

REDSIFT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

REDSIFT LIMITED

COMPANY INFORMATION

Directors	S W Brooks (appointed 10 January 2022) M G Graninger M C Hedger R J P Pinto R Powar M Samaan N J Stocks (resigned 10 January 2022) M A Van der Bel
Company secretary	Oakwood Corporate Secretary Limited
Registered number	09240956
Registered office	3rd floor 1 Ashley Road Altrincham Cheshire WA14 2DT
Independent auditors	James Cowper Kreston Audit Chartered Accountants and Statutory Auditor Reading Bridge House George Street Reading RG1 8LS

REDSIFT LIMITED

CONTENTS

	Page
Group Strategic Report	1 - 3
Directors' Report	4 - 5
Independent Auditors' Report	6 - 8
Consolidated Statement of Comprehensive Income	9
Consolidated Balance Sheet	10
Consolidated Statement of Changes in Equity	12
Company Statement of Changes in Equity	13
Consolidated Statement of Cash Flows	14 - 15
Consolidated Analysis of Net Debt	16
Notes to the Financial Statements	17 - 39

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

Introduction

The Directors present their Group Strategic Report for RedSift Limited (the “Company”) and its subsidiaries, (collectively the “Group”) for the year ended 31st December 2022.

Principal activities and review of the year

The principal activities of the Group are the provision of next generation cloud security and risk management applications. The Group’s Digital Resilience Platform (the “Red Sift Platform”) solves for the greatest vulnerabilities across a company’s attack surface, including email, domains, brand, and the network perimeter. By providing comprehensive coverage of an organisation’s digital footprint through best-in-class discovery and monitoring, Red Sift enables its customers to uncover threats within email security, discover lookalike domain abuse, and spot vulnerabilities across their network perimeter. Paired with sophisticated remediation capabilities, Red Sift provides the tools to shut down phishing, and ensure ongoing compliance with email and web security protocols.

During the year the Group continued building toward its vision for the business whilst delivering strong commercial growth. Revenue for the year increased by 64% on 2021 with consistent growth across all international segments with revenue outside of the UK representing 55% of total customer revenue.

The Group’s commitment to product development remains strong, it substantially expanded its product and engineering organisation to maintain product leadership and invest in innovation as an area of differentiation. Continued product development and product releases widens the Group’s customer reach and impact and moves it towards its vision of providing solutions to strengthen its customers security posture and protect against an ever-evolving threat landscape.

In January 2022 the Group completed its \$54m Series B funding round. This was led by Highland Europe as principal new investor, supported by existing investors; MMC Ventures and Sands Capital. The funding round enables the Group to continue to invest in product development and unlock further growth opportunities for the years ahead.

The Group continues to explore targeted inorganic growth opportunities and in October 2022 it completed its first acquisition of Hardenize Limited. Hardenize is a global Attack Surface Management (ASM) innovator. This strategic move enables the Group to enrich, extend, and improve its existing security solutions to also protect customers’ internet assets and infrastructure, offering a complete, best-in-class digital resilience solution. The integration of Hardenize’s unique ASM capabilities enables the Red Sift Platform to gain a comprehensive view of an organisation’s digital footprint, allowing customers to better understand and protect their entire critical attack surface area in the face of an ever-evolving threat environment. The Group expects to accelerate its growth trajectory through this acquisition.

Whilst the business continues to enjoy strong growth and strategic expansion it is cognisant of the weakening external economic environment. The Group recognises this as an important time for the company to focus on its highest impact investment areas to ensure it continues to deliver against its goals. As a result the Group is driving improved business efficiency and cash burn goals while it continues its strong growth in this new economic cycle.

Key performance indicators

The Directors review KPIs throughout the year as part of the normal management process. The main KPIs include annual recurring revenue, total customer numbers, annual gross revenue retention rates, annual net revenue retention, sales efficiency and cash burn metrics.

REDSIFT LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

People and Culture

People

The Group made the following changes to its Board and executive team during the year:

- *David Bennet*, joined in August 2022 as Global CRO. David has more than 30 years of international software leadership experience and has held executive roles in start-up, scale-up, and post-IPO software businesses including Veeva and Documentum.
- *Ian Howells*, joined in October 2022 as Chief Business Officer. Ian has more than twenty five years of marketing experience at startups and major software companies such as Sage Intacct, where he was responsible for their cross-company go-to-market strategies for targeted vertical market segments.
- *Nancie Williams*, joined in October 2022 as SVP Sales, Americas and Asia. Nancie has extensive experience in the creation of predictable, repeatable Go-to-Market strategies. She has held executive roles in a number of technology companies including DXC Technologies, GE Digital and Microsoft.
- *Ivan Ristic*, joined in October 2022 as Chief Scientist. Ivan is an acclaimed security author and was the creator of SSL Labs and founder of Hardenize Limited.
- *Sam Brooks*, joined as Non-Executive Director. He is a partner at Highland Europe.

Culture

The Group's engagement survey across the year saw its eNPS score average +27, surpassing its expectations of +20. This employee engagement helps the Group to measure employees alignment with its mission and values. If the average is high, the management's goal of maintaining employees alignment with the Groups mission and values will be achieved.

As a business the Group has continued to invest in Learning and Development, building career paths and dedicated development time for every team across the business. Its aim is to create a high-performance team and stride for Red Sift to be a great place to work.

Environment

Red Sift remains 100% Carbon Neutral. The Group works constantly to minimise the negative environmental impacts of doing business and has chosen to offset its unavoidable emissions. Red Sift is delighted to work on this mission with a female-founded and Australian-born tech company which helps it to offset any environmental impact it has as it scales its teams and operations. On a day to day basis, the Group has the information it needs to be thoughtful about its choices in how and when its people travel, how it builds its engineering infrastructure, and the suppliers it works with.

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Principal risks and uncertainties

The Group monitors and manages risk as part of its normal operating management, with overall responsibility for risk identification and management residing with the Board. The principal risks and uncertainties facing the Group are as follows:

Competitive Risk

The Group operates in a competitive environment with a number of local and global competitors. The Group's sales are spread internationally, limiting the exposure to local economic and competitive fluctuations due to the broad customer base.

Technology and business interruption

The products and services that Redsift provides to its customers are reliant on complex technical infrastructure. A failure in the operation of a key system or infrastructure could cause a failure of service to our customers and negatively impact our brand.

Foreign currency risk

The Group's key currencies are sterling, Euro and US dollar. The Group is exposed to transactions based foreign exchange risk, which has historically been largely managed through a natural hedge due to a broad-based international footprint and the volume of non-sterling denominating trading activity, which offsets exposure to the cost base.

Liquidity risk

The Group is well funded and has no structural debt at the balance sheet date. The Directors regularly review the forward looking cash flow position to manage any liquidity risk. Refer to the Going Concern section of the Directors Report for details of additional funding secured during the year.

This report was approved by the board and signed on its behalf.

.....
R J Pinto
Director

Date: 28 September 2023

REDSIFT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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

Directors

The directors who served during the year were:

S W Brooks (appointed 10 January 2022)
M G Graninger
M C Hedger
R J P Pinto
R Powar
M Samaan
N J Stocks (resigned 10 January 2022)
M A Van der Bel

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 Company and the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies for the Group's financial statements 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 Group 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 the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The loss for the year, after taxation, amounted to £8,362,526 (2021 - loss £5,211,146).

Future developments

See strategic report.

Post balance sheet events

There have been no significant events affecting the Group since the year end.

REDSIFT LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

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

Auditors

The auditors, James Cowper Kreston Audit, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

.....
R J P Pinto
Director

Date: 28 September 2023

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF REDSIFT LIMITED

Opinion

We have audited the financial statements of RedSift Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022, which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2022 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' 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 United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Other information

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

REDSIFT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF REDSIFT LIMITED (CONTINUED)

Opinion 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 Group 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 Group 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 Group 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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF REDSIFT LIMITED (CONTINUED)

Auditors' 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 Auditors' 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 Group financial statements

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance.

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

The specific procedures for this engagement that we designed and performed to detect material misstatements in respect of irregularities, including fraud, were as follows:

- Enquiry of management and those charged with governance around actual and potential litigation and claims;
- Enquiry of management and those charged with governance to identify any material instances of non-compliance with laws and regulations;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work to address the risk of irregularities due to management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for evidence of bias.

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 Auditors' Report.

Use of our report

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

Alan Poole BA (Hons) FCA (Senior Statutory Auditor)

for and on behalf of

James Cowper Kreston Audit

Chartered Accountants and Statutory Auditor

Reading Bridge House
George Street
Reading
RG1 8LS

28 September 2023

REDSIFT LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	2021 £
Turnover	4	6,803,344	4,146,088
Cost of sales		<u>(1,185,986)</u>	<u>(827,122)</u>
Gross profit		5,617,358	3,318,966
Administrative expenses		<u>(14,421,498)</u>	<u>(8,896,609)</u>
Operating loss		(8,804,140)	(5,577,643)
Interest receivable and similar income	9	130,951	-
Interest payable and similar expenses	10	<u>(602)</u>	<u>(176,142)</u>
Loss before taxation		(8,673,791)	(5,753,785)
Tax on loss	11	311,265	542,639
Loss for the financial year		<u>(8,362,526)</u>	<u>(5,211,146)</u>

There were no recognised gains and losses for 2022 or 2021 other than those included in the consolidated statement of comprehensive income.

The notes on pages 17 to 39 form part of these financial statements.

REDSIFT LIMITED
REGISTERED NUMBER:09240956

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	12	6,081,651	-
Tangible assets	13	114,246	88,309
		6,195,897	88,309
Current assets			
Debtors	15	2,577,171	2,035,931
Cash at bank and in hand	16	20,223,170	3,122,980
		22,800,341	5,158,911
Creditors: amounts falling due within one year		(6,669,799)	(7,513,769)
Net current assets/(liabilities)		16,130,542	(2,354,858)
Total assets less current liabilities		22,326,439	(2,266,549)
Creditors: amounts falling due after more than one year	18	(600,012)	(450,197)
Provisions for liabilities			
Deferred tax	22	(17,978)	-
		(17,978)	-
Net assets/(liabilities)		21,708,449	(2,716,746)
Capital and reserves			
Called up share capital		57	39
Share premium account	23	44,857,104	11,679,981
Foreign exchange reserve	23	(402,938)	9,596
Other reserves	23	89,588	66,474
Profit and loss account	23	(22,835,362)	(14,472,836)
		21,708,449	(2,716,746)

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

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R J P Pinto

Director

Date: 28 September 2023

The notes on pages 17 to 39 form part of these financial statements.

REDSIFT LIMITED
REGISTERED NUMBER:09240956

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	12	1,782,000	-
Tangible assets	13	72,205	52,936
Investments	14	6,500,656	44,688
		8,354,861	97,624
Current assets			
Debtors	15	8,339,521	4,384,463
Cash at bank and in hand	16	19,677,680	3,093,704
		28,017,201	7,478,167
Creditors: amounts falling due within one year	17	(7,023,920)	(6,967,945)
		20,993,281	510,222
Net current assets		20,993,281	510,222
Total assets less current liabilities		29,348,142	607,846
Creditors: amounts falling due after more than one year	18	(468,645)	(450,197)
Provisions for liabilities			
Deferred taxation	22	(17,978)	-
		(17,978)	-
Net assets		28,861,519	157,649
Capital and reserves			
Called up share capital		57	39
Share premium account	23	44,857,104	11,679,981
Other reserves	23	89,588	66,474
Profit and loss account	23	(16,085,230)	(11,588,845)
		28,861,519	157,649

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

.....
R J P Pinto

Director

Date: 28 September 2023

The notes on pages 17 to 39 form part of these financial statements.

REDSIFT LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital £	Share premium account £	Foreign exchange reserve £	Share based payment reserve £	Profit and loss account £	Total equity £
At 1 January 2022	39	11,679,981	9,596	66,474	(14,472,836)	(2,716,746)
Loss for the year	-	-	-	-	(8,362,526)	(8,362,526)
Currency translation differences	-	-	(412,534)	-	-	(412,534)
Share option charge	-	-	-	23,114	-	23,114
Shares issued during the year	18	33,177,123	-	-	-	33,177,141
At 31 December 2022	57	44,857,104	(402,938)	89,588	(22,835,362)	21,708,449

The notes on pages 17 to 39 form part of these financial statements.

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

	Called up share capital £	Share premium account £	Foreign exchange reserve £	Share based payment reserve £	Profit and loss account £	Total equity £
At 1 January 2021	38	11,664,740	45,229	37,964	(9,261,690)	2,486,281
Loss for the year	-	-	-	-	(5,211,146)	(5,211,146)
Currency translation differences	-	-	(35,633)	-	-	(35,633)
Share option charge	-	-	-	28,510	-	28,510
Shares issued during the year	1	15,241	-	-	-	15,242
At 31 December 2021	39	11,679,981	9,596	66,474	(14,472,836)	(2,716,746)

The notes on pages 17 to 39 form part of these financial statements.

REDSIFT LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2022	39	11,679,981	66,474	(11,588,845)	157,649
Loss for the year	-	-	-	(4,496,385)	(4,496,385)
Share option charge	-	-	23,114	-	23,114
Shares issued during the year	18	33,177,123	-	-	33,177,141
At 31 December 2022	57	44,857,104	89,588	(16,085,230)	28,861,519

The notes on pages 17 to 39 form part of these financial statements.

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

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 October 2019	38	11,664,740	37,964	(8,419,270)	3,283,472
Loss for the year	-	-	-	(3,169,575)	(3,169,575)
Share option charge	-	-	28,510	-	28,510
Shares issued during the year	1	15,241	-	-	15,242
At 31 December 2021	39	11,679,981	66,474	(11,588,845)	157,649

The notes on pages 17 to 39 form part of these financial statements.

REDSIFT LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £	2021 £
Cash flows from operating activities		
Loss for the financial year	(8,362,526)	(5,211,146)
Adjustments for:		
Amortisation of intangible assets	203,666	-
Depreciation of tangible assets	64,781	43,851
Loss on disposal of tangible assets	1,724	-
Interest paid	602	176,142
Interest received	(130,951)	-
Taxation charge	(329,243)	(542,639)
(Increase) in debtors	(636,571)	(527,529)
Increase/(decrease) in creditors	2,233,660	(762,030)
Share option charge	23,114	28,510
Corporation tax received	532,435	555,457
Foreign exchange	(412,534)	(35,633)
Net cash generated from operating activities	(6,811,843)	(6,275,017)
Cash flows from investing activities		
Purchase of tangible fixed assets	(89,196)	(68,707)
Sale of tangible fixed assets	(1,688)	-
Acquisition of subsidiary	(2,611,942)	(42,078)
Interest received	130,951	-
Net cash from investing activities	(2,571,875)	(110,785)
Cash flows from financing activities		
Issue of ordinary shares	29,710,373	15,242
Other new loans	-	3,225,863
Repayment of other loans	(3,225,863)	-
Interest paid	(602)	(176,142)
Net cash used in financing activities	26,483,908	3,064,963

REDSIFT LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £	2021 £
Net increase/(decrease) in cash and cash equivalents	17,100,190	(3,320,839)
Cash and cash equivalents at beginning of year	3,122,980	6,443,819
Cash and cash equivalents at the end of year	<u>20,223,170</u>	<u>3,122,980</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	20,223,170	3,122,980
	<u>20,223,170</u>	<u>3,122,980</u>

The notes on pages 17 to 39 form part of these financial statements.

REDSIFT LIMITED

CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2022

	At 1 January 2022 £	Cash flows £	Acquisition and disposal of subsidiaries £	At 31 December 2022 £
Cash at bank and in hand	3,122,980	16,722,933	377,257	20,223,170
Debt due within 1 year	(3,344,813)	3,287,450	-	(57,363)
	<u>(221,833)</u>	<u>20,010,383</u>	<u>377,257</u>	<u>20,165,807</u>

The notes on pages 17 to 39 form part of these financial statements.

REDSIFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. General information

Redsift Limited is a private limited company, limited by shares, registered in England and Wales. The company's registered office is 3rd Floor 1 Ashley Road, Altrincham, Cheshire, United Kingdom, WA14 2DT

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.4 Revenue

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

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.5 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.6 Research and development

Research and development costs are expensed as incurred.

2.7 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.8 Finance costs

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

2.9 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.10 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

2.11 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Group keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.12 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

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

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

2.13 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis to the Consolidated Statement of Comprehensive Income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Acquired technology	-	5	years
Goodwill	-	10	years
Trademarks	-	5	years
Acquired customer lists	-	3	years

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.14 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Leasehold improvements	-	33%	straight line
Office equipment	-	33%	straight line
Computer equipment	-	33%	straight line

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.15 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.16 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.17 Cash and cash equivalents

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

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.18 Creditors

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.20 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

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

The company's accounting policies are set out above. Management are required to exercise significant judgment and make use of estimates in the application of these policies. Areas where management require significant accounting judgments are:

Bad debt provision

Provisions are estimated by the company (in respect of specific debts) based on the age of the debt and knowledge of issues with recovery.

Value of intangible fixed assets

Value of intangible fixed assets are estimated by management based on specific point assumptions and to management's best estimate of the underlying value of the asset in question.

Amortisation of intangible fixed assets

Intangible fixed assets are amortised across their useful lives, or where the useful life cannot be determined or is assessed to be indefinite, across 10 years. The actual lives of the assets are assessed annually and may vary depending on a number of factors.

Depreciation of tangible fixed assets

Tangible fixed assets are depreciated across their useful lives. The actual lives of the assets are assessed annually and may vary depending on a number of factors.

Share based compensation

In relation to equity settled remuneration schemes, employee services received and the corresponding increase in equity are measured by reference to the fair value of the equity instruments at the date of the grant. The fair value of share options is estimated by using the Black-Scholes valuation model on the date of grant, based on various assumptions.

REDSIFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

4. Turnover

An analysis of turnover by class of business is as follows:

	2022 £	2021 £
Software services	6,803,344	4,146,088
	<u>6,803,344</u>	<u>4,146,088</u>
	2022 £	2021 £
United Kingdom	2,789,370	1,741,358
Rest of Europe	1,360,669	870,678
United States of America	2,109,037	1,243,826
Rest of the World	544,268	290,226
	<u>6,803,344</u>	<u>4,146,088</u>

5. Operating loss

The operating loss is stated after charging:

	2022 £	2021 £
Exchange differences	431,023	4,093
Other operating lease rentals	252,337	220,548
Depreciation	64,781	43,851
Amortisation	<u>203,666</u>	<u>-</u>

6. Auditors' remuneration

During the year, the Group obtained the following services from the Company's auditors:

	2022 £	2021 £
Fees payable to the Company's auditors for the audit of the consolidated and parent Company's financial statements	22,000	12,000
Fees payable to the Company's auditors for corporation tax advice	4,300	2,600
Fees payable to the Company's auditors for other non-audit services	<u>5,650</u>	<u>3,850</u>

REDSIFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

7. Employees

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Wages and salaries	9,803,948	6,136,209	5,654,911	4,015,686
Social security costs	1,009,824	596,968	808,321	480,656
Cost of defined contribution scheme	144,922	103,610	126,674	100,866
	<u>10,958,694</u>	<u>6,836,787</u>	<u>6,589,906</u>	<u>4,597,208</u>

The average monthly number of employees, including the directors, during the year was as follows:

	Group 2022 No.	Group 2021 No.	Company 2022 No.	Company 2021 No.
Employees	<u>87</u>	<u>65</u>	<u>57</u>	<u>42</u>

8. Directors' remuneration

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the group. In the opinion of the directors there were not key management personnel other than the directors in the year.

	2022 £	2021 £
Directors' emoluments	326,912	343,370
Group contributions to defined contribution pension schemes	7,770	23,750
	<u>334,682</u>	<u>367,120</u>

During the year retirement benefits were accruing to 2 directors (2021 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £167,000 (2021 - £137,500).

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £5,010 (2021 - £11,000).

9. Interest receivable

	2022 £	2021 £
Other interest receivable	130,951	-
	<u>130,951</u>	<u>-</u>

REDSIFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

10. Interest payable and similar expenses

	2022 £	2021 £
Bank interest payable	602	1,440
Other loan interest payable	-	174,252
Interest and penalties paid	-	450
	<u>602</u>	<u>176,142</u>

11. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	(378,113)	(532,435)
	<u>(378,113)</u>	<u>(532,435)</u>
Foreign tax		
Foreign tax on income for the year	48,870	-
	<u>48,870</u>	<u>-</u>
Total current tax	<u>(329,243)</u>	<u>(532,435)</u>
Deferred tax		
Origination and reversal of timing differences	17,978	(10,204)
Total deferred tax	<u>17,978</u>	<u>(10,204)</u>
Taxation on loss on ordinary activities	<u>(311,265)</u>	<u>(542,639)</u>

REDSIFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Loss on ordinary activities before tax	<u>(8,673,791)</u>	<u>(5,753,785)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(1,648,020)	(1,093,219)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	31,981	50,123
Capital allowances for year in excess of depreciation	(4,009)	(1,495)
Utilisation of tax losses	109,649	10,687
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(278,458)	(307,460)
Other differences leading to an increase (decrease) in the tax charge	749,280	-
Deferred tax not recognised	728,312	798,725
Total tax charge for the year	<u>(311,265)</u>	<u>(542,639)</u>

Factors that may affect future tax charges

In the Spring Budget 2021, the Government announced that from 1 April 2023 the main corporation tax rate will increase to 25%. The impact of these changes is not expected to be material.

REDSIFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

12. Intangible assets

Group

	Technology investment £	Trademarks £	Customer list £	Goodwill £	Total £
Cost					
On acquisition of subsidiaries	1,284,000	498,000	408,100	4,095,217	6,285,317
At 31 December 2022	<u>1,284,000</u>	<u>498,000</u>	<u>408,100</u>	<u>4,095,217</u>	<u>6,285,317</u>
Amortisation					
Charge for the year	57,987	22,490	30,717	92,472	203,666
At 31 December 2022	<u>57,987</u>	<u>22,490</u>	<u>30,717</u>	<u>92,472</u>	<u>203,666</u>
Net book value					
At 31 December 2022	<u>1,226,013</u>	<u>475,510</u>	<u>377,383</u>	<u>4,002,745</u>	<u>6,081,651</u>
At 31 December 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Goodwill represents the excess of the cost of acquisition of the trade and assets over the fair value of the net assets acquired. Goodwill is determined to have an indefinite life and is therefore amortised across 10 years.

The customer list intangible asset represents the fair value of existing customers within Hardenize at the date of its acquisition by the Company. The customer list has been determined to have a useful economic life of 3 years by the directors and will be amortised across an equivalent period.

The technology investment asset represents the fair value of investments made in development of software within Hardenize prior to its acquisition by the Company. Technology investments have been determined to have a useful economic life of 5 years by the directors and will be amortised across an equivalent period.

Intangible assets are tested for impairment at least annually or whenever events or circumstances change and make it more likely than not that an impairment may have occurred.

REDSIFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

12. Intangible assets (continued)

Company

	Technology investment £	Trademarks £	Total £
Cost			
Acquired from subsidiary	1,284,000	498,000	1,782,000
	<hr/>	<hr/>	<hr/>
At 31 December 2022	1,284,000	498,000	1,782,000
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2022	<u>1,284,000</u>	<u>498,000</u>	<u>1,782,000</u>
At 31 December 2021	<u>-</u>	<u>-</u>	<u>-</u>

Intangible assets are tested for impairment at least annually or whenever events or circumstances change and make it more likely than not that an impairment may have occurred.

REDSIFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

13. Tangible fixed assets

Group

	Leasehold improvements	Office equipment	Computer equipment	Total
	£	£	£	£
Cost or valuation				
At 1 January 2022	22,067	35,624	159,622	217,313
Additions	8,400	5,290	75,506	89,196
Acquisition of subsidiary	-	-	1,688	1,688
Disposals	-	-	(1,724)	(1,724)
Exchange adjustments	-	-	2,583	2,583
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2022	30,467	40,914	237,675	309,056
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 January 2022	16,530	29,566	82,908	129,004
Charge for the year	7,521	7,381	49,879	64,781
Exchange adjustments	-	-	1,025	1,025
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2022	24,051	36,947	133,812	194,810
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2022	<u>6,416</u>	<u>3,967</u>	<u>103,863</u>	<u>114,246</u>
At 31 December 2021	<u>5,537</u>	<u>6,058</u>	<u>76,714</u>	<u>88,309</u>

REDSIFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

13. Tangible fixed assets (continued)

Company

	Leasehold improvements £	Office equipment £	Computer equipment £	Total £
Cost or valuation				
At 1 January 2022	22,067	35,624	114,210	171,901
Additions	8,400	5,290	51,777	65,467
Disposals	-	-	(1,724)	(1,724)
At 31 December 2022	<u>30,467</u>	<u>40,914</u>	<u>164,263</u>	<u>235,644</u>
Depreciation				
At 1 January 2022	16,530	29,566	72,869	118,965
Charge for the year	7,521	7,381	29,572	44,474
At 31 December 2022	<u>24,051</u>	<u>36,947</u>	<u>102,441</u>	<u>163,439</u>
Net book value				
At 31 December 2022	<u>6,416</u>	<u>3,967</u>	<u>61,822</u>	<u>72,205</u>
At 31 December 2021	<u>5,537</u>	<u>6,058</u>	<u>41,341</u>	<u>52,936</u>

14. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2022	44,688
Additions	6,455,968
At 31 December 2022	<u>6,500,656</u>

REDSIFT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Redsift Spain SLU	Spain	Ordinary	100 %
Redsift Inc	USA	Ordinary	100 %
Redsift Australia Pty Ltd	Australia	Ordinary	100 %
Hardenize Ltd	United Kingdom	Ordinary	100 %

The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable.

The subsidiary company Hardenize Ltd has taken the exemption in section 479A of the Companies Act 2006 (the Act) from the requirement in the Act for their individual accounts to be audited. The guarantee given by the Company under section 479A is disclosed in note 25.

15. Debtors

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Due after more than one year				
Other debtors	84,746	84,506	80,239	80,239
	84,746	84,506	80,239	80,239
Due within one year				
Trade debtors	1,428,647	940,926	1,189,660	809,594
Amounts owed by group undertakings	-	-	6,147,541	2,512,090
Other debtors	55,957	78,580	48,357	74,590
Prepayments and accrued income	654,508	399,484	577,650	375,515
Tax recoverable	353,313	532,435	296,074	532,435
	2,577,171	2,035,931	8,339,521	4,384,463

16. Cash and cash equivalents

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Cash at bank and in hand	20,223,170	3,122,980	19,677,680	3,093,704

REDSIFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

17. Creditors: Amounts falling due within one year

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Other loans	-	3,225,863	-	3,225,863
Trade creditors	392,589	115,600	380,652	80,444
Credit cards	57,363	118,950	55,096	118,950
Amounts owed to group undertakings	-	-	1,733,619	47,873
Other taxation and social security	276,091	239,469	190,216	183,487
Other creditors	64,858	49,473	53,513	49,362
Accruals and deferred income	5,878,898	3,764,414	4,610,824	3,261,966
	<u>6,669,799</u>	<u>7,513,769</u>	<u>7,023,920</u>	<u>6,967,945</u>

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

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Deferred income	600,012	450,197	468,645	450,197
	<u>600,012</u>	<u>450,197</u>	<u>468,645</u>	<u>450,197</u>

19. Loans

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Amounts falling due within one year				
Other loans	-	3,225,863	-	3,225,863
	<u>-</u>	<u>3,225,863</u>	<u>-</u>	<u>3,225,863</u>
Amounts falling due 1-5 years				
	<u>-</u>	<u>3,225,863</u>	<u>-</u>	<u>3,225,863</u>

Convertible loan notes totalling £3,000,000 were issued in 2020, interest was due on the loans at a rate of 6% per annum. The convertible loan notes were unsecured and were converted to equity during the year in full.

REDSIFT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

20. Share capital

	2022	2021
	£	£
142,796,493 (2021 - 129,494,000) Ordinary shares of £0.0000001 each	15	13
4,500,000 (2021 - 4,500,000) Ordinary G shares of £0.0000001 each	-	-
51,134,917 (2021 - 63,982,417) Seed 1 shares of £0.0000001 each	5	6
64,145,061 (2021 - 87,666,946) Seed 2 shares of £0.0000001 each	6	9
108,491,577 (2021 - 106,491,577) Series A shares of £0.0000001 each	11	11
132,549,590 (2021 - nil) Series B-2 AD shares of £0.0000001 each	13	-
35,908,065 (2021 - nil) Series B-2 NAD shares of £0.0000001 each	4	-
28,193,171 (2021 - nil) Series B-1 shares of £0.0000001 each	3	-
	57	39
	57	39

During the year, 86,672,205 Series B-2 AD shares with a nominal value of £0.0000001 each were issued for a total consideration of £18,686,527.

During the year, 35,908,065 Series B-2 NAD shares with a nominal value of £0.0000001 each were issued for a total consideration of £7,741,779.

During the year, 28,193,171 Series B-1 shares with a nominal value of £0.0000001 each were issued for a total consideration of £3,180,754.

During the year, 9,508,000 Ordinary A shares were redesignated to B-2 AD shares.

During the year, 12,847,500 Seed 1 shares were redesignated to B-2 AD shares.

During the year, 23,521,885 Seed 2 shares were redesignated to B-2 AD shares.

During the year, 652,086 Ordinary A shares with a nominal value of £0.0000001 each were issued for a total consideration of £43,233.

During the year, 1,500,000 Ordinary A shares with a nominal value of £0.0000001 each were issued for a total consideration of £5,735.

During the year, 1,988,000 Ordinary A shares with a nominal value of £0.0000001 each were issued for a total consideration of £46,287.

During the year, 800,000 Ordinary A shares with a nominal value of £0.0000001 each were issued for a total consideration of £6,120.

During the year, 16,079,627 Ordinary A shares with a nominal value of £0.0000001 each were issued for a total consideration of £3,584,953.

Ordinary G shares carry no dividend rights.

The Ordinary A, Seed 1, Seed 2 and Series A, Series B-1, Series B-2 AD and Series B-2 NAD shares rank equally in all respects, except for capital distribution.

REDSIFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

21. Financial instruments

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Financial assets				
Financial assets that are debt instruments measured at amortised cost	<u>22,082,621</u>	<u>4,226,992</u>	<u>27,433,579</u>	<u>6,570,217</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>457,447</u>	<u>3,390,936</u>	<u>1,782,667</u>	<u>3,403,542</u>

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, amounts owed by group undertakings, other debtors, cash at bank and in hand.

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

22. Deferred taxation

Group

	2022 £
Charged to profit or loss	(17,978)
At end of year	<u>(17,978)</u>

Company

	2022 £
Charged to profit or loss	(17,978)
At end of year	<u>(17,978)</u>

	Group 2022 £	Company 2022 £
Accelerated capital allowances	<u>(17,978)</u>	<u>(17,978)</u>
	<u>(17,978)</u>	<u>(17,978)</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

23. Reserves

Share premium account

This reserve represents the amount above the nominal value for shares issued, less transaction costs.

Foreign exchange reserve

Foreign exchange reserves consist of the difference on exchange rates between profit and loss and balance sheet entries on consolidation between companies with base operating currencies other than Pounds.

Other reserves

This reserve represents the cumulative cost of issues of share options.

Profit and loss account

This reserve represents the cumulative profit available for distribution to shareholders.

REDSIFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

24. Share based payments

The Company operates an equity settled stock award scheme, whereby employees of the company may be granted either restricted stock units or stock options in the parent company, Redsift Limited. Under the scheme such share options vest over a scheduled vesting period.

The share based payment charge for the year was £24,002 (2021: £28,510).

	Weighted average exercise price (pence) 2022	Number 2022	Weighted average exercise price (pence) 2021 (as restated)	Number 2021 (as restated)
Outstanding at the beginning of the year	0.043	29,057,619	0.021	31,186,000
Granted during the year	0.083	3,500,000	0.068	9,950,969
Forfeited during the year	0.045	(2,460,417)	0.006	(803,667)
Exercised during the year	0.045	(3,477,583)	0.006	(11,275,683)
Outstanding at the end of the year	0.048	26,619,619	0.043	29,057,619
			2022	2021
Option pricing model used			Black-Scholes	Black-Scholes
Weighted average share price (pence)			0.002	0.001
Exercise price (pence)			0.0663-0.09	0.0663-0.08619
Weighted average contractual life (years)			1.0-5.0	1.0-4.0
Expected volatility			30.00%	43.20%
Risk-free interest rate			3.23%	1.32%

REDSIFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

25. Business combinations

On 10 October 2022 and with an effective date of 1 October 2022, the Company acquired 100% of the share capital of Hardenize Ltd, a limited company registered in England and Wales. The Company accounted for this transaction under the acquisition method.

Acquisition of Hardenize Ltd

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £	Fair value adjustments £	Fair value £
Fixed Assets			
Tangible	1,689	-	1,689
Intangible	-	2,190,100	2,190,100
	<u>1,689</u>	<u>2,190,100</u>	<u>2,191,789</u>
Current Assets			
Debtors	60,686	-	60,686
Cash at bank and in hand	377,258	-	377,258
	<u>439,633</u>	<u>2,190,100</u>	<u>2,629,733</u>
Total Assets			
Creditors			
Due within one year	(284,988)	-	(284,988)
Due after more than one year	16,006	-	16,006
	<u>170,651</u>	<u>2,190,100</u>	<u>2,360,751</u>
Total identifiable net assets			
Goodwill			4,095,217
Total purchase consideration			
Consideration			
			£
Cash			2,912,340
Equity instruments			3,466,768
Directly attributable costs			76,860
			<u>6,455,968</u>
Total purchase consideration			

REDSIFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

25. Business combinations (continued)

Cash outflow on acquisition

	£
Purchase consideration settled in cash, as above	2,912,340
Directly attributable costs	76,860
	<u>2,989,200</u>
Less: Cash and cash equivalents acquired	(377,258)
Net cash outflow on acquisition	<u>2,611,942</u>

The goodwill arising on acquisition is attributable to the cash and share consideration paid over above the fair value of the net assets acquired.

The results of Hardenize Ltd since acquisition are as follows:

	Current period since acquisition £
Turnover	155,401
Other operating income	<u>1,782,000</u>
Profit for the period since acquisition	<u>1,647,169</u>

26. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £144,923 (2021: £100,866) . Contributions totalling £49,332 (2021: £40,571) were payable to the fund at the balance sheet date and are included in creditors.

27. Financial commitments, guarantees and contingent liabilities.

In order for the subsidiary company Hardenize Ltd to take the audit exemption in section 479A of the Companies Act 2006, the Company has guaranteed all outstanding liabilities of that subsidiary company at 31 December 2022 until those liabilities are satisfied in full.

REDSIFT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

28. Commitments under operating leases

At 31 December 2022 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Not later than 1 year	191,084	210,269	182,500	182,500
Later than 1 year and not later than 5 years	121,667	310,507	121,667	304,167
	<u>312,751</u>	<u>520,776</u>	<u>304,167</u>	<u>486,667</u>

29. Related party transactions

The Company is exempt from disclosing related party transactions with other 100% owned members of the Group headed by Redsift Limited by virtue of FRS 102 section 33.1A.

During the year, Noble Powar, a related party to one of the company's directors, sold £300,330 of shares.

During the year, Highland Europe, a shareholder of the company was paid £50,000 (2021: £nil) for investment advice. There were not any amounts outstanding in relation to this at the year end.

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