

Registered number: 08873131

Faculty Science Limited

Annual report and financial statements

For the year ended 31 March 2023

Faculty Science Limited

Company Information

Directors	A Brookes S M A Ma Dr M Warner S C Klein M J S Beith
Registered number	08873131
Registered office	Level 5 160 Old Street London United Kingdom EC1V 9BW
Independent auditors	Kreston Reeves LLP Chartered Accountants & Statutory Auditor Springfield House Springfield Road Horsham West Sussex RH12 2RG

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Strategic report

For the year ended 31 March 2023

Introduction

The directors present their strategic report accompanying the financial statements for the year ended 31 March 2023.

Principal activity

Faculty is an applied artificial intelligence (AI) company. We build industry-leading AI systems that helps organisations improve productivity and profitability.

Our Decision Intelligence (DI) platform Frontier implements, controls and audits the performance of AI across organisations. Connecting enterprises mission-critical apps to simulate what's going to happen, why and what to do about it.

Business review and key performance indicators

Throughout this financial year we invested in two key areas; growing the services business and building out our decision intelligence platform, Frontier. The results of this can be seen in revenue growth of 57% driven by work across multiple sectors. We have continued to build on our investment in 2022 with significant headcount growth in our product teams and in sales and marketing teams. This investment is reflected in the higher operating loss, and in our headcount which increased from 205 to 290 by the year end.

This growth in revenue, acceleration of investment in headcount ahead of revenue, and strong cash position is shown by the key metrics below:

	31 March 2023	31 March 2022	Change
	£000	£000	%
Revenue	21,413	13,629	57
Operating loss	(8,825)	(4,303)	105
Cash at bank and in hand	22,408	31,250	(28)

Strategic report (continued)

For the year ended 31 March 2023

We continued to develop data driven, intelligence services across Government and the public sector, including:

- Working with the Hywel Dda health board in Wales to introduce technology to predict when patients will be ready to leave hospital upon their arrival in A&E, helping plan for discharges early to avoid delays and hospital beds occupied by patients who no longer need hospital care;
- Developing the Counter Disinformation Data Platform (CDDP) with the Department of Science Innovation and Technology to improve cross-government analysis of disinformation narratives. This will help the Government better understand and mitigate the potential threats posed by disinformation;
- Acting as a data science partner to clients including the Food Standards Agency, Home Office and HM Land Registry.

Faculty were selected as the prime contractor for the discovery phase of the National Biosurveillance Network (NBN) to help the country prepare, evaluate and respond to future biosecurity risks across animal, human and plant health. Faculty lead a team of 50 user-design, science and technology specialists across Faculty, Accenture, Ginkgo Bioworks and the London Data Company, and assembled a 12 member Expert Advisory Panel consisting of leading academics and international experts to steer the work. The initial 'discovery' phase, which began in February 2023, will provide a roadmap towards a new surveillance network and capability for the UK.

We have a growing presence across Defence, supporting strategic and operational teams. For example, one project developed a prototype next-generation digital twin of the pilot training process at a UK air base to test the use of causal models rather than statistical models across the defence landscape. Potential use cases for the work are diverse, and include: devising pilot training, deployment readiness, and predictive maintenance.

This was also the year that Faculty stood up its offering to Energy, Utility and Natural Resources clients growing the team from 1 to double digits and executing work at the cutting edge of energy innovation. We worked with SGN, one of the four major UK gas network operators to find ways to manage gas pressure in real-time to reduce gas leakage and enable biogas/hydrogen injection, and the multi award-winning renewable energy start-up Drift to create a routing algorithm so their hydrogen generating boats could follow the most favourable wind patterns and double the generating efficiency of offshore wind.

In the Retail & Consumer business unit, we continued to extend our relationship with long time clients such as Pandora and Virgin Media, and expanded the business unit by providing a range of production AI models to new SME clients such as the marketing platform Mention Me, luxury shopping destination Value Retail and global players such as academic publishers Springer Nature.

Across all our sectors, Faculty grew its work advising the public and private sector in the adoption of, and developing capabilities for, Gen AI. Alongside client projects, Faculty entered into a partnership to be an official technical implementation partner for Open AI's Chat GPT, and created an internal Gen AI squad and LLM research team.

Forward look

As we enter into this next Financial Year, our priorities are to continue to consolidate our position as the leading applied AI specialist in the UK public sector, and to further build our presence and profile across the private sector markets in which we operate.

We will continue to invest in development and go to market for our SaaS product Frontier. Frontier is Faculty's Decision Intelligence platform, reshaping how businesses integrate Applied AI at scale. Frontier is built upon the concept of a Computational Twin, an innovative digital blueprint detailing an organisation's intricate processes, workflows, and value chains. Unlike conventional models, Frontier seamlessly merges these elements, offering a comprehensive view of the organisation's operations. This panoramic insight ensures that decisions account for dependencies and potential cascading effects, placing an organisation ahead of the curve. Crucially, the platform prioritises ethical and responsible AI deployment. Through rigorous governance tools, AI operates within defined parameters, harmonising with overarching business goals. Frontier signifies that companies can not only harness AI's potential but do so holistically, responsibly, and at a scale that promises sustained growth.

Strategic report (continued)
For the year ended 31 March 2023

Research and Development

The goal of our Research and Development is to seed new technology that enables us to build better AI systems for our customers and to fuel our long-term competitive advantage in AI. We do this through a combination of:

- Academic research: solving fundamental questions of general scientific interest in the field of machine learning and publishing our findings in scientific papers
- Applied research: tackling valuable unsolved problems, applicable to multiple customers, where the output is systematically benchmarked results and proof-of-concept algorithms
- Bespoke R&D: developing new algorithms and systems for specific customer applications

For the financial year ending 31 March 2023, our primary aim has been to translate the prototypes conceived in the preceding year into scalable, production-ready solutions. A focal point of this ambitious endeavour has been the development of the Computational Twin Engine, a revolutionary tool designed to simulate and optimise organisational decision making. To achieve this, we have driven innovation in multiple areas:

- Simulation: to develop robust frameworks and object models to simulate possible future scenarios and understand root causes.
- AI explainability: to ensure AI models are understandable and trusted by end decision makers.

Causal analysis: to enhance Frontier's prediction capabilities by incorporating causal structures, ensuring that the predictions hold up even in fluctuating or unprecedented operational contexts.

- Optimisation: to discover the global best decisions an organisation can make, across silos and end-to-end.

Our robust R&D agenda is in alignment with our overarching mission to be an industry-leader in AI and to provide best-in-class Decision Intelligence solutions.

Principal risks and uncertainties

Information and Cyber Security Risk: We continue to maintain strong data protection, cyber and information security practices. Including cyber threat modelling, regular penetration testing, endpoint security monitoring, business continuity and disaster recovery practices and robust data governance processes. We are Cyber Essentials Plus certified. We have also added robust personnel security processes to our security practice, including hiring a dedicated Vetting Manager. This year we have launched a new training platform and have rolled out both GDPR and Privacy training, as well as robust Cyber, Information and Personnel Security Training, this is in addition to our ongoing classroom-led onboarding and ongoing Security training. We continue to meet high standards of security across our systems, networks and cloud environments.

Macroeconomic uncertainty: The prevailing challenges of high inflation and the escalating cost of living are exerting considerable strain on both the UK and the global economy. However, we believe that the AI industry, riding the GenAI wave, enjoys a certain level of resilience despite this uncertainty. In addition, AI is a high-growth area for the wider economy. Hence, we maintain our optimistic forecast and anticipate significant growth.

Liquidity risk: At the year end we had a strong cash balance and no loans or borrowings. With the £22.4m cash, whilst we continue to manage our working capital closely, liquidity risk is currently minimal, and our focus is on ensuring that capital is invested productively to accelerate the growth of our commercial capacity, and the ongoing development of our decision intelligence platform, Frontier.

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

.....
S M A Ma
Director
Date: 18 December 2023

Directors' report
For the year ended 31 March 2023

The directors present their report and the financial statements for the year ended 31 March 2023.

Results and dividends

The loss for the year, after taxation, amounted to £7,931,000 (2022 - loss £3,772,000). The company has no available reserves to declare a dividend.

Directors

The directors who served during the year were:

A Brookes
S M A Ma
Dr M Warner
S C Klein
M J S Beith

Matters covered in the Strategic report

The company has chosen in accordance with the Companies Act 2006, section 414C(11) to set out in the

company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts

and Reports) Regulations 2008, Sch.7 to be contained in the directors' report. It has done so in respect of principal activities, review of business, principal risks and uncertainties, future developments and research and development.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 of the profit or loss of the Company for that period.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' report (continued)
For the year ended 31 March 2023

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'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's auditors are aware of that information.

Going concern

While the company has made a loss for the year, based on detailed forecasts and the cash requirements for the business, the directors are of the opinion that it is reasonable to prepare the financial statements on a going concern basis.

Auditors

The auditors, Kreston Reeves LLP, 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.

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S M A Ma

Director

Date: 18 December 2023

Independent auditors' report to the members of Faculty Science Limited

Opinion

We have audited the financial statements of Faculty Science Limited (the 'Company') for the year ended 31 March 2023, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of cash flows, the 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 Company's affairs as at 31 March 2023 and of its 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 Company 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 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.

Independent auditors' report to the members of Faculty Science 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 Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent auditors' report to the members of Faculty Science 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 financial statements.

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

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the company and industry, and through discussion with the directors and other management (as required by auditing standards), we identified that the principal risks of non-compliance with laws and regulations related to General Data Protection Regulations and employment law. We considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the

Companies Act 2006 and taxation legislation. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to revenue recognition. Audit procedures performed by the engagement team included :

- Discussions with management and assessment of known or suspected instances of non-compliance with laws and regulations and fraud; and
 - Assessment of identified fraud risk factors; and
 - Challenging assumptions and judgements made by management in its significant accounting estimates;
- and
- Confirmation of related parties with management, and review of transactions throughout the period to identify any previously undisclosed transactions with related parties outside the normal course of business;
- and
- Performing analytical procedures with automated data analytics tools to identify any unusual or unexpected relationships, including related party transactions, that may indicate risks of material misstatement due to fraud; and
 - Review of significant and unusual transactions and evaluation of the underlying financial rationale supporting the transactions; and
 - Identifying and testing journal entries, in particular any manual entries made at the year end for financial statement preparation.

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.

Independent auditors' report to the members of Faculty Science Limited (continued)

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

Graham Hunt BA FCA (Senior statutory auditor)
for and on behalf of

Kreston Reeves LLP

Chartered Accountants

Statutory Auditor

Horsham

20 December 2023

Statement of comprehensive income
For the year ended 31 March 2023

	Note	2023 £000	2022 £000
Turnover	4	21,413	13,629
Cost of sales		(12,444)	(6,719)
Gross profit		8,969	6,910
Administrative expenses		(17,850)	(11,213)
Other operating income	5	56	-
Operating loss	6	(8,825)	(4,303)
Interest receivable and similar income		139	12
Loss before tax		(8,686)	(4,291)
Tax on loss	10	755	519
Loss for the financial year		(7,931)	(3,772)
Other comprehensive income for the year			
Total comprehensive income for the year		(7,931)	(3,772)

The notes on pages 14 to 27 form part of these financial statements.

Balance sheet
As at 31 March 2023

	Note	2023 £000	2022 £000
Fixed assets			
Tangible assets	11	399	276
Investments	12	-	-
		<u>399</u>	<u>276</u>
Current assets			
Debtors: amounts falling due within one year	13	8,922	5,551
Cash at bank and in hand	14	22,408	31,250
		<u>31,330</u>	<u>36,801</u>
Creditors: amounts falling due within one year	15	(5,855)	(3,415)
Net current assets		<u>25,475</u>	<u>33,386</u>
Total assets less current liabilities		<u>25,874</u>	<u>33,662</u>
Net assets		<u><u>25,874</u></u>	<u><u>33,662</u></u>
Capital and reserves			
Called up share capital	16	-	-
Share premium account	17	39,317	39,190
Other reserves	17	287	286
Profit and loss account	17	(13,730)	(5,814)
		<u>25,874</u>	<u>33,662</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 18 December 2023.

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S M A Ma
Director

The notes on pages 14 to 27 form part of these financial statements.

Statement of changes in equity
For the year ended 31 March 2023

	Called up share capital £000	Share premium account £000	Other reserves £000	Profit and loss account £000	Total equity £000
At 1 April 2021	-	9,393	271	(2,044)	7,620
Comprehensive income for the year					
	-	-	-	(3,772)	(3,772)
Loss for the year					
	-	30,003	-	-	30,003
Shares issued during the year					
	-	(206)	-	-	(206)
Share issue expenses					
	-	-	15	2	17
Employee share schemes - value of employee services					
Total transactions with owners	-	29,797	15	2	29,814
At 1 April 2022	-	39,190	286	(5,814)	33,662
Comprehensive income for the year					
	-	-	-	(7,931)	(7,931)
Loss for the year					
	-	127	-	-	127
Shares issued during the year					
	-	-	1	15	16
Employee share schemes - value of employee services					
Total transactions with owners	-	127	1	15	143
At 31 March 2023	-	39,317	287	(13,730)	25,874

The notes on pages 14 to 27 form part of these financial statements.

Statement of cash flows
For the year ended 31 March 2023

	2023	2022
	£000	£000
Cash flows from operating activities		
Loss for the financial year	(7,931)	(3,772)
Adjustments for:		
Depreciation of tangible assets	168	74
Interest receivable	(139)	(12)
Taxation credit	(755)	(519)
(Increase) in debtors	(3,135)	(1,806)
Increase in creditors	2,440	1,521
Share based payment charge	16	17
Corporation tax received	519	385
Net cash generated from operating activities	(8,817)	(4,112)
Cash flows from investing activities		
Purchase of tangible fixed assets	(291)	(237)
Interest received	139	12
Net cash from investing activities	(152)	(225)
Cash flows from financing activities		
Issue of new share capital	127	30,003
Expenses paid in connection with share issue	-	(206)
Net cash used in financing activities	127	29,797
Net (decrease)/increase in cash and cash equivalents	(8,842)	25,460
Cash and cash equivalents at beginning of year	31,250	5,790
Cash and cash equivalents at the end of year	22,408	31,250
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	22,408	31,250
	22,408	31,250

The notes on pages 14 to 27 form part of these financial statements.

Notes to the financial statements
For the year ended 31 March 2023

1. General information

The company is a private company limited by share capital and incorporated in England. Its registered office and principal place of business is Level 5, 160 Old Street, London, EC1V 9BW.

The nature of the company's operations and its principal activities are set out in the Strategic Report.

The financial statements are rounded to the nearest £'000, except where stated otherwise.

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 management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

The financial statements have been prepared on a going concern basis.

The directors have considered the future funding requirements of the business. Based on detailed

financial forecasts, incorporating year-to-date performance, the directors have concluded that the company has sufficient funds to ensure it can meet its financial liabilities as and when they fall due for the foreseeable future.

2.3 Exemption from preparing consolidated financial statements

The company is exempt from the requirement to prepare consolidated financial statements as its subsidiary can be excluded from consolidation in accordance with section 402 of the Companies Act 2006.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding 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 Company 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.

Notes to the financial statements
For the year ended 31 March 2023

2. Accounting policies (continued)

2.5 Government grants

Grants are accounted under the accruals model as permitted by FRS 102.

Grants of a revenue nature are recognised in the Statement of comprehensive income in the same period as the related expenditure.

2.6 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.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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	- 2 or 10 years
Fixtures and fittings	- 5 years
Computer equipment	- 3 years

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.

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Notes to the financial statements
For the year ended 31 March 2023

2. Accounting policies (continued)

2.8 Financial instruments

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.9 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.

2.10 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.

2.11 Creditors

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

2.12 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.

Notes to the financial statements
For the year ended 31 March 2023

2. Accounting policies (continued)

2.13 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 are presented in the Statement of comprehensive income within administrative expenses.

2.14 Operating leases: the Company as lessee

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.15 Pensions

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company 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 Company in independently administered funds.

Notes to the financial statements
For the year ended 31 March 2023

2. Accounting policies (continued)

2.16 Taxation

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 operates and generates income.

The company submits a research and development tax claim for all allowable research and development costs. Tax credits arising from such claims are accounted for in the tax charge as set out in note 10.

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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.17 Research and development

Costs associated with research activities and development expenditure are recognised as an expense in the Statement of comprehensive income when they are incurred.

2.18 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 Company 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 March 2023

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

In the application of accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the presentation and carrying amount of assets and liabilities that are not readily apparent from other sources. The following are the critical judgements that the directors have made in the process of applying the company's accounting policies.

Fair value of share options granted

The assessment of fair value of share options at grant date is independently determined using either the Black Scholes Model and/or the discounted cash flow model.

The Black Scholes Model takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk free interest rate for the term of the option and the correlations and volatilities of peer group companies.

Inputs into the discounted cash flow model include the expected future free cash flows of the business, a discount rate, an EBITDA multiple and the expected future staff turnover rate.

There is significant judgement in determining the inputs such as the expected price volatility, share prices, EBITDA multiple and discount rate, which has been calculated using the Capital Asset Pricing Model, as the shares are not traded on an exchange. Additional significant judgements arise in determining the expected future cash flows of this business, as there are inherent limitations to predicting future events.

4. Turnover

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

	2023 £000	2022 £000
Services and software	21,413	13,629
	<u>21,413</u>	<u>13,629</u>

Analysis of turnover by destination:

	2023 £000	2022 £000
United Kingdom	20,442	12,184
Rest of Europe	332	967
Rest of the World	639	478
	<u>21,413</u>	<u>13,629</u>

Notes to the financial statements
For the year ended 31 March 2023

5. Other operating income

	2023	2022
	£000	£000
Government grants receivable	56	-
	56	-

6. Operating loss

The operating loss is stated after charging:

	2023	2022
	£000	£000
Research & development charged as an expense	7,169	4,929
Exchange losses	21	9
Other operating lease rentals	546	310
Share-based payment	16	17
Depreciation of tangible fixed assets	168	74

7. Auditors' remuneration

	2023	2022
	£000	£000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	20	17
Fees payable to the Company's auditor in respect of:		
All non-audit services not included above	6	5

Notes to the financial statements
For the year ended 31 March 2023

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2023	2022
	£000	£000
Wages and salaries	20,022	11,589
Social security costs	2,414	1,272
Cost of defined contribution scheme	763	265
	<u>23,199</u>	<u>13,126</u>

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

	2023	2022
	No.	No.
Delivery	146	86
Technology and operations	117	76
	<u>263</u>	<u>162</u>

9. Directors' remuneration

	2023	2022
	£000	£000
Directors' emoluments	507	450
Company contributions to defined contribution pension schemes	16	10
	<u>523</u>	<u>460</u>

During the year retirement benefits were accruing to 3 directors (2022 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £207,000 (2022 - £150,000).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £6,519 (2022 - £4,500).

Notes to the financial statements
For the year ended 31 March 2023

10. Taxation

	2023	2022
	£000	£000
Corporation tax		
Current tax on loss for the year	<u>(755)</u>	<u>(519)</u>
	<u>(755)</u>	<u>(519)</u>
Total current tax	<u>(755)</u>	<u>(519)</u>
Deferred tax		
Total deferred tax	<u>-</u>	<u>-</u>
Taxation on loss on ordinary activities	<u>(755)</u>	<u>(519)</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2022 - higher than) the standard rate of corporation tax in the UK of 19% (2022 - 19%). The differences are explained below:

	2023	2022
	£000	£000
Loss on ordinary activities before tax	<u>(8,686)</u>	<u>(4,291)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2022 - 19%)	<u>(1,651)</u>	<u>(815)</u>
Effects of:		
Expenses not deductible for tax purposes	<u>1</u>	<u>1</u>
R&D relief adjustments	<u>(755)</u>	<u>(519)</u>
Net deferred tax asset not recognised	<u>1,650</u>	<u>814</u>
Total tax charge for the year	<u>(755)</u>	<u>(519)</u>

Notes to the financial statements
For the year ended 31 March 2023

10. Taxation (continued)

Factors that may affect future tax charges

The company has unused trading losses carried forward at 31 March 2023 amounting to approximately £12.3 million to be used against future trading profits. The directors have decided not to provide for a deferred tax asset relating to the losses until such time as the company establishes profitability.

11. Tangible fixed assets

	Leasehold improvements £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost or valuation				
At 1 April 2022	70	120	375	565
Additions	-	-	291	291
At 31 March 2023	70	120	666	856
Depreciation				
At 1 April 2022	33	63	193	289
Charge for the year on owned assets	9	34	125	168
At 31 March 2023	42	97	318	457
Net book value				
At 31 March 2023	28	23	348	399
At 31 March 2022	37	57	182	276

Notes to the financial statements
For the year ended 31 March 2023

12. Fixed asset investments

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Class of shares	Holding
Faculty Science Nominee Limited	Level 5, 160 Old Street, London, EC1V 9BW, United Kingdom	Ordinary	100 %

Faculty Science Nominee Limited has been dormant since incorporation on 6 November 2019. The issued share capital in Faculty Science Nominee Limited is £1. The investment is held at cost of £1.

13. Debtors

	2023	2022
	£000	£000
Trade debtors	4,716	3,519
Other debtors	388	403
Prepayments and accrued income	3,063	1,110
Tax recoverable	755	519
	<u>8,922</u>	<u>5,551</u>

14. Cash and cash equivalents

	2023	2022
	£000	£000
Cash at bank and in hand	22,408	31,250
	<u>22,408</u>	<u>31,250</u>

Notes to the financial statements
For the year ended 31 March 2023

15. Creditors: Amounts falling due within one year

	2023 £000	2022 £000
Trade creditors	1,648	624
Other taxation and social security	2,093	1,111
Other creditors	546	381
Accruals and deferred income	1,568	1,299
	<u>5,855</u>	<u>3,415</u>

16. Share capital

	2023 £	2022 £
Allotted, called up and fully paid		
8,277,442 (2022 - 8,008,349) Ordinary shares of £0.0000001 each -	1	1
3,387,500 (2022 - 3,387,500) Ordinary 'A' shares of £0.0000001 each -	1	1
24,912,500 (2022 - 24,912,500) Deferred shares of £0.0000001 each -	2	2
4,260,431 (2022 - 4,260,431) Series 3 shares of £0.0000001 each -	-	-
8,106,593 (2022 - 8,106,593) Series 4 shares of £0.0000001 each -	1	1
1,401,682 (2022 - Nil) Growth shares shares of £0.0000001 each -	-	-
	<u>5</u>	<u>5</u>

During the year the company issued 269,093 ordinary shares of £0.0000001 each for a total consideration of £1,356.

During the year, the company issued 1,401,682 growth shares of £0.0000001 each for a total consideration of £126,151.

Rights attaching to shares

The Ordinary, Ordinary 'A', Series 3 and Series 4 shares have full voting rights and the right to participate in distributions in respect of dividends. The Deferred and Growth shares do not have voting rights or the right to participate in distributions in respect of dividends.

17. Reserves

Share premium account

This account contains the premium on the issue of equity shares, less expenses of issue.

Other reserves

Represents a reserve arising from the issue of share options.

Profit and loss account

Includes all current and prior period profits and losses. The profit and loss account reserve also includes transfers from the other reserves.

Notes to the financial statements
For the year ended 31 March 2023

18. Share based payments

The company operates an unapproved option scheme and an Enterprise Management Incentive ("EMI") scheme for certain directors, employees and contractors. Share options are exercisable for Ordinary shares at prices determined at the date of grant. The share options were granted on dates between 16 February 2016 and 9 November 2021 with the expiry dates being ten years following the date of grant.

Movements in share options during the year

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Weighted average exercise price (pence) 2023	Number 2023	Weighted average exercise price (pence) 2022	Number 2022
Outstanding at the beginning of the year	0.49	1,315,337	0.50	1,974,314
Granted during the year		-		20,000
Cancelled during the year		(370,370)		(109,599)
Exercised during the year		(269,093)		(569,378)
Outstanding at the end of the year	0.48	675,874	0.49	1,315,337

Fair value of share options granted

Options granted between 16 February 2016 to 17 May 2019:

Options were priced using the Black-Scholes option pricing model. Inputs into the model included the expected volatility which was determined based on the historic volatility of comparable companies which ranged from 102.15% to 79.88%, and the risk free return which is the rate offered for UK gilt deposits which ranged from 1.44% to 1.035%, over the period from when the first options were granted. The valuation of the Company's share price was independently determined using an adjusted form of the Black-Scholes model.

Options granted between 3 July 2020 to 24 August 2020:

Options were valued at the grant dates using a discounted cash flow model. Inputs into the model include the expected future free cash flows of the business, a discount rate, an EBITDA multiple and the expected future staff turnover rate. The future free cash flows were estimated by the directors based on their expectations of future trade and cash requirements.

The discount rate was calculated using the Capital Asset Pricing Model. The key inputs into this model were the risk free rate of return based upon the yields of government bonds (0.8%), the Beta coefficient based on listed company data within the technology industry (1.055), the market rate of return based on the FTSE at the date of issue (1.59%) and a size premium (15%).

The EBITDA multiple was calculated based on deals of comparable businesses in the last 5 years and discounted to reflect the specific risks of the business.

The future staff turnover rate was estimated by management based on expected staff turnover levels.

Notes to the financial statements
For the year ended 31 March 2023

18. Share based payments (continued)

Options granted on 9 November 2021:

Options granted on this date were unapproved options. These options were valued at the grant date using a discounted cash flow model. Inputs into the model include the expected future free cash flows of the business, a discount rate, an EBITDA multiple and the expected future staff turnover rate. The future free cash flows were estimated by the directors based on their expectations of future trade and cash requirements.

The company recognised total expenses of £16,000 (2022 - £17,000) related to equity settled share based payment transactions in the Statement of comprehensive income.

19. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held

separately from those of the company in an independently administered fund. The pension cost charge

represents contributions payable by the company to the fund and amounted to £763,000 (2022- £265,000). Contributions totalling £50,000 (2022 - £31,000) were payable to the fund at the balance sheet date and are included in creditors.

20. Commitments under operating leases

At 31 March 2023 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2023	2022
	£000	£000
Not later than 1 year	386	635
Later than 1 year and not later than 5 years	940	1,211
Later than 5 years	-	115
	<u>1,326</u>	<u>1,961</u>

21. Related party transactions

Key management personnel

The key management personnel of the company are considered to be the executive directors of the company. The total remuneration of the key management personnel of the company is disclosed in note 9.

22. Controlling party

There is no ultimate controlling party.

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