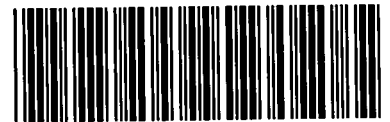


COMPANY REGISTRATION NUMBER: 11048129

PolyAI Limited
Consolidated
Financial Statements
For the year ended
31 January 2023

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PolyAI Limited

Financial Statements

Year ended 31 January 2023

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PolyAI Limited

Officers and Professional Advisers

The board of directors

Dr N Mrksic
Dr T Wen
Mr Sri Chandrasekar
Mr B Armstrong
Mrs E Walsh
Mr Y Zhang

Registered office

52 Bedford Row
London
WC1R 4LR

Auditor

Streets Audit LLP
Chartered accountants & statutory auditor
3 Wellbrook Court
Girton
Cambridge
CB3 0NA

PolyAI Limited

Strategic Report

Year ended 31 January 2023

PolyAI provides a market leading enterprise voice assistant to customers across the globe. The AI powered technology of PolyAI allows businesses to undertake natural conversations with their customers to solve their problems and improve efficiencies.

BUSINESS REVIEW

PolyAI has an established presence in EMEA, APAC and the US, servicing the needs of clients globally. The year ended 31 Jan 2023 saw PolyAI continue to grow its revenue streams, with revenue growing by 429% in 2023.

The group continued to invest heavily in technology infrastructure and innovation, improving and expanding its product offering and user experience.

PRINCIPAL RISKS AND UNCERTAINTIES

Foreign Exchange risk

PolyAI has some exposure to foreign exchange risk through business operations with customers and suppliers. The company manages this risk through the identification of future currency flows and the maintenance of foreign currency bank accounts.

Change Management risk

Inherent to PolyAI's strategy is rapid business change through product innovation, market direction and expansion, and investment in technological enhancements. This risk arises through organisational change, product introduction or enhancement and changes to the technology platform and supporting infrastructure.

Business departments and employees manage change and development as part of the normal course of business. Significant projects are actively managed by delivery managers to ensure that changes are effectively managed with executive, and where appropriate, board oversight.

Cyber and Data Security risk

Cyber security threats attempting to access PolyAI's data or systems and other IT infrastructure risks that could cause customers to experience a loss of service are principal risks.

The group maintains advanced security systems and organisational controls to mitigate these risks. This includes a dedicated security team, company wide training, monitoring and alerting across key infrastructure systems and regular testing. The Group has demonstrated the quality of its security infrastructure through its SOC2 certification.

Reputational risk

PolyAI is committed to providing the highest level of service in the voice assistant industry, helping customers to meet the specific needs of their business. A significant lapse in data quality or service could damage PolyAI's reputation. This risk is monitored and policies and procedures are in place to ensure there are safeguards against such a lapse in quality of service.

FINANCIAL KEY PERFORMANCE INDICATORS

PolyAI grew its revenue by 429% to £2.8m in the year ended 31 Jan 2023 (2022: £0.54m). This was achieved by the acquisition of new customers and through the expansion of existing customer contracts.

PolyAI Limited

Strategic Report *(continued)*

Year ended 31 January 2023

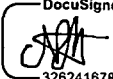
FUTURE DEVELOPMENTS

The Group expects to continue to provide voice assistant services.

The fundraise during the year provides the directors with confidence and platform to enable the Group to continue its growth strategy and invest in its people, infrastructure and innovation.

10/25/2023

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

DocuSigned by:

3262416788124F3...
Dr N Mrksic
Director

PolyAI Limited

Directors' Report

Year ended 31 January 2023

The directors present their report and the financial statements of the group for the year ended 31 January 2023.

Directors

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

Dr N Mrksic	
Dr T Wen	
Mr Sri Chandrasekar	
Mr B Armstrong	(Appointed 9 June 2022)
Mrs E Walsh	(Appointed 9 June 2022)
Mr Y Zhang	(Appointed 9 June 2022)
Dr H Hauser	(Resigned 9 February 2022)
Mrs A S Armour	(Served from 10 February 2022 to 9 June 2022)

Dr H Hauser resigned on 9 February 2022 and Mrs A S Armour was appointed on 10 February 2022.

Mrs A S Armour subsequently resigned on 9 June 2022 and Mr B Armstrong, Mrs E Walsh and Mr Y Zhang were appointed on 9 June 2022.

Dividends

The directors are unable to recommend a dividend.

Directors' responsibilities statement

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

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the 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.

PolyAI Limited

Directors' Report *(continued)*

Year ended 31 January 2023

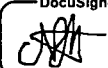
Auditor

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 group and 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 group and the company's auditor is aware of that information.

10/25/2023

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

DocuSigned by:

3262416788124F3...
Dr N Mrksic
Director

PolyAI Limited

Independent Auditor's Report to the Members of PolyAI Limited

Year ended 31 January 2023

Opinion

We have audited the financial statements of PolyAI Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 January 2023 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated 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 financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 January 2023 and of the group's 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 financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

PolyAI Limited

Independent Auditor's Report to the Members of PolyAI Limited *(continued)*

Year ended 31 January 2023

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of 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 financial statements are prepared is consistent with the 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 group and the parent 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

PolyAI Limited

Independent Auditor's Report to the Members of PolyAI Limited (continued)

Year ended 31 January 2023

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the group through discussions with directors and other management, and from our commercial knowledge and experience of the group and sector in which it operates;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the group, including the Companies Act 2006, taxation legislation, data protection, anti-bribery, employment, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

PolyAI Limited

Independent Auditor's Report to the Members of PolyAI Limited *(continued)*

Year ended 31 January 2023

We assessed the susceptibility of the group's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, relevant regulators and the group's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

PolyAI Limited

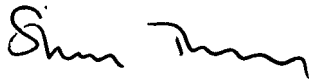
Independent Auditor's Report to the Members of PolyAI Limited (continued)

Year ended 31 January 2023

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state 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.



Shane Tharby (Senior Statutory Auditor)

For and on behalf of
Streets Audit LLP
Chartered accountants & statutory auditor
3 Wellbrook Court
Girton
Cambridge
CB3 0NA

26 October 2023

PolyAI Limited

Consolidated Statement of Comprehensive Income

Year ended 31 January 2023

	Year to 31 Jan 23	Period from 1 Jan 21 to 31 Jan 22 (restated)
	£	£
Turnover	4 2,870,499	542,422
Cost of sales	276,548	121,711
Gross profit	2,593,951	420,711
Administrative expenses	15,000,469	7,671,060
Other operating income	137,026	–
Operating loss	5 (12,269,492)	(7,250,349)
Interest receivable and similar income	9 363,198	3,945
Loss before taxation	(11,906,294)	(7,246,404)
Tax on loss	10 (1,003,280)	(781,432)
Loss for the financial year	(10,903,014)	(6,464,972)
Foreign currency retranslation	(47,969)	2,242
Total comprehensive income for the year	(10,950,983)	(6,462,730)

All the activities of the group are from continuing operations.

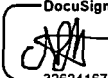
The notes on pages 17 to 28 form part of these financial statements.

PolyAI Limited**Consolidated Statement of Financial Position****31 January 2023**

		2023	2022
	Note	£	(restated)
			£
Fixed assets			
Tangible assets	11	128,400	57,629
Current assets			
Debtors	13	3,875,658	1,319,355
Cash at bank and in hand		<u>27,496,949</u>	<u>6,683,553</u>
		31,372,607	8,002,908
Creditors: amounts falling due within one year	14	<u>2,449,683</u>	<u>497,222</u>
Net current assets		28,922,924	7,505,686
Total assets less current liabilities		<u>29,051,324</u>	<u>7,563,315</u>
Net assets		<u>29,051,324</u>	<u>7,563,315</u>
Capital and reserves			
Called up share capital	19	378	298
Share premium account	20	53,317,133	21,021,073
Other reserves	20	232,286	89,434
Profit and loss account	20	<u>(24,498,473)</u>	<u>(13,547,490)</u>
Shareholders funds		<u>29,051,324</u>	<u>7,563,315</u>

10/25/2023

These financial statements were approved by the board of directors and authorised for issue on, and are signed on behalf of the board by:

DocuSigned by:

 3262416788124F3...

Dr N Mrksic
 Director

Company registration number: 11048129

The notes on pages 17 to 28 form part of these financial statements.

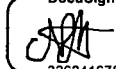
PolyAI Limited**Company Statement of Financial Position****31 January 2023**

	Note	2023 £	2022 (restated) £
Fixed assets			
Tangible assets	11	127,381	56,611
Investments	12	8	8
		<u>127,389</u>	<u>56,619</u>
Current assets			
Debtors	13	3,414,240	1,905,914
Cash at bank and in hand		26,957,322	5,596,056
		<u>30,371,562</u>	<u>7,501,970</u>
Creditors: amounts falling due within one year	14	<u>1,622,015</u>	<u>376,124</u>
Net current assets		<u>28,749,547</u>	<u>7,125,846</u>
Total assets less current liabilities		<u>28,876,936</u>	<u>7,182,465</u>
Net assets		<u>28,876,936</u>	<u>7,182,465</u>
Capital and reserves			
Called up share capital	19	378	298
Share premium account	20	53,317,133	21,021,073
Other reserves	20	187,476	47,835
Profit and loss account	20	(24,628,051)	(13,886,741)
Shareholders funds		<u>28,876,936</u>	<u>7,182,465</u>

The loss for the financial year of the parent company was £10,741,310 (2022: £6,837,856).

10/25/2023

These financial statements were approved by the board of directors and authorised for issue on, and are signed on behalf of the board by:

DocuSigned by:

 3262416788124F3...
 Dr N Mrksic
 Director

Company registration number: 11048129

The notes on pages 17 to 28 form part of these financial statements.

PolyAI Limited**Consolidated Statement of Changes in Equity****Year ended 31 January 2023**

	Called up share capital £	Share premium account £	Other reserves £	Profit and loss account £	Total £
At 1 January 2021	295	21,018,097	43,637	(7,084,760)	13,977,269
Loss for the year				(6,464,972)	(6,464,972)
Other comprehensive income for the year:					
Foreign currency retranslation	—	—	—	2,242	2,242
Total comprehensive income for the year	—	—	—	(6,462,730)	(6,462,730)
Issue of shares	3	2,976	—	—	2,979
Issue of options, rights and warrants	—	—	58,046	—	58,046
Expired options, rights and warrants	—	—	(12,249)	—	(12,249)
Total investments by and distributions to owners	3	2,976	45,797	—	48,776
At 31 January 2022	298	21,021,073	89,434	(13,547,490)	7,563,315
Loss for the year				(10,903,014)	(10,903,014)
Other comprehensive income for the year:					
Foreign currency retranslation	—	—	—	(47,969)	(47,969)
Total comprehensive income for the year	—	—	—	(10,950,983)	(10,950,983)
Issue of shares	80	32,296,060	—	—	32,296,140
Issue of options, rights and warrants	—	—	186,410	—	186,410
Expired options, rights and warrants	—	—	(43,558)	—	(43,558)
Total investments by and distributions to owners	80	32,296,060	142,852	—	32,438,992
At 31 January 2023	<u>378</u>	<u>53,317,133</u>	<u>232,286</u>	<u>(24,498,473)</u>	<u>29,051,324</u>

The notes on pages 17 to 28 form part of these financial statements.

PolyAI Limited**Company Statement of Changes in Equity****Year ended 31 January 2023**

	Called up share capital £	Share premium account £	Other reserves £	Profit and loss account £	Total £
At 1 January 2021	295	21,018,097	3,650	(7,048,885)	13,973,157
Loss for the year	—	—	—	(6,837,856)	(6,837,856)
Total comprehensive income for the year	—	—	—	(6,837,856)	(6,837,856)
Issue of shares	3	2,976	—	—	2,979
Issue of options, rights and warrants	—	—	44,700	—	44,700
Expired options, rights and warrants	—	—	(515)	—	(515)
Total investments by and distributions to owners	3	2,976	44,185	—	47,164
At 31 January 2022	298	21,021,073	47,835	(13,886,741)	7,182,465
Loss for the year	—	—	—	(10,741,310)	(10,741,310)
Total comprehensive income for the year	—	—	—	(10,741,310)	(10,741,310)
Issue of shares	80	32,296,060	—	—	32,296,140
Issue of options, rights and warrants	—	—	179,122	—	179,122
Expired options, rights and warrants	—	—	(39,481)	—	(39,481)
Total investments by and distributions to owners	80	32,296,060	139,641	—	32,435,781
At 31 January 2023	<u>378</u>	<u>53,317,133</u>	<u>187,476</u>	<u>(24,628,051)</u>	<u>28,876,936</u>

The notes on pages 17 to 28 form part of these financial statements.

PolyAI Limited

Consolidated Statement of Cash Flows

Year ended 31 January 2023

	2023	2022
	£	(restated) £
Cash flows from operating activities		
Loss for the financial year	(10,903,014)	(6,464,972)
<i>Adjustments for:</i>		
Depreciation of tangible assets	49,467	42,115
Interest receivable and similar income	(363,198)	(3,945)
Equity-settled share-based payments	142,853	45,797
Tax on loss	(1,003,280)	(781,432)
Foreign currency retranslation of foreign subsidiaries	(47,969)	2,242
<i>Changes in:</i>		
Trade and other debtors	(2,001,052)	(297,346)
Trade and other creditors	2,006,492	49,655
Cash generated from operations	(12,119,701)	(7,407,886)
Interest received	363,198	3,945
Tax received	393,997	1,068,730
Net cash used in operating activities	<u>(11,362,506)</u>	<u>(6,335,211)</u>
Cash flows from investing activities		
Purchase of tangible assets	(120,238)	(45,610)
Net cash used in investing activities	<u>(120,238)</u>	<u>(45,610)</u>
Cash flows from financing activities		
Proceeds from issue of ordinary shares	32,296,140	2,979
Net cash from financing activities	<u>32,296,140</u>	<u>2,979</u>
Net increase/(decrease) in cash and cash equivalents	20,813,396	(6,377,842)
Cash and cash equivalents at beginning of year	<u>6,683,553</u>	<u>13,061,395</u>
Cash and cash equivalents at end of year	<u>27,496,949</u>	<u>6,683,553</u>

The notes on pages 17 to 28 form part of these financial statements.

PolyAI Limited

Notes to the Financial Statements

Year ended 31 January 2023

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is 52 Bedford Row, London, WC1R 4LR.

2. Statement of compliance

These 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.

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

Disclosure exemptions

No disclosure exemptions are available.

Consolidation

The financial statements consolidate the financial statements of PolyAI Limited and all of its subsidiary undertakings.

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

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

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for services rendered, stated net of discounts and of Value Added Tax.

When the outcome of a transaction involving the rendering of services can be reliably estimated, 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.

When the outcome of a transaction involving the rendering of services cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

Revenue from a contract to provide services is recognised in the period in which the services are provided. Amounts invoiced in advance are deferred accordingly and are presented within deferred income.

PolyAI Limited

Notes to the Financial Statements *(continued)*

Year ended 31 January 2023

3. Accounting policies *(continued)*

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.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

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.

Foreign currency differences arising from the consolidation of overseas subsidiaries reporting in currencies other than sterling are recognised in other comprehensive income.

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.

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 - 33% straight line

PolyAI Limited

Notes to the Financial Statements *(continued)*

Year ended 31 January 2023

3. Accounting policies *(continued)*

Investments

Fixed asset investments in subsidiaries are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Impairment of fixed assets

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

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, including derivatives, are initially recognised at fair value in accordance with FRS 102, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

The company does not apply hedge accounting.

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.

Defined contribution plans

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

Research and development expenditure

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

PolyAI Limited

Notes to the Financial Statements *(continued)*

Year ended 31 January 2023

3. Accounting policies *(continued)*

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.

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.

Cash-settled share-based payment transactions are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is re-measured at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

4. Turnover

Turnover arises from:

	Year to 31 Jan 23	Period from 1 Jan 21 to 31 Jan 22 <i>(restated)</i>
	£	£
Rendering of services	<u>2,870,499</u>	<u>542,422</u>

The company have also incurred £178,534 of telephony costs. These have been recharged to the customer and as such the revenue has been netted off against the cost.

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

	Year to 31 Jan 23	Period from 1 Jan 21 to 31 Jan 22 <i>(restated)</i>
	£	£
United Kingdom	1,996,942	446,481
Overseas	873,557	95,941
	<u>2,870,499</u>	<u>542,422</u>

PolyAI Limited

Notes to the Financial Statements (continued)

Year ended 31 January 2023

5. Operating profit

Operating profit or loss is stated after charging/crediting:

	Year to 31 Jan 23	Period from 1 Jan 21 to 31 Jan 22 (restated)
	£	£
Depreciation of tangible assets	49,467	42,115
Equity-settled share-based payments expense	142,852	45,797
Foreign exchange differences	(203,614)	10,765
Research and development expenditure recognised as an expense	<u>2,937,859</u>	<u>2,445,948</u>

6. Auditor's remuneration

	Year to 31 Jan 23	Period from 1 Jan 21 to 31 Jan 22 (restated)
	£	£
Fees payable for the audit of the financial statements	<u>6,875</u>	<u>6,250</u>

7. Staff costs

The average number of persons employed by the group during the year, including the directors, amounted to:

	2023 No.	2022 No.
Administration, Sales & Development staff	<u>99</u>	<u>53</u>

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

	Year to 31 Jan 23	Period from 1 Jan 21 to 31 Jan 22 (restated)
	£	£
Wages and salaries	9,042,279	4,506,112
Social security costs	1,042,734	563,324
Other pension costs	145,783	90,269
	<u>10,230,796</u>	<u>5,159,705</u>

PolyAI Limited

Notes to the Financial Statements *(continued)*

Year ended 31 January 2023

8. Directors' remuneration

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

	Year to 31 Jan 23	Period from 1 Jan 21 to 31 Jan 22 <i>(restated)</i>
	£	£
Remuneration	686,964	282,665
Company contributions to defined contribution pension plans	9,267	8,470
	<u>696,231</u>	<u>291,135</u>

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

	Year to 31 Jan 23	Period from 1 Jan 21 to 31 Jan 22 <i>(restated)</i>
	£	£
Aggregate remuneration	<u>232,025</u>	<u>146,738</u>

9. Interest receivable and similar income

	Year to 31 Jan 23	Period from 1 Jan 21 to 31 Jan 22 <i>(restated)</i>
	£	£
Interest on cash and cash equivalents	<u>363,198</u>	<u>3,945</u>

10. Tax on loss

Major components of tax income

	Year to 31 Jan 23	Period from 1 Jan 21 to 31 Jan 22 <i>(restated)</i>
	£	£
Current tax:		
UK current tax income	(1,001,069)	(781,432)
Adjustments in respect of prior periods	(2,211)	-
Total current tax	<u>(1,003,280)</u>	<u>(781,432)</u>
Tax on loss	<u>(1,003,280)</u>	<u>(781,432)</u>

PolyAI Limited

Notes to the Financial Statements (continued)

Year ended 31 January 2023

10. Tax on loss (continued)

Reconciliation of tax income

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

	Year to 31 Jan 23	Period from 1 Jan 21 to 31 Jan 22 (restated)
	£	£
Loss on ordinary activities before taxation	(11,906,294)	(7,246,404)
Loss on ordinary activities by rate of tax	(2,262,196)	(1,368,116)
Adjustment to tax charge in respect of prior periods	(2,211)	-
Effect of expenses not deductible for tax purposes	3,311	1,141
Effects of enhanced R&D tax reliefs	(1,009,259)	(318,944)
Difference in overseas tax charge/credit	53,647	(71,154)
Movement in timing differences not recognised	2,213,428	975,641
Tax on loss	(1,003,280)	(781,432)

11. Tangible assets

Group	Computer equipment £
Cost	
At 1 February 2022 (as restated)	125,765
Additions	120,238
At 31 January 2023	<u>246,003</u>
Depreciation	
At 1 February 2022	68,136
Charge for the year	49,467
At 31 January 2023	<u>117,603</u>
Carrying amount	
At 31 January 2023	<u>128,400</u>
At 31 January 2022	<u>57,629</u>

PolyAI Limited

Notes to the Financial Statements (continued)

Year ended 31 January 2023

11. Tangible assets (continued)

Company	Computer equipment £
Cost	
At 1 February 2022 (as restated)	123,914
Additions	120,237
At 31 January 2023	<u>244,151</u>
Depreciation	
At 1 February 2022	67,303
Charge for the year	49,467
At 31 January 2023	<u>116,770</u>
Carrying amount	
At 31 January 2023	<u>127,381</u>
At 31 January 2022	<u>56,611</u>

12. Investments

The group has no investments.

Company	Shares in group undertakings £
Cost	
At 1 February 2022 as restated and 31 January 2023	<u>8</u>
Impairment	
At 1 February 2022 as restated and 31 January 2023	<u>–</u>
Carrying amount	
At 1 February 2022 and 31 January 2023	<u>8</u>
At 31 January 2022	<u>8</u>

Subsidiaries, associates and other investments

Details of the investments in which the parent company has an interest of 20% or more are as follows:

Subsidiary undertakings	Class of share	Percentage of shares held
PolyAI Technologies Inc	Ordinary	100
PolyAI Pacific Private Ltd	Ordinary	100

PolyAI Limited

Notes to the Financial Statements (continued)

Year ended 31 January 2023

12. Investments (continued)

The registered office address of PolyAI Technologies Inc, a company incorporated in the United States of America, is 12 E 49th Street, New York NY 10017, United States of America.

The registered office address of PolyAI Pacific Private Limited, a company incorporated in Singapore, is 7500A Beach Road, 12-323 The Plaza, Singapore.

13. Debtors

	Group		Company	
	2023	2022 (restated)	2023	2022 (restated)
	£	£	£	£
Trade debtors	1,097,272	260,746	906,601	246,787
Amounts owed by group undertakings	–	–	–	599,425
Prepayments and accrued income	771,440	143,402	522,165	144,495
Other debtors	2,006,946	915,207	1,985,474	915,207
	<u>3,875,658</u>	<u>1,319,355</u>	<u>3,414,240</u>	<u>1,905,914</u>

14. Creditors: amounts falling due within one year

	Group		Company	
	2023	2022 (restated)	2023	2022 (restated)
	£	£	£	£
Trade creditors	251,037	80,269	190,451	69,121
Amounts owed to group undertakings	–	–	54,031	–
Accruals and deferred income	1,595,963	242,608	774,850	132,873
Social security and other taxes	43,755	174,130	43,755	174,130
Other creditors	558,928	215	558,928	–
	<u>2,449,683</u>	<u>497,222</u>	<u>1,622,015</u>	<u>376,124</u>

15. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £145,783 (2022: £90,269).

16. Share-based payments

During the year the company had share-based payment arrangements relating to share options granted to employees. The share options granted generally vest over a 4 year period commencing after the first anniversary of grant date and generally have a 10 year maximum term.

The fair value of the options granted are calculated by reference to a third party valuation report.

PolyAI Limited

Notes to the Financial Statements (continued)

Year ended 31 January 2023

16. Share-based payments (continued)

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

Group and company	2023		2022	
	No.	WAEP	No.	WAEP
Outstanding at the beginning of the period	60,377	5.59	39,741	1.26
Granted during the period	963	11.47	27,527	12.51
Forfeited during the period	(6,703)	9.94	(1,445)	35.70
Exercised during the period	(4,636)	4.10	(5,446)	0.99
Outstanding at the end of the period	<u>50,001</u>	<u>5.26</u>	<u>60,377</u>	<u>5.59</u>
Exercisable at 31 January 2023	<u>28,572</u>	<u>8.13</u>	<u>18,650</u>	<u>4.80</u>

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

	Group		Company	
	2023	2022 (restated)	2023	2022 (restated)
	£	£	£	£
Equity-settled share-based payments	<u>142,852</u>	<u>45,797</u>	<u>139,640</u>	<u>44,185</u>

17. Financial instruments

The carrying amount for each category of financial instrument is as follows:

Financial liabilities measured at fair value through profit or loss

	Group		Company	
	2023	2022 (restated)	2023	2022 (restated)
	£	£	£	£
Financial liabilities measured at fair value through profit or loss	<u>558,928</u>	<u>—</u>	<u>558,928</u>	<u>—</u>

The financial liability measured at fair value through profit and loss represents a forward exchange contract to sell \$6,500,000 at a contracted rate of 1.3855. This financial instrument is not held as part of a hedging transaction.

PolyAI Limited

Notes to the Financial Statements *(continued)*

Year ended 31 January 2023

18. Prior period errors

During the year the company changed its accounting policy for the accounting for Share-Based Payment arrangements, arising from share options granted to employees. Previously any adjustments arising from accounting for the Share-Based Payment arrangements under FRS 102 were judged not to be material on the financial statements.

However, the company has now decided to implement the requirements of FRS 102 for such arrangements.

As a result the financial statements have been restated to the position that would have been reported if these arrangements had been accounted for under FRS 102 from inception.

As a result, the profit and loss account for the company as at 31 January 2021 has changed from negative reserves of £7,045,235 to negative reserves of £7,048,885 and £3,650 has been recognised in a share option reserve for the first time.

Also the profit and loss account for the consolidated group position as at 31 January 2021 has changed from negative reserves of £7,041,123 to negative reserves of £7,084,760 and £43,637 has been recognised in a share option reserve for the first time.

The impact on the Consolidated Statement of Comprehensive Income for the period from 1 January 2021 to 31 January 2022 is an increase in administrative expenses of £45,797 and the impact thereon. The impact on the loss for the same period for the parent company was an increase in the loss reported of £44,186.

19. Called up share capital

Issued, called up and fully paid

	2023		2022 <i>(restated)</i>	
	No.	£	No.	£
Ordinary shares of £0.001 each	153,550	154	151,230	151
Deferred shares of £0.001 each	10,780	11	10,780	11
Series A1 shares of £0.001 each	72,055	72	72,055	72
Series A2 shares of £0.001 each	1,971	2	1,380	1
Series B shares of £0.001 each	62,521	63	62,521	63
Series C shares of £0.001 each	77,059	77	—	—
	<u>377,936</u>	<u>378</u>	<u>297,966</u>	<u>298</u>

20. Reserves

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

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

Other reserves - This reserve records the value of share options granted.

PolyAI Limited

Notes to the Company Detailed Income Statement

Year ended 31 January 2023

	Year to 31 Jan 23	Period from 1 Jan 21 to 31 Jan 22 <i>(restated)</i>
	£	£

21. Analysis of changes in net debt

	At 1 Feb 2022	Cash flows	At 31 Jan 2023
	£	£	£
Cash at bank and in hand	<u>6,683,553</u>	<u>20,813,396</u>	<u>27,496,949</u>

22. Operating leases

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

	Group		Company	
	2023	2022 <i>(restated)</i>	2023	2022 <i>(restated)</i>
	£	£	£	£
Not later than 1 year	<u>444,853</u>	<u>80,572</u>	<u>394,380</u>	<u>80,572</u>

23. Related party transactions

Company

The company has taken advantage of disclosure exemptions in FRS 102 not to disclose transactions entered into with wholly owned subsidiaries.