 December 2022	<u>391,400</u>	<u>6,844</u>	<u>2,415,843</u>	<u>2,814,087</u>
Carrying amount				
At 31 December 2022	<u>127,109</u>	<u>17,505</u>	<u>2,249,118</u>	<u>2,393,732</u>
At 31 December 2021	<u>41,598</u>	<u>647</u>	<u>574,942</u>	<u>617,187</u>

14. Investments

	Shares in group undertakings £	Other investments other than loans £	Total £
Cost			
At 1 January 2022	113,019	324,928	437,947
Revaluations	–	(293,893)	(293,893)
At 31 December 2022	<u>113,019</u>	<u>31,035</u>	<u>144,054</u>
Impairment			
At 1 January 2022 and 31 December 2022	–	–	–
Carrying amount			
At 31 December 2022	<u>113,019</u>	<u>31,035</u>	<u>144,054</u>
At 31 December 2021	<u>113,019</u>	<u>324,928</u>	<u>437,947</u>

Instadeep Ltd

Notes to the Audited Financial Statements *(continued)*

Year ended 31 December 2022

14. Investments *(continued)*

The investments have been revalued at their fair value at the balance sheet date and the fair value adjustment of £(293,893) is showing within other comprehensive income.

The above amounts in group undertakings represent a 100% investment into the following subsidiaries:

- Instadeep SAS (incorporated in France)
- Instadeep SARL (incorporated in Tunisia)
- Instadeep Nigeria Limited (incorporated in Nigeria)
- Instadeep LLC (incorporated in The United States of America)

The registered office and principal place of business address of the above subsidiary undertakings are:

Instadeep SAS - 40bis, rue du Faubourg Poissonnière 75010 Paris
Instadeep SARL - Immeuble ICC3 bloc D 4eme etage. Centre Urbain, Nord, Tunis 1082, Tunisia
Instadeep Nigeria Limited - 350/360 Ikorodu Road - Maryland, 100211 Lagos, Nigeria
Instadeep LLC - 874 Walker Road RD ste C - Dover 19904 Delaware USA

The results of the subsidiaries are as follows:

	Net result for the year £	Net assets £
Instadeep SAS	697,763	981,276
Instadeep SARL	175,570	460,889
Instadeep Nigeria Limited	19,437	65,299
Instadeep LLC	(11,596)	(11,596)

15. Debtors

	2022 £	2021 £
Trade debtors	3,292,354	2,352,959
Amounts owed by group undertakings	6,395,615	450,235
Prepayments and accrued income	1,055,399	393,329
Other debtors	416,830	242,532
	<u>11,160,198</u>	<u>3,439,055</u>

Amounts owed by group undertakings are interest free, unsecured and repayable on demand.

Instadeep Ltd

Notes to the Audited Financial Statements *(continued)*

Year ended 31 December 2022

16. Creditors: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	262,339	107,823
Amounts owed to group undertakings	896,909	1,702,569
Accruals and deferred income	8,561,829	2,060,460
Social security and other taxes	672,328	179,686
Other creditors	2,261,336	2,187,416
	<u>12,654,741</u>	<u>6,237,954</u>

Amounts owed to group undertakings are interest free, unsecured and repayable on demand.

17. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £139,066 (2021: £61,909). The amount outstanding to be paid at 31 December 2022 was £118,491 (2021 : £45,456).

18. Share-based payments

During the year, the company issued a total of 81,810 (2021 : 66,893) shares, under the Plan of options over a total of 60,685 (2021 : 49,943) Employee shares of £0.000001 (2021 : £0.000001) each and under the French Plan of awards over a total number of 35,609 (2021 : 16,950) Ordinary shares of £0.000001 (2021 : £0.000001) each in the capital of the Company. Amongst the Plan of Options, no (2021 : 22,441) equity settled share-based payment options were given to any (2021 : 9) employees (from which none (2021 : one) was director) under an EMI scheme, for an exercise price of £0.000001 (2021 : £ 0.000001), fully vested on a linear basis over 4 years. Some options were also given to one Director in Tunisia. To be noted that options had been given in 2017 to some employees, but being transferred from one founding shareholder. These shares do not appear there.

The options lapse on the 4th anniversary of the grant assuming that the options were not exercised before then and no event occurs to cause them to lapse earlier under the rules of the scheme. During the year a total of 8,033 (2021 : 11,052) options had lapsed. Total options carried forward at 31 December 2022 were of 204,937 (2021 : 225,612), and Ordinary Shares under the French Plan of 60,746 (2021 : 72,945).

Details of the number and weighted average exercise prices (WAEP) of share options during the year are as follows:

	2022		2021	
	No.	WAEP	No.	WAEP
Outstanding at 1 January 2022	298,107	-	353,894	-
Granted during the year	81,810	-	66,893	-
Exercised during the year	(106,201)	-	(111,628)	-
Expired during the year	(8,033)	-	(11,052)	-
Outstanding at 31 December 2022	<u>265,683</u>	<u>-</u>	<u>298,107</u>	<u>-</u>
Exercisable at 31 December 2022	<u>265,683</u>	<u>-</u>	<u>298,107</u>	<u>-</u>

Instadeep Ltd

Notes to the Audited Financial Statements *(continued)*

Year ended 31 December 2022

18. Share-based payments *(continued)*

The actual share-based expense carried forward is £0.37 (2021 : £0.37) rounded to £1 and the WAEP is £0.000001 (2021 : £0.000001). The fair value of the EMI and CSOP options is £45 but the amount of expense to be ordinarily charged to the profit and loss account is immaterial and therefore no charge is included on this basis.

The total expense recognised in profit or loss for the year is as follows:

	2022	2021
	£	£
Equity-settled share-based payments	—	1

19. Called up share capital

Issued, called up and fully paid

	2022		2021	
	No.	£	No.	£
Ordinary shares of £0.000001 each	1,529,184	2	1,493,575	1
Class A shares of £0.000001 each	289,048	—	289,048	—
Class B shares of £0.000001 each	599,171	1	599,171	1
Employee shares of £0.000001 each	153,853	—	83,261	—
	<u>2,571,256</u>	<u>3</u>	<u>2,465,055</u>	<u>2</u>

During the year, the company issued 70,592 Employee and 35,609 Ordinary shares of £0.000001 for a total consideration of £0.11.

Due to the nominal value of each share, the statement of changes in equity shows the movement in issued share capital rounded up to £1 in the year and the carried forward value of £3 is correct as the actual value of issued share capital is £2.57.

The rights and distributions attached to each class of share is as follows:

Ordinary - voting rights, dividend distribution rights which rank *pari passu* with Class A shares and capital on a winding up.

Employee - voting rights: do not confer any voting rights. Dividends rights: rank equally for any dividend declared and *pari passu* with Ordinary and Class A shares. Capital on a winding up: rank equally for any distribution made subject to prior distribution to Class A shares.

Class A - voting rights, dividend distribution rights which rank *pari passu* with Ordinary shares and capital on a winding up in preference to any Ordinary share.

Class B - voting rights, dividend distribution rights which rank *pari passu* with Ordinary, Class A and Employee shares and capital on a winding up which rank *pari passu* with Class A shares and in preference to any Ordinary or Employee share

Instadeep Ltd

Notes to the Audited Financial Statements *(continued)*

Year ended 31 December 2022

20. Reserves

A description of each reserve within equity is as follows:

Share premium account - This reserve records the amount above the nominal value received for shares issued, less transaction costs.

Share option reserve - This reserve records the value received in relation to the issue of share options.

Profit and loss account - This reserve records retained earnings and accumulated losses.

Fair value reserve - this reserve records the cumulative net change in the fair value of assets and liabilities at fair value through other comprehensive income.

21. Analysis of changes in net debt

	At 1 Jan 2022	Cash flows	At 31 Dec 2022
	£	£	£
Cash at bank and in hand	63,328,096	(8,721,542)	54,606,554
Debt due within one year	(1,702,569)	805,660	(896,909)
	<u>61,625,527</u>	<u>(7,915,882)</u>	<u>53,709,645</u>

22. Operating leases

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

	2022	2021
	£	£
Not later than 1 year	497,690	83,520
Later than 1 year and not later than 5 years	41,050	—
	<u>538,740</u>	<u>83,520</u>

23. Other financial commitments

No capital or other commitments or contracts for capital expenditure are in place (2021 : £nil).

24. Related party transactions

The company has taken advantage not to disclose related party transactions between wholly-owned members of the group under Paragraph 33.1A of FRS 102.

25. Controlling party

In the opinion of the directors, there is no one controlling party of the company.

INSTADEEP LTD.
5 Merchant Square
London, England, W2 1AY

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2022



**Caderas
Martin**

Expertise comptable - Audit - Conseil

MONDAY

A10

11/07/2023
COMPANIES HOUSE

#112

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in France, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition	<p>Our audit approach consisted testing of the design and operating effectiveness of the internal controls:</p> <p>We carried out a combination of procedures involving enquiry and observation, reperformance and inspection of evidence.</p> <p>Based on the procedures carried out, we consider that management's approach and the information disclosed in the accompanying consolidated financial statements are reasonable and consistent with the evidence obtained.</p>
Payroll Costs	<p>We carried out a combination of procedures involving enquiry and observation, reperformance and inspection of evidence.</p> <p>Based on the work carried out, we consider that the assumptions and estimates employed by Group management with respect to the assessment of the costs analysed are reasonable and consistent with the evidence obtained.</p>
Intangible assets recognition	<p>We have conducted tests to ensure compliance with the standards.</p> <p>Based on the work carried out, we consider that the assumptions and estimates employed by Group management with respect to the assessment of the assets analysed are</p>



	reasonable and consistent with the evidence obtained.
Amortization & depreciation	<p>We have conducted tests to ensure compliance with the standards.</p> <p>Based on the work carried out, we consider that the assumptions and estimates employed by Group management with respect to the assessment of the amortization analysed are reasonable and consistent with the evidence obtained</p>
Equity / Capital increase	<p>We carried out a combination of procedures involving enquiry and observation, reperformance and inspection of evidence.</p> <p>Based on the work carried out, we consider that the assumptions and estimates employed by Group management with respect to the assessment of the equity analysed are reasonable and consistent with the evidence obtained</p>
Share-based Payment	<p>We ensured the correct application of IFRS 2 Share-based Payment following the issue of share options.</p> <p>Based on the procedures carried out, we consider that management's approach and the information disclosed in the accompanying consolidated financial statements are reasonable and consistent with the evidence obtained.</p>
Financial Income	<p>We have conducted tests to ensure compliance with the standards.</p> <p>Based on the work carried out, we consider that the assumptions and estimates employed by Group management with respect to the assessment of the income analysed are reasonable and consistent with the evidence obtained</p>

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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 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.

Paris, 22nd June 2023

Caderas Martin Statutory Auditor

Signé électroniquement le 22/06/2023 par
Fabrice Vidal

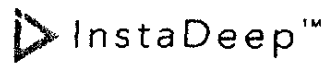


**Fabrice Vidal
Partner**

Signé électroniquement le 22/06/2023 par
Pierre Olivier Cointe



**Pierre-Olivier Cointe
Partner**



**Consolidated
Financial Statements
31/12/22**

InstaDeep Ltd

Index

1	Financial statements	3
1.1	Statement of comprehensive income	3
1.2	Statement of other comprehensive income	4
1.3	Statement of financial position	5
1.4	Consolidated statement of changes in equity	6
1.5	Consolidated statement of cash flows	7
2	Group presentation	8
2.1	Group presentation	8
2.2	Significant accounting policies	8
3	Notes to the balance sheet	17
3.1	Tangible and intangible assets	17
3.2	Financial assets	18
3.3	Deferred tax assets	19
3.4	Receivables	19
3.5	Other assets	19
3.6	Cash and cash equivalents	20
3.7	Lease liabilities	20
3.8	Trade payables	20
3.9	Current tax liabilities	21
3.10	Other liabilities	21
3.11	Employee benefit obligations	21
3.12	Deferred revenues	21
3.13	Equity	22
3.14	Maturity of assets	23
3.15	Maturity of liabilities	24
3.16	Fair Value measurement	25
4	Income statement	26
4.1	Turnover	26
4.2	External charges	26
4.3	Staff costs	27
4.4	Depreciation and amortization	27
4.5	Reconciliation costs by nature and by function	27
4.6	Other financial expenses and expenses	29
4.7	Income taxes	29
4.8	Tax proof	30
5	Other information	31
5.1	Related party transaction	31
5.2	Audit fees	31
5.3	Subsequent events	31

1 Financial statements

1.1 Statement of comprehensive income

Description	Notes	2022	2021
Operating revenues	4.1	17 988 774	11 435 008
Cost of sales	4.2/4.5	(5 466 958)	(3 097 281)
Gross profit		12 521 816	8 337 727
Selling and distribution expenses	4.2/4.5	(4 253 981)	(3 370 760)
Research and development / Product expenses	4.2/4.5	(6 656 433)	(1 784 014)
Administrative expenses	4.2/4.5	(5 803 023)	(3 886 240)
Operating profit		(4 191 621)	(703 288)
Finance income	4.6	876 902	507 919
Finance expenses	4.6	(777 834)	(318 929)
Net finance costs		99 068	188 991
Profit before tax		(4 092 553)	(514 297)
Income tax expense	4.7	1 096 308	(86 890)
Profit for the period		(2 996 245)	(601 187)
Profit is attributable to:			
Owners of Instadeep Ltd		(2 996 245)	(601 187)
Non-controlling interests		-	-
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share		(1,19)	(0,28)
Diluted earnings per share		(1,07)	(0,24)

The details of the shares is included in the note 3.14

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

1.2 Statement of other comprehensive income

Description	2022	2021
Profit for the year	(2 996 245)	(601 187)
Change in translation of foreign entities	218 445	(21 115)
Var. of income and expenses accounted in equity	218 445	(21 115)
Total comprehensive income for the period	(2 777 800)	(622 303)
Total comprehensive income for the period is attributable to:		
Owners of Instadeep Ltd	(2 777 800)	(622 303)
Non-controlling interests		

Components of other comprehensive income are items of income and expense that are specifically required or permitted by other IFRS to be included in other comprehensive income and are not recognized in profit or loss. They notably include:

- gains and losses arising from translating the financial statements of a foreign operation

1.3 Statement of financial position

Assets	Notes	2022	2021
Goodwill			
Intangible assets	3.1	2 607 895	1 553 461
Tangible assets	3.1	2 670 278	772 452
Rights to the lease		363 481	
Equity investments	3.2	31 035	324 928
Financial assets	3.3	252 226	69 216
Deferred tax assets	3.4	1 923 384	742 863
Non current assets		7 848 300	3 462 921
Receivables and related accounts	3.5	3 151 880	2 352 960
Other assets	3.6	2 251 510	750 420
Cash and cash equivalents	3.7	55 420 917	63 606 450
Current assets		60 824 307	66 709 830
Total Assets		68 672 607	70 172 751
Liabilities	Notes	2022	2021
Lease liabilities	3.8	201 934	
Non-current liabilities		201 934	
Trade payables	3.9	255 395	104 041
Current tax liabilities	3.10	163 428	85 110
Lease liabilities	3.8	161 547	
Other liabilities	3.11	5 166 671	5 316 353
Employee benefit obligations	3.12	474 362	395 147
Deferred revenues	3.13	353 619	96 570
Current liabilities		6 575 023	5 997 224
Share capital	3.14	3	2
Share premiums	3.14	67 304 417	67 304 417
Reserves and retained earnings	3.14	(2 305 778)	(2 503 173)
Translation reserves - Attributable to shareholders	3.14	(106 747)	(24 530)
Profit for the year		(2 996 245)	(601 187)
Equity		61 895 650	64 175 530
Total Liabilities		68 672 607	70 172 751

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

1.4 Consolidated statement of changes in equity

Description	Share capital	Share premiums	Other reserves	Other comprehensive income	Cumulated profit	Shareholders equity - Group	Non-controlling interests
2020.12	2	11 246 721	52 587	(3 414)	(2 832 252)	8 463 644	
Net profit or loss for the period					(601 187)	(601 187)	
Other comprehensive income				(21 115)		(21 115)	
Total comprehensive income				(21 115)	(601 187)	(622 303)	
Dividends paid (gross)							
Variation in share capital		56 057 696				56 057 696	
Other			276 492			276 492	
2021.12	2	67 304 417	329 079	(24 530)	(3 433 439)	64 175 530	
Net profit or loss for the period					(2 996 245)	(2 996 245)	
Other comprehensive income				(82 217)		(82 217)	
Total comprehensive income				(82 217)	(2 996 245)	(3 078 462)	
Dividends paid (gross)							
Variation in share capital	1					1	
Impact shares allocated to employees			510 611			510 611	
Other			(12 691)	300 662		(12 691)	
2022.12	3	67 304 417	826 999	193 916	(6 429 684)	61 895 650	

1.5 Consolidated statement of cash flows

Consolidated statement of cash flows	2022	2021
Consolidated net profit	(2 996 246)	(601 187)
Net amortization, allowance and depreciation	2 184 157	3 119 158
Deferred tax	(1 251 034)	46 892
Fair value adjustment	293 893	(242 710)
Working capital requirement variation	(679 923)	1 406 308
CASH FLOW FROM OPERATING ACTIVITIES	(2 449 153)	3 728 461
Acquisition tangible / Intangible assets (excluding rights to the lease)	(5 459 356)	(1 215 200)
Acquisition /disposals financial assets	(183 009)	333 704
CASH FLOW FROM INVESTING ACTIVITIES	(5 642 365)	(881 496)
Net change in borrowings (including lease payments)	(121 161)	
Increase (decrease) of capital		56 057 696
CASH FLOW FROM FINANCING ACTIVITIES	(121 161)	56 057 696
Variation of conversion rate on Cash	27 146	(31 283)
IMPACT OF FOREIGN EXCHANGE (IV)	27 146	(31 283)
NET DECREASE/INCREASE IN CASH AND CASH EQUIVALENTS	(8 185 533)	58 873 378
Cash : Opening	63 606 450	4 733 072
Cash : Closing	55 420 917	63 606 450

2 Group presentation

2.1 Group presentation

InstaDeep Ltd was founded in 2014. It has since grown to an established artificial intelligence (AI) firm spread across its headquarters in London, and offices in Paris, Tunis, Lagos, Cape Town, Dubai, Berlin, Boston, San Francisco and Abu Dhabi.

As the leading AI company in Africa, InstaDeep knows first-hand what African talent is truly capable of. Through a mentoring program, the Group provides training and access to some of the best professionals in their field, allows future AI leaders and experts the opportunity to advance in line with the rapidly developing industry and ensures talent retention and full in-house expertise.

In addition to the deep connections to African educational institutes, InstaDeep also possesses strong ties elite French schools, and growing partnerships with universities in the UK. InstaDeep offers a host of AI solutions, ranging from optimized pattern-recognition, GPU-accelerated insights, to self-learning decision making systems. InstaDeep harnesses the power of reinforcement learning to create systems that can make decisions on their own, based on their own autonomous training.

Many fields can benefit greatly from this technology, be it robotics, mobility, logistics, finance or healthcare.

- GPU-accelerated insights: When a customer tries to deploy AI in its business, compute power is key. A Multi-GPU setup can be messy and complicated. With Nvidia's DGX-1 (one of the most powerful AI machines on the market), InstaDeep can help the customer achieve insane computing power to solve even the most intensive AI problems.
- Optimized Deep Learning: Deep Learning delivers high-performance AI for pattern recognition yet is notoriously time-consuming to fine-tune. InstaDeep boosts this process to save the customers time and money on their computer vision, natural language processing or predictive analytics project.

The emergence of an armed conflict between Russia and Ukraine in early 2022 has affected economic and commercial activities in the world. However, this situation did not have a major impact on our activity during this financial year.

2.2 Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period.

New or amended Accounting Standards and Interpretations adopted

New standards, amendments and interpretations of mandatory effect at January 1, 2022

The accounting policies applied by the Group are unchanged on those applied for the preparation of the December 31, 2021 consolidated financial statements. The standards, amendments, and interpretations which entered into mandatory effect on January 1, 2022 did not have a material impact on the Group financial statements.

Other new standards not yet in effect at January 1, 2022 and not adopted early

The Group has not applied in advance standards, interpretations and amendments that are not mandatory at December 31, 2022

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

Basis of preparation

These general-purpose financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), as appropriate for for-profit oriented entities.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Instadeep Ltd ('company' or 'parent entity') as at 31 December 2022 and the results of all subsidiaries for the year then ended. Instadeep Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation

The financial statements are presented in GBP, which is Instadeep Ltd's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into International and currency units using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into International and currency units using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into International and currency units using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Group structure

The group's principal subsidiaries at 31 December 2022 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Name of entity	Type of entity	Legal form	Place of business/ country of incorporation	Address	Ownership interest held by the group		Ownership interest held by non-controlling interests		Principal activities
					2022	2021	2022	2021	
InstaDeep Ltd	Holding	Limited company	London (UK)	5 Merchant Square - London W2 1AY	N/A	N/A	N/A	N/A	IT consulting and R&D
InstaDeep Tunisia	Subsidiary	Limited company	Tunis (Tunisia)	Immeuble ICC3 bloc D 4ème étage. Centre Urbain-Nord. Tunis 1082	100%	100%	0%	0%	IT consulting and R&D
InstaDeep France	Subsidiary	Limited company	Paris (France)	40bis, rue du Faubourg Poissonnière 75009	100%	100%	0%	0%	IT consulting and R&D
InstaDeep Nigeria	Subsidiary	Limited company	Lagos (Nigeria)	350/360 Ikorodu road - Maryland 100211 Lagos	100%	100%	0%	0%	IT consulting and R&D
InstaDeep LLC	Subsidiary	Limited company	Dover (United States)	874 Walker Road RD ste C - Dover 19904 (Delaware)	100%	N/A	0%	N/A	IT consulting and R&D
InstaDeep DE GmbH	Subsidiary	Limited company	Berlin (Germany)	Stresemannstraße 123 - 10963 Berlin	100%	N/A	0%	N/A	IT consulting and R&D
InstaDeep Dubai	Branch	Branch	Dubai (UAE)	Dubai Internet City - Premises EO 03 - Floor Ground - Building 07 - Dubai	100%	100%	0%	0%	IT consulting and R&D
Instadeep Abu Dhabi	Branch	Branch	Abu Dhabi (UAE)	DD-14-122-049-WeWork Hub71, 14, Al Khatem Tower, Adgm Square, Al Maryah Island, Abu Dhabi, United Arab Emirates	100%	N/A	0%	N/A	IT consulting and R&D
InstaDeep South Africa	Branch	Branch	Cape Town (South Africa)	80 Stand Street Cape Town 8001	100%	100%	0%	0%	IT consulting and R&D

All the subsidiaries are fully owned by the Holding company. Thus, there are no non-controlling interests inside the Group.

Consolidation statement of Profit and Loss

Income and expenses are presented in the Consolidated Income Statement by function. Operating expenses are broken down into the cost of services rendered (corresponding to costs incurred for the execution of client projects), selling and distribution expenses, Research and development/product expenses and administrative expenses. The deduction of services from revenues leads to the gross margin. These four captions represent operating expenses which are deducted from revenues to obtain operating profit, one of the main Group business performance indicators. The administrative expenses include amortization of tangible and intangible assets.

Profit for the year attributable to owners of the Company is then obtained by taking into account the following items:

- net finance costs, including income from cash and cash equivalents and exchange gains/losses on financial items,
- current and deferred income tax expense;
- share of non- controlling interests

Revenue recognition

The method for recognizing revenues and costs depends on the nature of the services rendered:

Deliverable-based contracts

Deliverable- based contracts typically include fixed price projects, for example, design and development of customized IT systems and related processes. Contract terms typically range from 6 months to 2 years. Contract prices might be subject to incentives and penalties, based on achievement of specified performance targets or level of benefits delivered to the customer

For deliverable- based contracts, revenue is generally recognized over time, because at least one of the following condition is met:

- (i) the Group's performance enhances an asset that the customer controls as the Group performs or

- (ii) the Group builds an asset that has no alternative use (e.g. it is customer- specific) and the Group has an enforceable right to payment for performance to date in case of termination by the customer.

The Group applies the “cost- to- cost” method to measure progress to completion. The percentage of completion is based on costs incurred to date relative to the total estimate of cost at completion of the contract. Estimates of total contract costs are revised when new elements arise. Change in estimates of cost at completion and related percentage of completion are recorded in the Income Statement as catch- up adjustments in the period in which the elements giving rise to the revision are known.

The related costs on deliverable- based contracts are expensed as incurred.

The Group earns contractually the right to bill upon achievement of specified milestones or upon customer acceptance of work performed. The difference between cumulative billings and cumulative revenue recognized is reflected in the balance sheet as Contract assets (revenue in excess of billings) or deferred revenues (billings in excess of revenue).

Resources-based contracts

Revenue from Resources- based contracts is recognized as the Group earns the right to bill the customer as the amount invoiced corresponds directly to the value to the customer of the performance completed to date. Each performance obligation is satisfied over time as the client continuously receives and consumes the benefits of the services. The Services are priced based on the number of hours spent on the contract. The amount to be billed is representative of the value of the service delivered to the customer and therefore, applying the right- to- bill practical expedient, revenue is recognized over time based on the hours spent. The related costs on resources- based contracts are expensed as incurred.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Costs to obtain and fulfill contracts

Costs to obtain and fulfill contracts Sales commission incurred to obtain service contracts are capitalized and amortized over the contract period. Costs incurred to fulfill a contract are expensed as incurred,

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Discontinued operations

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Tangible assets

Tangible assets are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Equipment 2-5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of tangible asset is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets

Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed. There is no goodwill inside the Group.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

IFRS 16 Leases

The consolidated entity has adopted IFRS 16 from 1 January 2019. The standard replaces IAS 17 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). The Group initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated.

Other financial assets

Other financial assets are initially measured at fair value. Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Customer acquisition costs

Customer acquisition costs are capitalised as an asset where such costs are incremental to obtaining a contract with a customer and are expected to be recovered. Customer acquisition costs are amortised on a straight-line basis over the term of the contract.

Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained or which are not otherwise recoverable from a customer are expensed as incurred to profit or loss.

Deferred tax assets

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

IFRS 9

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies.

The carrying amount of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued expenses approximate fair value, due to the short-term maturities of such instruments. Fair value is measured based on the following fair value hierarchy:

- level 1: quoted price in active markets;
- level 2: inputs observable directly or indirectly, other than quoted price included in level 1;
- level 3: inputs not based on observable market data. Cash, cash equivalents and short-term investments are measured using the level 1 fair value. Other investments that are not equity method investments are measured using the level 3 fair value.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Value-Added Tax ('VAT') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated VAT, unless the VAT incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of VAT receivable or payable. The net amount of VAT recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Share-based payments

Share-based compensation The Group recognizes compensation expense for share-based compensation awards expected to vest on a straight-line basis over the requisite service period of the entire award. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimate. Stock options are measured at fair value on the date of the grant using an option-pricing model based on assumptions made by management on expected volatility, expected option life and distributed dividends. Performance shares are measured at fair value based on the quoted price of the Group's common stock on the date of grant. The fair value also includes the impact of certain conditions based on an option-pricing model.

Vesting conditions excluded from the fair value measurement are taken into account to estimate the number of shares that will eventually vest. At the end of each reporting period, the Group reviews this estimate and records the impact of changes to original estimate, if any, in the statement of income. For performance shares plan that allows the beneficiaries to acquire shares either upon satisfaction of a market condition or a non-market vesting condition, the Group estimates the fair value of the equity instrument at grant date for each possible outcome, and accounts for the share-based payment based on the most likely outcome at the end of each reporting period.

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share premium

A share premium account is recorded in the shareholders' equity portion of the balance sheet. The share premium account represents the difference between the par value of the shares issued and the subscription or issue price.

Dividends

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date. No dividends has been paid since the setting up of the Group.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Instadeep Ltd, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Rounding of amounts

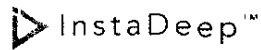
Amounts in this report have been rounded off to the nearest thousand currency units, or in certain cases, the nearest currency unit

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.



Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

3 Notes to the balance sheet

3.1 Tangible and intangible assets

3.1.1. Gross value tangible and intangible assets

Description	2021	2022	Increase	Decrease	Translation difference	Scope variation	Other variations
Research and development costs	2 096 704	3 744 292	1 647 588				
Other intangible fixed assets	6 648	7 963	1 124		191		
Intangible assets	2 103 352	3 752 255	1 648 712		191		
Property - Rights to the lease	277 641	484 642	207 001				
Vehicles	17 735	18 205			470		
Furniture, fittings and equipment	91 558	199 064	101 709		5 797		
IT equipment	1 796 098	5 498 575	3 693 365		9 112		
Other tangible fixed assets							
Tangible assets	2 183 032	6 200 486	4 002 075		15 379		
Tangible and intangible assets	4 286 385	9 952 742	5 650 787		15 570		

Research and development costs include the time spent by the R&D team on the DeepPCB, DeepChain, DeepPack and AIChor products.

As a lessee, the Group leases some assets including property and IT equipment. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for its property leases – i.e. these leases are on-balance sheet.

Right-of-use assets are measured at either an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Group applied this approach to all the leases. Rights-of-use assets are made up of the rents for the Paris office. Lease of other offices in the Group have a maturity less than a year. The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application (some offices inside the Group);
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application (not significant).

3.1.2. Amortization tangible and intangible assets

Description	2021	2022	Amortization expense	Variation	Translation difference	Scope variation	Other variations
Research and development costs	(546 785)	(1 138 026)	(591 241)				
Other intangible fixed assets	(3 106)	(6 334)	(3 105)		(123)		
Depreciation - Intangible fixed assets	(549 891)	(1 144 360)	(594 346)		(123)		
Property - Rights to the lease	(277 641)	(121 161)	(121 161)	277 641			
Vehicles	(3 251)	(6 979)	(3 594)		(134)		
Furniture, fittings and equipment	(36 071)	(62 982)	(25 394)		(1 517)		
Buildings on other property							
IT equipment	(1 093 616)	(2 975 605)	(1 877 663)		(4 325)		
Other tangible fixed assets							
Depreciation - Tangible fixed assets	(1 410 580)	(3 166 727)	(2 027 812)	277 641	(5 976)		
Depreciation - Fixed Assets	(1 960 471)	(4 311 087)	(2 622 158)	277 641	(6 099)		

3.2 Equity investments

Designation	2021	2022	Increase	Decrease	Variation of net equity	Translation difference	Scope variations	Other variations
Equity investments	324 928	31 035		(293 893)				
Total	324 928	31 035		(293 893)				

In 2020, Instadeep Ltd invested 215'100 USD into the company Zindi, which connects organisations with a thriving African data science community to solve the world's most pressing challenges using machine learning and AI. Instadeep Ltd owned 17.9% of Zindi at the end of 2020. In 2021, InstaDeep Ltd sold part of its shares and only holds 7% of Zindi at the end of December 2021. As a prudent approach, the Group recorded the equity investment at fair value at year-end and thus decreased the value at the end of 2022, leading to a loss of 293k£.

3.3 Financial assets

Designation	2021	2022	Increase	Decrease	Variation of net equity	Translation difference	Scope variations	Other variations
Deposits	55 590	244 052	188 461					
Loans	13 626	8 174		(5 452)				
Total	69 216	252 226	188 461	(5 452)				

Financial assets only include the deposits paid to landlords for the office rents.

3.4 Deferred tax assets

Deferred tax assets	2021	2022	Change in current assets and liabilities (WCR)	Translation difference	Scope variation	Other variations
Deferred tax assets	742 863	1 923 384	1 180 509	13		
Net value	742 863	1 923 384	1 180 509	13		
Deferred tax asset/liability on IFRS adjustments	20 106	(70 526)	(90 632)			
Activation deferred taxes	722 757	1 992 947	1 270 190			
Net value	742 863	1 923 384	1 180 509	13		

The deferred tax assets include an amount of 1'992k£ which relates to carried-forward tax losses of Instadeep Ltd. The entity has incurred the losses over the last two financial years following the starting up of its operations and the development of its product. Thus, they relate to the one-off costs of integrating the operations and will not recur in future. The group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the subsidiary. The entity is expected to generate taxable income from 2025 onwards. The losses can be carried forward indefinitely and have no expiry date.

3.5 Receivables

Description	2022			2021		
	Gross value	Depreciation	Net	Gross value	Depreciation	Net
Accounts receivables and related accounts - current	3 212 943	(61 063)	3 151 880	2 352 960		2 352 960
Accounts receivables	3 212 943	(61 063)	3 151 880	2 352 960		2 352 960

Most of the customers receivables were paid in Q1 2023.

3.6 Other assets

Description	2022			2021		
	Gross value	Depreciation	Net	Gross value	Depreciation	Net
Work in progress	178 661		178 661	242 167		242 167
Social receivables	30 280		30 280	8 665		8 665
Tax receivables	710 381		710 381	216 352		216 352
Other receivables - current	901 515		901 515	82 838		82 838
Prepaid expenses - current	419 075		419 075	187 431		187 431
Other assets	11 598		11 598	12 968		12 968
Other assets - net value	2 251 510		2 251 510	750 420		750 420

Tax receivables include the VAT paid on suppliers invoices and reimbursed the next month/quarter by the tax administration.

3.7 Cash and cash equivalents

Description	2022	2021
Cash and cash equivalents	55 420 917	63 606 450
Cash and cash equivalents	55 420 917	63 606 450

Cash and cash equivalents is equivalent to Net debt which comprises:

- (i) cash and cash equivalents, as presented in the Consolidated Statement of Cash Flows (consisting of short- term investments and cash at bank) less bank overdrafts, less
- (ii) short and long- term borrowings.

The Group does not have borrowings.

3.8 Lease liabilities

Description	2022	2021
Lease liabilities - non current	201 934	
Lease liabilities - current	161 547	
Total lease liabilities	363 481	

As a lessee, the Group leases some assets including property and IT equipment. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for its property leases – i.e. these leases are on-balance sheet.

According to IFRS 16, lease liabilities should be measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Due to the low level of lease liabilities inside the Group, they were not discounted. The property leases concerns the office in Paris.

3.9 Trade payables

Description	2022	2021
Trade payables	255 395	104 041
Trade payables	255 395	104 041

3.10 Current tax liabilities

Description	2022	2021
Tax liabilities - current	163 428	85 110
Current tax payables	163 428	85 110

3.11 Other liabilities

Description	2022	2021
Provisions for bonus	1 122 804	2 103 353
Social debts - current	1 647 860	418 923
Other creditors - current	2 257 264	2 324 101
Accrued expenses	138 743	469 977
Other liabilities	5 166 671	5 316 353

It includes the provision for commissions to be paid to the Business development team and partners. Accrued expenses mainly include legal, accounting and audit fees.

3.12 Employee benefit obligations

Description	2022	2021
Provisions for paid vacation	474 363	395 147
Employee benefit obligations	474 363	395 147

The entire amount of the provision is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

3.13 Deferred revenues

Description	2022	2021
Deferred revenues	353 619	96 570
Deferred revenues	353 619	96 570

3.14 Equity

Share capital	2022	2021
Nominal value	£0,000001	£0,000001
Number of shares	2,571,256	2,465,055
Share capital	2,57	2,47

In 2019, the Group established a share option program that entitles employees to purchase shares in the Company. Under this program, holders of vested options are entitled to purchase shares at a defined price of the shares at grant date. During the year, the company issued a total of 81,810 shares, under the Plan of options (Employee shares of £0.000001 each). The options lapse on the 4th anniversary of the grant assuming that the options were not exercised before then and no event occurs to cause them to lapse earlier under the rules of the scheme. The total expense recognized in profit or loss for the year is as follows:

	2022	2021
	£	£
Equity-settled share-based payments	510'611	229'754

The market value considered for the calculation of the equity-settled share-based payments amounts to 50£, notably considering that employee shares are non-voting shares.

	2022	2021
	Nb	Nb
Outstanding at 1 January 2022	298,107	353,894
Granted during the year	81,810	66,893
Exercised during the year	-106,201	-111,628
Expired during the year	-8,033	-11,052
Outstanding at 1 January 2022	265,683	298,107

The variation in the capital was as follows in 2022:

	2022	2021
	Nb	Nb
Ordinary shares of £0.000001 each	1,529,184	1,493,575
Class A shares of £0.000001 each	289,048	289,048
Class A shares of £0.000001 each	599,171	599,171
Employee shares of £0.000001 each	153,853	83,261
	2,571,256	2,465,055

The rights and distributions attached to each class of share is as follows:

Ordinary - voting rights, dividend distribution rights which rank pari passu with Class A shares and capital on a winding up.

Employee - voting rights: do not confer any voting rights. Dividends rights: rank equally for any dividend declared and pari passu with Ordinary and Class A shares. Capital on a winding up: rank equally for any distribution made subject to prior distribution to Class A shares.

Class A - voting rights, dividend distribution rights which rank pari passu with Ordinary shares and capital on a winding up in preference to any Ordinary share.

Class B - voting rights, dividend distribution rights which rank pari passu with Ordinary, Class A and Employee shares and capital on a winding up which rank pari passu with Class A shares and in preference to any Ordinary or Employee share

3.15 Maturity of assets

Description	2022	N+1	N+2	N+3	N+4	N+5	Beyond
Deposits	244 052			244 052			
Loans	8 175	8 175					
Non-current assets	252 227	8 175		244 052			
Accounts receivables and related accounts - current	3 151 880	3 151 880					
Accounts receivable	3 151 880	3 151 880					
Social receivables	30 280	30 280					
Tax receivables	710 381	710 381					
Other receivables	1 510 849	1 510 849					
Total other current assets	2 251 510	2 251 510					
Current Assets	5 403 390	5 403 390					

Description	2 021	N+1	N+2	N+3	N+4	N+5	Beyond
Deposits	55 590	55 590					
Loans	13 626	13 626					
Non-current assets	69 216	69 216					
Accounts receivables and related accounts - current	2 352 960	2 352 960					
Accounts receivable	2 352 960	2 352 960					
Social receivables	8 665	8 665					
Tax receivables	216 352	216 352					
Other receivables	283 236	283 236					
Total other current assets	508 253	508 253					
Current Assets	2 861 213	2 861 213					

3.16 Maturity of liabilities

Liabilities	2022	N+1	N+2	N+3	N+4	N+5	Beyond
Long-term borrowing from credit institutions - non current							
Lease liabilities	201 934		161 547	40 387			
Non-current liabilities	201 934		161 547	40 387			
Trade payables	255 395	255 395					
Current tax liabilities	163 428	163 428					
Lease liabilities	161 547	161 547					
Other liabilities	5 166 671	5 166 671					
Employee benefit obligations	474 363	474 363					
Deferred revenues	353 619	353 619					
Current liabilities	6 575 023	6 575 023					
Liabilities	2 021	N+1	N+2	N+3	N+4	N+5	Beyond
Financial debts							
Long-term borrowing from credit institutions - non current							
Lease liabilities							
Non-current liabilities							
Trade payables	104 041	104 041					
Current tax liabilities	85 110	85 110					
Lease liabilities							
Other liabilities	5 316 353	5 316 353					
Employee benefit obligations	395 147	395 147					
Deferred revenues	96 570	96 570					
Current liabilities	5 997 221	5 997 221					

3.17 Fair Value measurement

Fair value is measured based on the following fair value hierarchy:

- level 1: quoted price in active markets;
- level 2: inputs observable directly or indirectly, other than quoted price included in level 1;
- level 3: inputs not based on observable market data.

Cash, cash equivalents and short-term investments are measured using the level 1 fair value. Derivative instruments are measured using the level 2 fair value. Other investments that are not equity method investments are measured using the level 3 fair value.

2022

Assets	Level 1	Level 2	Level 3
Cash and cash equivalents	55 420 917		
Equity investments			31 035
Financial assets			252 226
Receivables			3 151 880
Total	55 420 917		3 435 141

Liabilities	Level 1	Level 2	Level 3
Trade payables			255 395
Other liabilities			5 166 671
Total			5 422 066

2021

Assets	Level 1	Level 2	Level 3
Cash and cash equivalents	63 606 450		
Equity investments			324 928
Financial assets			69 216
Receivables			935 167
Total	63 606 450		1 329 311

Liabilities	Level 1	Level 2	Level 3
Trade payables			104 041
Other liabilities			5 316 353
Total			5 420 394

4 Income statement

4.1 Turnover

Description	2022	2021
Sales of services	17 987 219	11 431 800
Sales of other activities		
Other non operating revenues	1 555	3 208
Turnover	17 988 774	11 435 008

Revenues from external customers come from the provision of IT consulting services.

4.2 External charges

Breakdown of expenses by nature:

Description	2022	2021
Overhead costs	(3 623 184)	(2 174 062)
Fees	(910 093)	(560 070)
Marketing costs	(1 375 594)	(1 165 134)
Travel and entertainment expenses	(922 456)	(58 518)
Training fees	(357 177)	(146 813)
Communication costs	(15 934)	(12 222)
Bank fees	(49 928)	(48 755)
Other external expenses	(13 751)	(3 557)
Government grants	1 287 633	728 217
Other taxes and levies	(36 183)	(13 665)
External charges	(6 016 668)	(3 454 578)

4.3 Staff costs

Description	2022	2021
Salaries, wages and benefits	(11 934 858)	(5 529 479)
Social security contributions	(2 934 921)	(1 077 574)
Other payroll costs	(113 053)	(105 422)
Provision bonus/commissions	456 177	(1 177 820)
Provision paid leave / employee shares	(601 440)	(431 902)
Transfers of payroll costs	1 647 588	708 560
Payroll costs	(13 480 507)	(7 613 637)

Employee shares amount to 510'611£ in 2022 (229'754 nil in 2021).

4.4 Depreciation and amortization

Description	2022	2021
Depreciation/Amortization of intangible fixed assets	(594 469)	(362 039)
Depreciation/Amortization of tangible fixed assets	(2 027 812)	(708 042)
Provision for operating risks	(61 063)	
Depreciation/Amortization of intangible fixed assets	(2 683 344)	(1 070 081)

4.5 Reconciliation costs by nature and by function

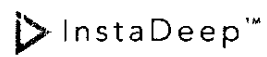
An income statement by nature method is the one in which expenses are disclosed according to their nature such as wages and salaries, rent expenses, travel expenses, etc.

Expenses by function	2022	2021
Cost of sales	(5 466 958)	(3 097 281)
Selling and distribution expenses	(4 253 981)	(3 370 760)
Research and development / Product expenses	(6 656 433)	(1 784 014)
Administrative expenses	(5 803 023)	(3 886 240)
Total	(22 180 396)	(12 138 295)

An income statement by function is the one in which expenses are disclosed according to their functions such are cost of sales, selling and distribution expenses, etc. This method allows us to calculate gross profit.

The cost of sales represents the direct costs related to the services rendered to a customer. When deducted from the total revenues, it enables to calculate the gross profit. It includes the cost of delivery (payroll costs for employees/partners working on the delivery of solutions) and the infrastructure costs such as the platform costs.

The selling and distribution expenses include the payroll costs of the business development team and the marketing costs such as the cost of events.



The R&D and product expenses include the payroll costs of employees of the R&D and Product teams.

Administrative expenses include the payroll costs of employees from the HR, Finance and administrative departments. It also includes all other external expenses such as rents, fees, etc.

Travel expenses are allocated to each function according to an allocation key based on the percentage of salaries by function.

4.6 Other financial income and expenses

Description	2022	2021
Earnings on receivables and marketable securities	674 827	382
Foreign exchange gains on sales of services	96 253	27 749
Faire value adjustment		242 710
Other financial income	105 823	237 078
Financial income	876 902	507 919

Description	2022	2021
Interest expense		
Losses on financial receivables and marketable securities	(293 893)	
Foreign exchange loss on other external purchases	(57)	(169)
Foreign exchange loss on sales of services	(483 884)	(312 931)
Financial expense	(777 834)	(313 099)

4.7 Income taxes

Description	2022	2021
Corporation tax	(153 776)	(39 998)
Deferred taxes	1 250 084	(46 892)
Tax charge	1 096 308	(86 890)

4.8 Tax proof

The difference between the UK standard rate of income tax and the Group effective tax rate can be analyzed as follows:

Tax proof	2022
Net consolidated profit	(2 996 246)
Reintegration of income tax, amort/provisions	1 096 308
Net profit before income tax, amort/provisions	(4 092 554)
Income tax rate of the holding company	19,00%
Theoretical income tax rate of the holding company	777 585
Impact of the base effect	(873 364)
Impact of the tax rates differences	(58 947)
Variation on deferred tax assets/liabilities	1 251 034
THEORETICAL INCOME TAX	1 096 308
REAL INCOME TAX	1 096 308
DIFFERENCE	0
<i>Effective income tax rate</i>	<i>26,79%</i>

5 Other information

5.1 Related party transaction

5.1.1. Parent company

Instadeep Ltd (UK) is the parent company of the Group.

5.1.2. Transactions with key management personnel

- Key management personnel compensation

The key management personnel compensation amounts to 2.1m£ (effectively paid).

Compensation of the Group's key management personnel includes salaries.

Employees of the Company are entitled to participate in a share purchase programme.

- Key management personnel transactions

Directors of the Company control 44% of the voting shares of the Company.

None of the key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies.

5.2 Audit fees

Audit fees	2022	2021
Auditors fees	53 457	44 780

5.3 Other information

5.3.1. Risk exposure

Risk management is a continuous process. The aim of risk management is to identify potential risks as early as possible in order to assess their impact on business and, if necessary, to take appropriate countermeasures. The ability to identify, assess, and manage risks that put the achievement of our business goals at risk is an important element of sound corporate governance.

The risk management and internal control system is therefore closely linked to its corporate strategy. It explicitly takes into account all types of risk, including non-financial risks associated with our business activities or our business relationships, products, and services.

As such, the Group is not exposed to high-risk countries.

5.4 Subsequent events

There were no events after the reporting date that could have a material effect on the financial position of the Company as at 31 December 2022 and on the profit for the year then ended that have not been taken into account in these financial statements.