

COMPANY REGISTRATION NUMBER: 08766928

**Artificial Labs Ltd**

**Filleted Unaudited Financial Statements**

**31 December 2020**

# Artificial Labs Ltd

## Financial Statements

Year ended 31 December 2020

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# Artificial Labs Ltd

## Directors' Report

### Year ended 31 December 2020

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The directors present their report and the unaudited financial statements of the company for the year ended 31 December 2020 .

#### Principal activities

The principal activity of the company during the year was software design and development.

#### Directors

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

Mr D L King

Mr J S Bridges

Mr D Arnold

Mr O Tikhturov

Mr J R Downes

Mr M A Gifford

## **Our business**

Artificial Labs Ltd (Artificial) provides a white-labelled software platform that facilitates the distribution, negotiation and binding of complex insurance contracts. As well as the core platform we have complimentary tools that make this process as frictionless as possible including the ingestion and analysis of unstructured risk data, enrichment of this information and pricing of risk more profitably. Our core platform is predominantly charged for on a transactional basis as a percentage of the insurer's premium processed through the platform. In addition, we license components on an annual fee. In both instances we will enter into multi-year contracts and often charge an implementation fee. In 2020 we have continued to focus predominantly on targeting large insurance companies with enterprise scale implementations. Having secured Chaucer Plc as a major client in late 2019 we have begun to implement products for them in late 2020 - with an initial delay in roll out due to the impact of Covid 19 we are now accelerating the roll out in late 2020 and at the start of 2021. We have more than doubled the number of contracted clients through 2020 to 9 clients despite the global pandemic and have begun 2021 strongly with numerous clients putting products live and entering into Pilot implementations with us too. Our most recent win has been with Convex Insurance, a major new player in the London Insurance Market. We've also converted Brit Insurance from Pilot to Production.

## **Market & Problem**

The insurance sector continues to suffer with poor customer and staff user experiences, frequently impacted by poor technology solutions that can't deliver the kind of easy to use system that would be expected in the current day and age. There are long innovation and development timelines, with incumbent insurers and technology providers challenged with dealing and handling business as usual. The industry continues to accommodate broken data pipelines with offline and manual processes, impacting the industry's ability to modernise and facilitate a faster pace of change. Few, if any, systems easily integrate multiple sides of insurance broker/risk carrier relationship, paper currently the norm.

Artificial is working hard to deliver a platform that resolves these challenges and ensure that both insurers and their customers can experience modern, advanced and innovative technology that helps rather than hinders the provision and purchase of insurance.

The addressable market size is significant, with Lloyd's of London processing over >\$91Bn in premium per year.

## **Our Solutions & Products**

We allow insurers to quickly accomplish the following:

1. Provide delightful user experiences to their customers and staff through white-labelled platforms; increasing customer satisfaction, loyalty, retention and data quality.
2. Capture and process data in a fully digital manner throughout the data pipeline; improving pricing accuracy and profitability.
3. Take new insurance products to market in a matter of days, not months, with low up-front costs; decreasing the cost of change significantly.
4. Leverage the newly captured, accurate and real-time data, to improve their pricing accuracy of risk to be more profitable.

## **Team**

As a business we comprise a team of 30 expert engineers, data scientists and designers. Located in London, Warsaw and remote working friendly. Throughout much of 2020 we have worked remotely without interruption to our operations, successfully collaborating with clients who after an initial delay are, in many cases, pushing forward at an increased rate with their digitisation effort.

Our director group have executed in excess of £1Bn of transactions through various exits and IPOs. Additionally, we have a highly experienced executive team with significant insurance and technical IT skills. Our Machine Learning department are highly skilled with multiple PHDs and our Business Analyst team have multiple decades worth of deep insurance exposure between them. The team has been built over a 5 year period - all with prior experience of delivering highly polished and data driven platforms for blue chip companies.

## **Traction**

2020 has been a challenging year given the impact of Covid. Despite this impact we have continued to bring on board more clients, increasing from 4 to 9 with further later stage prospects in a growing pipeline. Our like for like recurring revenue has increased by 45% year on year (predominantly due to \$250k booked in late 2019 as an implementation fee). We continue to work with significant insurers including Aon, Axis and by the end of 2020 we have successfully launched the initial products for Chaucer onto our platform; part of a much larger planned roll out with them. We have successfully worked with Brit on a pilot implementation of one of our Machine Learning data extraction products and in early 2021 this has moved into full production. Another major client conversion by the end of 2020 has been with Convex with a Marine Liability product having launched on our platform in early 2021, developed through late 2020. In December 2020 we entered into a formal partnership agreement with Capita's Insurance businesses, and we are creating combined propositions, consisting of technology and services, for their existing client base and we are in active discussion with many of these firms about the roll out of technology solutions and exploring digitalisation opportunities.

## **Investment Funding**

We raised a further £2m in 2020 bringing the total raised to date to £7.22m. This additional funding was in the form of convertible loan notes and alongside our existing investors, Future Fund provided matched funding.

## **Small company provisions**

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

This report was approved by the board of directors on 13 April 2021 and signed on behalf of the board by:

Mr D Arnold

Director

Registered office:

Bourne House

475 Godstone Road

Whyteleafe

Surrey

CR3 0BL

# Artificial Labs Ltd

## Accountants Report to the Board of Directors on the Preparation of the Unaudited Statutory Financial Statements of Artificial Labs Ltd

### Year ended 31 December 2020

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In order to assist you to fulfil your duties under the Companies Act 2006, we have prepared for your approval the financial statements of Artificial Labs Ltd for the year ended 31 December 2020, which comprise the statement of financial position and the related notes from the company's accounting records and from information and explanations you have given us. As a practising member firm of the Association of Chartered Certified Accountants, we are subject to its ethical and other professional requirements which are detailed at [www.accaglobal.com/en/member/professional-standards/rules-standards/acca-rulebook.html](http://www.accaglobal.com/en/member/professional-standards/rules-standards/acca-rulebook.html). This report is made solely to the Board of Directors of Artificial Labs Ltd, as a body. Our work has been undertaken solely to prepare for your approval the financial statements of Artificial Labs Ltd and state those matters that we have agreed to state to you, as a body, in this report in accordance with the requirements of the Association of Chartered Certified Accountants as detailed at [www.accaglobal.com/content/dam/ACCA\\_Global/Technical/fact/technical-factsheet-163.pdf](http://www.accaglobal.com/content/dam/ACCA_Global/Technical/fact/technical-factsheet-163.pdf). To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Artificial Labs Ltd and its Board of Directors, as a body, for our work or for this report.

It is your duty to ensure that Artificial Labs Ltd has kept adequate accounting records and to prepare statutory financial statements that give a true and fair view of the assets, liabilities, financial position and loss of Artificial Labs Ltd. You consider that Artificial Labs Ltd is exempt from the statutory audit requirement for the year. We have not been instructed to carry out an audit or a review of the financial statements of Artificial Labs Ltd. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the statutory financial statements.

BAILHACHE LINTON LLP Accountants

Bourne House 475 Godstone Road Whyteleafe Surrey CR3 0BL

13 April 2021

# Artificial Labs Ltd

## Statement of Financial Position

31 December 2020

		2020	2019
	Note	£	£
<b>Fixed assets</b>			
Tangible assets	5	56,756	78,390
Investments	6	1,041	1,041
		57,797	79,431
<b>Current assets</b>			
Debtors	7	1,327,812	1,727,709
Cash at bank and in hand		1,359,778	1,210,151
		2,687,590	2,937,860
<b>Creditors: amounts falling due within one year</b>	8	1,740,642	1,779,960
<b>Net current assets</b>		946,948	1,157,900
<b>Total assets less current liabilities</b>		1,004,745	1,237,331
<b>Creditors: amounts falling due after more than one year</b>	9	2,000,000	—
<b>Provisions</b>	10	6,518	10,357
<b>Net (liabilities)/assets</b>		( 1,001,773)	1,226,974
<b>Capital and reserves</b>			
Called up share capital	12	254	254
Share premium account		5,520,239	5,520,239
Profit and loss account		( 6,522,266)	( 4,293,519)
<b>Shareholders (deficit)/funds</b>		( 1,001,773)	1,226,974

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with Section 1A of FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

In accordance with section 444 of the Companies Act 2006, the statement of comprehensive income has not been delivered.

For the year ending 31 December 2020 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

Directors' responsibilities:

- The members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476 ;
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of financial statements .

# Artificial Labs Ltd

## Statement of Financial Position *(continued)*

**31 December 2020**

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These financial statements were approved by the board of directors and authorised for issue on 13 April 2021 , and are signed on behalf of the board by:

Mr D Arnold

Director

Company registration number: 08766928



# Artificial Labs Ltd

## Notes to the Financial Statements

Year ended 31 December 2020

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### 1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Bourne House, 475 Godstone Road, Whyteleafe, Surrey, CR3 0BL.

### 2. Statement of compliance

These financial statements have been prepared in compliance with Section 1A of 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, as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss. The financial statements are prepared in sterling, which is the functional currency of the entity.

#### Consolidation

The entity has taken advantage of the option not to prepare consolidated financial statements contained in Section 398 of the Companies Act 2006 on the basis that the entity and its subsidiary undertakings comprise a small group.

#### Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### 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. Revenue from the sale of services is recognised when the amount of revenue can be measured reliably, it is probable that the associated economic benefits will flow to the entity, and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

#### 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 Statement of 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. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

## **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:

Fixtures and fittings	-	25% straight line
Computer Equipment	-	25% straight line
Leasehold improvements	-	Over 5 years, being the term of the lease

## **Investments**

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

Listed investments are measured at fair value with changes in fair value being recognised in profit or loss.

### **Investments in associates**

Investments in associates accounted for in accordance with the cost model are recorded at cost less any accumulated impairment losses. Investments in associates accounted for in accordance with the fair value model are initially recorded at the transaction price. At each reporting date, the investments are measured at fair value, with changes in fair value recognised in other comprehensive income/profit or loss. Where it is impracticable to measure fair value reliably without undue cost or effort, the cost model will be adopted. Dividends and other distributions received from the investment are recognised as income without regard to whether the distributions are from accumulated profits of the associate arising before or after the date of acquisition.

### **Investments in joint ventures**

Investments in jointly controlled entities accounted for in accordance with the cost model are recorded at cost less any accumulated impairment losses. Investments in jointly controlled entities accounted for in accordance with the fair value model are initially recorded at the transaction price. At each reporting date, the investments are measured at fair value, with changes in fair value recognised in other comprehensive income/profit or loss. Where it is impracticable to measure fair value reliably without undue cost or effort, the cost model will be adopted. Dividends and other distributions received from the investment are recognised as income without regard to whether the distributions are from accumulated profits of the joint venture arising before or after the date of acquisition.

**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. For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

**Provisions**

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense. Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

**Financial instruments**

A financial asset or a financial liability is recognised only when the company 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. Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment. Other financial instruments, including derivatives, are initially recognised at fair value, 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. Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately. For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics. Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

#### Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund. When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

#### 4. Employee numbers

The average number of persons employed by the company during the year amounted to 25 (2019: 22 ).

#### 5. Tangible assets

	Fixtures and fittings £	Equipment £	Leasehold improve- ments £	Total £
<b>Cost</b>				
At 1 January 2020	29,929	117,364	27,764	175,057
Additions	3,295	8,992	–	12,287
Disposals	–	( 3,139)	–	( 3,139)
	-----	-----	-----	-----
<b>At 31 December 2020</b>	<b>33,224</b>	<b>123,217</b>	<b>27,764</b>	<b>184,205</b>
	-----	-----	-----	-----
<b>Depreciation</b>				
At 1 January 2020	18,883	65,753	12,031	96,667
Charge for the year	6,527	21,841	5,553	33,921
Disposals	–	( 3,139)	–	( 3,139)
	-----	-----	-----	-----
<b>At 31 December 2020</b>	<b>25,410</b>	<b>84,455</b>	<b>17,584</b>	<b>127,449</b>
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<b>Carrying amount</b>				
<b>At 31 December 2020</b>	<b>7,814</b>	<b>38,762</b>	<b>10,180</b>	<b>56,756</b>
	-----	-----	-----	-----
At 31 December 2019	11,046	51,611	15,733	78,390
	-----	-----	-----	-----

## 6. Investments

	Shares in group undertakings £
<b>Cost</b>	
At 1 January 2020 and 31 December 2020	1,041
<b>Impairment</b>	
At 1 January 2020 and 31 December 2020	—
<b>Carrying amount</b>	
At 31 December 2020	1,041
At 31 December 2019	1,041

## 7. Debtors

	2020 £	2019 £
Trade debtors	183,499	194,730
Other debtors	1,144,313	1,532,979
	1,327,812	1,727,709

## 8. Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	34,693	51,315
Amounts owed to group undertakings and undertakings in which the company has a participating interest	—	1
Social security and other taxes	244,076	74,915
Other loans	1,150,000	1,050,000
Other creditors	311,873	603,729
	1,740,642	1,779,960

## 9. Creditors: amounts falling due after more than one year

	2020 £	2019 £
Other loans	2,000,000	—

## 10. Provisions

	Deferred tax £
At 1 January 2020	10,357
Charge against provision	( 3,839)
At 31 December 2020	6,518

## 11. Financial instruments

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

	2020	2019
	£	£
<b>Financial liabilities measured at amortised cost</b>		
Financial liabilities measured at amortised cost	3,050,000	1,050,000

## 12. Called up share capital

Allotted, issued and fully paid:

	No.	2020	No.	2019
		£		£
Ordinary shares of £0.000025 each	6,047,200	151	6,047,200	151
Preferred A shares of £0.000025 each	4,133,200	103	4,133,200	103
	10,180,400	255	10,180,400	255

The company operates an employee option pool for the purposes of staff retention and motivation, this pool has a total of 1,060,000 share options available for issuance. None have been exercised currently.

## 13. Operating leases

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

	2020	2019
	£	£
Not later than 1 year	76,006	217,717
Later than 1 year and not later than 5 years	251,853	166,763
	327,859	384,480

## 14. Directors' advances, credits and guarantees

During the year the directors entered into the following advances and credits with the company:

	2020			
	Balance brought forward	Advances/ (credits) to the directors	Amounts repaid	Balance outstanding
	£	£	£	£
Mr D L King	624	—	( 624)	—
Mr J S Bridges	397	392	( 789)	—
	1,021	392	( 1,413)	—
	2019			
	Balance brought forward	Advances/ (credits) to the directors	Amounts repaid	Balance outstanding
	£	£	£	£
Mr D L King	589	347	( 312)	624
Mr J S Bridges	222	892	( 717)	397
	811	1,239	( 1,029)	1,021

## **15. Related party transactions**

The company has no overall controlling party. During the year the directors' overdrawn loan accounts were fully repaid. In the prior year Mr D L King and Mr J S Bridges owed the company £ 624 and £ 397 respectively, which were included under Other Debtors on the Balance Sheet. No. 9 Investments Limited, of which Mr J S Bridges wife, Mrs H McCarthy-Bridges is a director and shareholder, holds 1,379,600 Preferred A shares at the year end ( 2019: 1,379,600 Preferred A shares ). No. 9 Investments Limited issued a further convertible loan note during the year of £375,000, bringing their total convertible loan notes at the year end to £725,000 ( 2019: £350,000 ) which is shown in Other Loans in Creditors. Mr M A Gifford is also a director of No. 9 Investments Limited .



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