

Company Registration No. 10480375 (England and Wales)

Codat Limited

**Annual report and
group financial statements
for the year ended 31 December 2021**

Codat Limited

Company information

| | | |
|------------------|---|---|
| Directors | Alexander Cardona Peter Lord David Hoare Stéphane Kurgan Patrick McGoldrick | (Appointed 4 October 2021) (Appointed 22 April 2022) |
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| Company number | 10480375 |
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|--------------------------|---|
| Registered office | 301 Ink Rooms 28 Easton Street London WC1X 0BE |
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|----------------------------|---|
| Independent auditor | Saffery Champness LLP 71 Queen Victoria Street London EC4V 4BE |
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Codat Limited

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Codat Limited

Strategic report

For the year ended 31 December 2021

The directors present the Strategic Report for the period ended 31 December 2021 for Codat Limited ("the Company") and its subsidiaries Codat Inc. and Codat Pty Ltd, together ("the Group").

Business review

The principal activity of the Group is the provision of software as a service (SaaS), through offering a standardised API that provides real-time data connectivity to the financial software used by small businesses globally.

The financial results for the Group for the period ended 31 December 2021 show an increase in revenue of 109% compared to the prior year (2021: \$6.5m, 2020: \$3.1m). The Group reported a loss of \$14.5m (2020: \$2.3m).

The Group's cash balance as at 31 December 2021 is \$47.4m (2020: \$14.1m).

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group relate to cybersecurity, loss of key staff, liquidity risk and competition within the market.

The Group's exposure to major risks and uncertainties is managed by adopting robust policies and controls in order to mitigate and protect against them.

Financial risk management

The Group's operations expose it to a variety of financial risks that include foreign exchange risk, credit risk and liquidity and cashflow risk. The following policies are in place to help mitigate these risks:

Foreign exchange risk

The Group is exposed to foreign exchange risk from commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the functional currency. The Group monitors movements in exchange rates, cash balances in foreign currencies and foreign currency funding requirements in order to mitigate exposure to foreign currency risk.

Liquidity and cashflow risk

The Group's liquidity and cash flow risk is managed by monitoring and maintaining a level of cash and cash equivalents that is deemed adequate by the Directors to finance the Group's operations. This is done through short and long term funding requirements as well as fund raising activities from new investors.

Credit risk

The Group's credit risk is attributable to its cash and cash equivalents, deposits with banks and financial institutions, and outstanding trade debtors. The Group seeks to minimize the exposure on cash deposits by using only major banks and financial institutions. The Group monitors trade debtor balances on an ongoing basis.

Codat Limited

Strategic report (continued)
For the year ended 31 December 2021

Key performance indicators

The key performance indicators for the Group are; revenue from customers, average employee head count and the cash balance.

The results of these can be seen on pages 10, 25 and 27.

Future developments

The Group has achieved strong revenue growth, and the Directors are confident of the future performance of the Group.

On behalf of the board

Alexander Cardona

Director

12 September 2022

Codat Limited

Directors' report

For the year ended 31 December 2021

The directors present their annual report and financial statements for the year ended 31 December 2021.

Principal activities

The principal activity of the company and group continued to be that of information technology service activities.

Results and dividends

The results for the year are set out on page 10.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Alexander Cardona

Jan Hammer

(Resigned 4 October 2021)

Peter Lord

David Hoare

Stéphane Kurgan

(Appointed 4 October 2021)

Patrick McGoldrick

(Appointed 22 April 2022)

Future developments

The group has achieved strong revenue growth, and the directors are confident of the future performance of the group.

Auditor

The auditor, Saffery Champness LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the ;
- prepare the on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

Going concern

After assessing the group's actual and expected future cashflows and with the recent fund raise of \$100m, based on their current expectations of trading prospects, the directors have a reasonable expectation that the group has adequate resources in order to be able to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Codat Limited

Directors' report (continued)
For the year ended 31 December 2021

On behalf of the board

Alexander Cardona
Director

13 September 2022

Codat Limited

Independent auditor's report To the members of Codat Limited

Opinion

We have audited the financial statements of Codat Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the group income statement, the group statement of comprehensive income, the group statement of financial position, the company statement of financial position, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows and notes to the financial statements, including 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 and of the parent company's affairs as at 31 December 2021 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group 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.

Codat Limited

Independent auditor's report (continued) **To the members of Codat Limited**

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and 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, 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 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 parent company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report (continued)
To the members of Codat Limited

Auditor's responsibilities for the audit of the financial statements

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

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

Identifying and assessing risks related to irregularities:

We assessed the susceptibility of the group and parent company's financial statements to material misstatement and how fraud might occur, including through discussions with the directors, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the group and parent company by discussions with directors and by updating our understanding of the sector in which the group and parent company operates.

Laws and regulations of direct significance in the context of the group and parent company include The Companies Act 2006 and UK Tax legislation.

Audit response to risks identified

We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of group and parent company financial statement disclosures. We reviewed the parent company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the parent company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

Codat Limited

Independent auditor's report (continued)

To the members of Codat Limited

As group auditors, our assessment of matters relating to non-compliance with laws or regulations and fraud differed at group and component level according to their particular circumstances. Our communications included a request to identify instances of non-compliance with laws and regulations and fraud that could give rise to a material misstatement of the group financial statements in addition to our risk assessment.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jamie Cassell (Senior Statutory Auditor)
For and on behalf of Saffery Champness LLP

12 September 2022

Chartered Accountants
Statutory Auditors

71 Queen Victoria Street
London
EC4V 4BE

Codat Limited

**Group income statement
For the year ended 31 December 2021**

| | | Year ended 31 December 2021 \$ | Period ended 31 December 2020 \$ |
|--|--------------|---|---|
| | Notes | | |
| Turnover | 3 | 6,517,525 | 3,116,330 |
| Cost of sales | | (1,028,074) | (469,563) |
| Gross profit | | 5,489,451 | 2,646,767 |
| Administrative expenses | | (21,270,387) | (9,236,357) |
| Other operating income | | 3,637,293 | 3,892,183 |
| Operating loss | 4 | (12,143,643) | (2,697,407) |
| Interest receivable and similar income | 8 | 28,965 | 12,079 |
| Interest payable and similar expenses | 9 | - | (1) |
| Other gains and losses | 10 | (2,886,494) | - |
| Loss before taxation | | (15,001,172) | (2,685,329) |
| Tax on loss | 11 | 460,622 | 406,132 |
| Loss for the financial year | 23 | (14,540,550) | (2,279,197) |

Loss for the financial year is all attributable to the owners of the parent company.

Codat Limited

Group statement of comprehensive income
For the year ended 31 December 2021

| | Year ended 31 December 2021 \$ | Period ended 31 December 2020 \$ |
|--|---|---|
| Loss for the year | (14,540,550) | (2,279,197) |
| Other comprehensive income | | |
| Currency translation differences | (2,062,087) | 914,434 |
| Total comprehensive income for the year | <u>(16,602,637)</u> | <u>(1,364,763)</u> |

Total comprehensive income for the year is all attributable to the owners of the parent company.

Codat Limited

**Group statement of financial position
As at 31 December 2021**

| | | | 2021 | 2020 |
|--|-------|--------------|--------------|-------------|
| | Notes | \$ | \$ | \$ |
| Fixed assets | | | | |
| Tangible assets | 12 | | 520,225 | 311,188 |
| Current assets | | | | |
| Debtors | 15 | 4,529,974 | 1,294,771 | |
| Cash at bank and in hand | | 47,440,060 | 14,110,778 | |
| | | 51,970,034 | 15,405,549 | |
| Creditors: amounts falling due within one year | 16 | (13,950,082) | (4,462,816) | |
| Net current assets | | | 38,019,952 | 10,942,733 |
| Total assets less current liabilities | | | 38,540,177 | 11,253,921 |
| Creditors: amounts falling due after more than one year | 17 | | (98,006) | (2,643,545) |
| Provisions for liabilities | | | | |
| Deferred tax liability | 18 | 101,643 | 47,360 | (47,360) |
| | | | (101,643) | |
| Net assets | | | 38,340,528 | 8,563,016 |
| Capital and reserves | | | | |
| Called up share capital | 22 | | 3,167 | 2,520 |
| Share premium account | 23 | | 55,131,518 | 11,980,717 |
| Equity reserve | 23 | | 392,994 | 50,787 |
| Capital contribution reserve | 23 | | 2,886,494 | - |
| Other reserves | 23 | | (1,169,417) | 892,927 |
| Profit and loss reserves | 23 | | (18,904,228) | (4,363,935) |
| Total equity | | | 38,340,528 | 8,563,016 |

Codat Limited

Group statement of financial position (continued)

As at 31 December 2021

The financial statements were approved by the board of directors and authorised for issue on 12 September 2022 and are signed on its behalf by:

Alexander Cardona

Director

Codat Limited

**Company statement of financial position
As at 31 December 2021**

| | | | 2021 | 2020 |
|--|--------------|-------------------|-------------------|-------------------|
| | Notes | \$ | \$ | \$ |
| Fixed assets | | | | |
| Tangible assets | 12 | | 437,670 | 301,239 |
| Investments | 13 | | 124,412 | 10 |
| | | | <u>562,082</u> | <u>301,249</u> |
| Current assets | | | | |
| Debtors | 15 | 10,307,332 | 2,043,100 | |
| Cash at bank and in hand | | 46,628,686 | 13,949,515 | |
| | | <u>56,936,018</u> | <u>15,992,615</u> | |
| Creditors: amounts falling due within one year | 16 | (12,566,437) | (4,322,101) | |
| Net current assets | | | <u>44,369,581</u> | <u>11,670,514</u> |
| Total assets less current liabilities | | | <u>44,931,663</u> | <u>11,971,763</u> |
| Creditors: amounts falling due after more than one year | 17 | (98,006) | | (2,643,545) |
| Provisions for liabilities | | | | |
| Deferred tax liability | 18 | 101,643 | 47,360 | |
| | | <u>(101,643)</u> | <u>(47,360)</u> | |
| Net assets | | | <u>44,732,014</u> | <u>9,280,858</u> |
| Capital and reserves | | | | |
| Called up share capital | 22 | 3,166 | 2,520 | |
| Share premium account | 23 | 55,131,518 | 11,980,717 | |
| Equity reserve | 23 | 392,994 | 50,787 | |
| Capital contribution reserve | 23 | 2,886,494 | - | |
| Other reserves | 23 | (1,169,417) | 892,927 | |
| Profit and loss reserves | 23 | (12,512,741) | (3,646,093) | |
| Total equity | | | <u>44,732,014</u> | <u>9,280,858</u> |

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the period was \$8,866,647 (2020 - \$1,561,355 loss).

Codat Limited

Company statement of financial position (continued)

As at 31 December 2021

The financial statements were approved by the board of directors and authorised for issue on 12 September 2022 and are signed on its behalf by:

12 September 2022

Alexander Cardona

Director

Company Registration No. 10480375

Codat Limited

**Group statement of changes in equity
For the year ended 31 December 2021**

| | Share capital | Share premium account | Equity reserve | Capital contribution reserve | Other reserves | Profit and loss reserves | Total |
|--|---------------|-----------------------|----------------|------------------------------|----------------|--------------------------|-------------|
| Notes | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 December 2019 | 1,980 | 2,226,331 | - | - | (21,507) | (2,084,738) | 122,066 |
| Period ended 31 December 2020: | | | | | | | |
| Loss for the period | - | - | - | - | - | (2,279,197) | (2,279,197) |
| Other comprehensive income: | | | | | | | |
| Currency translation differences | - | - | - | - | - | 914,434 | 914,434 |
| Total comprehensive income for the period | - | - | - | - | - | (1,364,763) | (1,364,763) |
| Issue of share capital | 22 540 | 9,754,386 | - | - | - | - | 9,754,926 |
| Credit to equity for equity settled share-based payments | 21 - | - | - | - | - | 50,787 | 50,787 |
| Transfers | - | - | - | - | 914,434 | (914,434) | - |
| Other movements | - | - | 50,787 | - | - | (50,787) | - |
| Balance at 31 December 2020 | 2,520 | 11,980,717 | 50,787 | - | 892,927 | (4,363,935) | 8,563,016 |

Codat Limited

Group statement of changes in equity (continued)
For the year ended 31 December 2021

| | Share capital | Share premium account | Equity reserve | Capital contribution reserve | Other reserves | Profit and loss reserves | Total |
|---|---------------|-----------------------|----------------|------------------------------|----------------|--------------------------|--------------|
| Notes | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Year ended 31 December 2021: | | | | | | | |
| Loss for the year | - | - | - | - | - | (14,540,550) | (14,540,550) |
| Other comprehensive income: | | | | | | | |
| Currency translation differences | - | - | - | - | - | (2,062,087) | (2,062,087) |
| Total comprehensive income for the year | - | - | - | - | - | (16,602,637) | (16,602,637) |
| Issue of share capital | 22 647 | 43,150,801 | - | - | - | - | 43,151,448 |
| Capital contribution | - | - | - | 2,886,494 | - | - | 2,886,494 |
| Reclassification | - | - | - | - | 40,414 | (40,414) | - |
| Transfers to other reserves | - | - | - | - | (2,102,758) | 2,102,758 | - |
| Transfers to equity reserves | - | - | 342,207 | - | - | (342,207) | - |
| Share based payments | - | - | - | - | - | 342,207 | 342,207 |
| Balance at 31 December 2021 | 3,167 | 55,131,518 | 392,994 | 2,886,494 | (1,169,417) | (18,904,228) | 38,340,528 |

Codat Limited

**Company statement of changes in equity
For the year ended 31 December 2021**

| | Share capital | Share premium account | Share equity reserve | Capital contribution reserve | Other reserves | Profit and loss reserves | Total |
|--|---------------|-----------------------|----------------------|------------------------------|----------------|--------------------------|-------------|
| Notes | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 December 2019 | 1,980 | 2,226,331 | - | - | (21,507) | (2,084,738) | 122,066 |
| Period ended 31 December 2020: | | | | | | | |
| Loss for the period | - | - | - | - | - | (1,561,355) | (1,561,355) |
| Other comprehensive income: | | | | | | | |
| Currency translation differences | - | - | - | - | - | 914,434 | 914,434 |
| Total comprehensive income for the period | - | - | - | - | - | (646,921) | (646,921) |
| Issue of share capital | 22 540 | 9,754,386 | - | - | - | - | 9,754,926 |
| Credit to equity for equity settled share-based payments | 21 | - | - | - | - | 50,787 | 50,787 |
| Transfers | - | - | - | - | 914,434 | (914,434) | - |
| Other movements | - | - | 50,787 | - | - | (50,787) | - |
| Balance at 31 December 2020 | 2,520 | 11,980,717 | 50,787 | - | 892,927 | (3,646,093) | 9,280,858 |

Codat Limited

Company statement of changes in equity (continued)
For the year ended 31 December 2021

| | Share capital | Share premium account | Share equity reserve | Capital contribution reserve | Other reserves | Profit and loss reserves | Total |
|---|---------------|-----------------------|----------------------|------------------------------|----------------|--------------------------|--------------|
| Notes | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Year ended 31 December 2021: | | | | | | | |
| Loss for the year | - | - | - | - | - | (8,866,648) | (8,866,648) |
| Other comprehensive income: | | | | | | | |
| Currency translation differences | - | - | - | - | - | (2,062,344) | (2,062,344) |
| Total comprehensive income for the year | - | - | - | - | - | (10,928,992) | (10,928,992) |
| Issue of share capital | 22 646 | 43,150,801 | - | - | - | - | 43,151,447 |
| Capital contribution | - | - | - | 2,886,494 | - | - | 2,886,494 |
| Transfer to other reserves | - | - | - | - | (2,062,344) | 2,062,344 | - |
| Transfer to equity reserves | - | - | 342,207 | - | - | (342,207) | - |
| Share based payments | - | - | - | - | - | 342,207 | 342,207 |
| Balance at 31 December 2021 | 3,166 | 55,131,518 | 392,994 | 2,886,494 | (1,169,417) | (12,512,741) | 44,732,014 |

Codat Limited

Group statement of cash flows
For the year ended 31 December 2021

| | | 2021 | 2020 |
|---|-------|-------------|-------------|
| | Notes | \$ | \$ |
| Cash flows from operating activities | | | |
| Cash absorbed by operations | 26 | (7,414,175) | (2,901,394) |
| Interest paid | | - | (1) |
| Income taxes (paid)/refunded | | (479) | 146,475 |
| Net cash outflow from operating activities | | (7,414,654) | (2,754,920) |
| Investing activities | | | |
| Purchase of tangible fixed assets | | (374,390) | (222,411) |
| Interest received | | 28,965 | 12,079 |
| Net cash used in investing activities | | (345,425) | (210,332) |
| Financing activities | | | |
| Proceeds from issue of shares | | 43,151,448 | 9,754,926 |
| Net cash generated from financing activities | | 43,151,448 | 9,754,926 |
| Net increase in cash and cash equivalents | | 35,391,369 | 6,789,674 |
| Cash and cash equivalents at beginning of year | | 14,110,778 | 6,406,670 |
| Effect of foreign exchange rates | | (2,062,087) | 914,434 |
| Cash and cash equivalents at end of year | | 47,440,060 | 14,110,778 |

Codat Limited

Notes to the group financial statements For the year ended 31 December 2021

1 Accounting policies

Company information

Codat Limited ("the company") is a private limited company incorporated in England and Wales. The registered office is 301 Ink Rooms, 28 Easton Street, London, WC1X 0BE.

The group consists of Codat Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in United States Dollars. The functional currency of the company is Sterling. Monetary amounts in these financial statements are rounded to the nearest United States Dollar.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

Notes to the group financial statements (continued)
For the year ended 31 December 2021

1 Accounting policies (continued)

1.2 Business combinations

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

1.3 Basis of consolidation

The consolidated group financial statements consist of the financial statements of the parent company Codat Limited together with all entities controlled by the parent company (its subsidiaries) and the group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 December 2021. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Subsidiaries are consolidated in the group's financial statements from the date that control commences until the date that control ceases.

1.4 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

The group have operating cash flows and management forecasts which do not provide any indication of material cash flow concerns. In addition, as disclosed in note 25, on 21 April 2022 the group completed a Series C fundraising, generating \$100m in funding through share capital.

Notes to the group financial statements (continued)
For the year ended 31 December 2021

1 Accounting policies (continued)

1.5 Reporting period

During the prior period, the directors extended the accounting period by one month. Therefore, the comparative figures for 2020 are for the 13 month period from 1 December 2019 to 31 December 2020.

1.6 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

The group recognises service revenue over the period when the service is provided. Minimum monthly usage is recognised over the period of the contract, and any additional usage is recognised in the period it is used.

1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|------------------------|-----------------------------|
| Leasehold improvements | Over useful life of 3 years |
| Fixtures and fittings | 33% reducing balance |
| Computer equipment | 33% reducing balance |

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.8 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1 Accounting policies (continued)

1.9 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.10 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.11 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally 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.

1 Accounting policies (continued)

Basic financial assets

Basic financial assets, which include debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

1 Accounting policies (continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.12 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1 Accounting policies (continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and 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. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.16 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

The expense in relation to options over the parent company's shares granted to employees of a subsidiary is recognised by the company as a capital contribution, and presented as an increase in the company's investment in that subsidiary.

1 Accounting policies (continued)

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

1.17 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.18 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.19 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

All variances arising following the translation from functional to presentational currency are recognised in other comprehensive income and transferred to other reserves.

Notes to the group financial statements (continued)
For the year ended 31 December 2021

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Share based payments

The estimated fair values of the Company's share options have been calculated using a Black-Scholes valuation technique. This method requires the application of judgement in assessing a number of key inputs, including expected dividends, expected share price volatility and the expected period to exercise. The Directors makes these judgement by reference to observable external sources, where applicable, or by review of forecast and historical data.

Recoverability of intercompany receivables

The recoverability of intercompany receivables is dependent on the future performance of the subsidiary. The Directors make a judgement of the recoverability based on review of the projections and forecasts for the subsidiary, sensitised across a range of probability-weighted scenarios.

Convertible loan notes

The estimated fair values of the Company's convertible loan notes have been calculated using a Binomial step simulation valuation technique. This method requires the application of judgement in assessing a number of key inputs, including discount rate, settlement date, dilution and volatility. The Directors have used a third party specialist to value the convertible loan notes, and perform a detailed review of the calculation to ensure inputs and calculations are as expected.

3 Turnover and other revenue

| | 2021 | 2020 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Turnover analysed by class of business | | |
| Subscription fees | 6,517,525 | 3,116,330 |
| | <u> </u> | <u> </u> |

Codat Limited

Notes to the group financial statements (continued)
For the year ended 31 December 2021

3 Turnover and other revenue (continued)

| | 2021 | 2020 |
|---|-------------------------|-------------------------|
| | \$ | \$ |
| Turnover analysed by geographical market | | |
| UK | 3,530,412 | 2,373,119 |
| Europe | 281,956 | 180,097 |
| Rest of World | 2,705,157 | 563,114 |
| | <u>6,517,525</u> | <u>3,116,330</u> |
| | <u><u>6,517,525</u></u> | <u><u>3,116,330</u></u> |
| | 2021 | 2020 |
| | \$ | \$ |
| Other significant revenue | | |
| Interest income | 28,965 | 12,079 |
| Grants received | 3,623,199 | 3,890,346 |
| Other income | 14,770 | - |
| | <u>14,770</u> | <u>-</u> |
| | <u><u>14,770</u></u> | <u><u>-</u></u> |

4 Operating loss

| | 2021 | 2020 |
|--|-----------------------|-----------------------|
| | \$ | \$ |
| Operating loss for the year is stated after charging/(crediting): | | |
| Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss | (1,175,699) | 34,182 |
| Government grants | (3,623,199) | (3,890,346) |
| Depreciation of owned tangible fixed assets | 147,012 | 96,024 |
| Loss on disposal of tangible fixed assets | 18,341 | - |
| Share-based payments | 342,207 | 50,787 |
| Operating lease charges | 850,330 | 358,146 |
| | <u>850,330</u> | <u>358,146</u> |
| | <u><u>850,330</u></u> | <u><u>358,146</u></u> |

5 Auditor's remuneration

| | 2021 | 2020 |
|---|----------------------|----------------------|
| | \$ | \$ |
| Fees payable to the company's auditor and associates: | | |
| For audit services | | |
| Audit of the financial statements of the group and company | 22,000 | 23,791 |
| Audit of the financial statements of the company's subsidiaries | 6,500 | - |
| | <u>28,500</u> | <u>23,791</u> |
| | <u><u>28,500</u></u> | <u><u>23,791</u></u> |

Codat Limited**Notes to the group financial statements (continued)**
For the year ended 31 December 2021**5 Auditor's remuneration (continued)****For other services**

| | | |
|------------------------------|---------------|----------|
| Taxation compliance services | 7,710 | - |
| All other non-audit services | 28,694 | - |
| | <u>36,404</u> | <u>-</u> |

6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

| | Group 2021 Number | 2020 Number | Company 2021 Number | 2020 Number |
|---------------------|----------------------------------|------------------------|------------------------------------|------------------------|
| Directors | 3 | 3 | 3 | 3 |
| Sales and Marketing | 47 | 12 | 33 | 12 |
| Technical | 68 | 41 | 67 | 41 |
| Operations | 19 | 6 | 15 | 6 |
| Total | <u>137</u> | <u>62</u> | <u>118</u> | <u>62</u> |

Their aggregate remuneration comprised:

| | Group 2021 \$ | 2020 \$ | Company 2021 \$ | 2020 \$ |
|-----------------------|------------------------------|--------------------|--------------------------------|--------------------|
| Wages and salaries | 15,997,849 | 5,823,688 | 11,722,621 | 5,748,008 |
| Social security costs | 1,704,144 | 698,688 | 1,391,896 | 691,013 |
| Pension costs | 503,899 | 101,350 | 503,899 | 101,350 |
| | <u>18,205,892</u> | <u>6,623,726</u> | <u>13,618,416</u> | <u>6,540,371</u> |

Codat Limited**Notes to the group financial statements (continued)**
For the year ended 31 December 2021**7 Directors' remuneration**

| | 2021 | 2020 |
|---|----------------|----------------|
| | \$ | \$ |
| Remuneration for qualifying services | 635,389 | 376,489 |
| Company pension contributions to defined contribution schemes | 12,640 | 5,367 |
| | <u>648,029</u> | <u>381,856</u> |

Remuneration disclosed above includes the following amounts paid to the highest paid director:

| | 2021 | 2020 |
|---|----------------|----------------|
| | \$ | \$ |
| Remuneration for qualifying services | 281,958 | 174,824 |
| Company pension contributions to defined contribution schemes | 2,735 | 1,708 |
| | <u>284,693</u> | <u>176,532</u> |

8 Interest receivable and similar income

| | 2021 | 2020 |
|---------------------------|---------------|---------------|
| | \$ | \$ |
| Interest income | | |
| Interest on bank deposits | 28,965 | 12,079 |
| | <u>28,965</u> | <u>12,079</u> |

9 Interest payable and similar expenses

| | 2021 | 2020 |
|------------------|-------------|-------------|
| | \$ | \$ |
| Interest charges | - | 1 |
| | <u>-</u> | <u>1</u> |

10 Other gains and losses

| | 2021 | 2020 |
|--|--------------------|-------------|
| | \$ | \$ |
| Loss on conversion of convertible loan notes | (7,886,494) | - |
| | <u>(7,886,494)</u> | <u>-</u> |

Codat Limited

Notes to the group financial statements (continued)
For the year ended 31 December 2021

11 Taxation

| | 2021 | 2020 |
|--|------------------|------------------|
| | \$ | \$ |
| Current tax | | |
| Adjustments in respect of prior periods | (6,965) | - |
| Other tax reliefs | (508,387) | (427,890) |
| | <u>(515,352)</u> | <u>(427,890)</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | 39,672 | 21,758 |
| Changes in tax rates in future years from 19% to 25% | 15,058 | - |
| | <u>54,730</u> | <u>21,758</u> |
| Total tax credit | <u>(460,622)</u> | <u>(406,132)</u> |

The actual credit for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

| | 2021 | 2020 |
|---|---------------------|--------------------|
| | \$ | \$ |
| Loss before taxation | <u>(15,001,172)</u> | <u>(2,685,329)</u> |
| Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%) | <u>(2,850,223)</u> | <u>(510,213)</u> |
| Tax effect of expenses that are not deductible in determining taxable profit | <u>1,112,878</u> | <u>-</u> |
| Tax effect of income not taxable in determining taxable profit | <u>(490,557)</u> | <u>-</u> |
| Unutilised tax losses carried forward | <u>1,021,203</u> | <u>510,213</u> |
| Permanent capital allowances in excess of depreciation | <u>(8,052)</u> | <u>21,758</u> |
| Research and development tax credit | <u>(404,839)</u> | <u>(427,890)</u> |
| Other permanent differences | <u>109</u> | <u>-</u> |
| Deferred tax adjustments in respect of prior years | <u>56,838</u> | <u>-</u> |
| Fixed asset differences | <u>(553,369)</u> | <u>-</u> |
| Remeasurement of deferred tax for changes in tax rates | <u>1,655,390</u> | <u>-</u> |
| Taxation credit | <u>(460,622)</u> | <u>(406,132)</u> |

Codat Limited**Notes to the group financial statements (continued)****For the year ended 31 December 2021****11 Taxation (continued)**

The group and company have not recognised a deferred tax asset for tax losses due to the uncertainty of timing of profits.

12 Tangible fixed assets

| Group | Leasehold improvements | Fixtures and fittings | Computer equipment | Total |
|------------------------------------|-------------------------------|------------------------------|---------------------------|----------------|
| | \$ | \$ | \$ | \$ |
| Cost | | | | |
| At 1 January 2021 | 100,894 | 71,565 | 276,649 | 449,108 |
| Additions | 4,733 | 10,322 | 359,335 | 374,390 |
| Disposals | - | (315) | (40,586) | (40,901) |
| | <u>105,627</u> | <u>81,572</u> | <u>595,398</u> | <u>782,597</u> |
| At 31 December 2021 | | | | |
| Depreciation and impairment | | | | |
| At 1 January 2021 | 53,318 | 29,581 | 55,021 | 137,920 |
| Depreciation charged in the year | 34,707 | 12,655 | 99,650 | 147,012 |
| Eliminated in respect of disposals | - | (184) | (22,376) | (22,560) |
| | <u>88,025</u> | <u>42,052</u> | <u>132,295</u> | <u>262,372</u> |
| At 31 December 2021 | | | | |
| Carrying amount | | | | |
| At 31 December 2021 | <u>17,602</u> | <u>39,520</u> | <u>463,103</u> | <u>520,225</u> |
| At 31 December 2020 | <u>47,576</u> | <u>41,984</u> | <u>221,628</u> | <u>311,188</u> |

Codat Limited

Notes to the group financial statements (continued)

For the year ended 31 December 2021

12 Tangible fixed assets (continued)

| Company | Leasehold improvements | Fixtures and fittings | Computer equipment | Total |
|------------------------------------|-------------------------------|------------------------------|---------------------------|--------------|
| | \$ | \$ | \$ | \$ |
| Cost | | | | |
| At 1 January 2021 | 100,894 | 71,565 | 266,417 | 438,876 |
| Additions | 4,733 | 10,322 | 273,851 | 288,906 |
| Disposals | - | (315) | (40,586) | (40,901) |
| At 31 December 2021 | 105,627 | 81,572 | 499,682 | 686,881 |
| Depreciation and impairment | | | | |
| At 1 January 2021 | 53,318 | 29,581 | 54,738 | 137,637 |
| Depreciation charged in the year | 34,707 | 12,655 | 86,772 | 134,134 |
| Eliminated in respect of disposals | - | (184) | (22,376) | (22,560) |
| At 31 December 2021 | 88,025 | 42,052 | 119,134 | 249,211 |
| Carrying amount | | | | |
| At 31 December 2021 | 17,602 | 39,520 | 380,548 | 437,670 |
| At 31 December 2020 | 47,576 | 41,984 | 211,679 | 301,239 |

Codat Limited

Notes to the group financial statements (continued)
For the year ended 31 December 2021

13 Fixed asset investments

| | | Group | | Company | |
|-----------------------------|--------------|-------------------|-------------------|-------------------|-------------------|
| | | 2021 | 2020 | 2021 | 2020 |
| | Notes | \$ | \$ | \$ | \$ |
| Investments in subsidiaries | 14 | - | - | 124,412 | 10 |
| | | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Movements in fixed asset investments

| Company | Shares in subsidiaries |
|--------------------------|-------------------------------|
| | \$ |
| Cost or valuation | |
| At 1 January 2021 | 10 |
| Additions | 124,402 |
| | <u> </u> |
| At 31 December 2021 | 124,412 |
| | <u> </u> |
| Carrying amount | |
| At 31 December 2021 | 124,412 |
| | <u> </u> |
| At 31 December 2020 | 10 |
| | <u> </u> |

14 Subsidiaries

Details of the company's subsidiaries at 31 December 2021 are as follows:

| Name of undertaking | Registered office | Nature of business | Class of shares held | % Held Direct |
|----------------------------|---|---------------------------|-----------------------------|----------------------|
| Codat Inc | 215 Park Avenue South, 11th Floor, New York, NY 10003 | Provision of Saas | Ordinary | 100.00 |
| Codat PTY Ltd | Level 11 and 12, 10 Carrington Street, Sydney, NSW 2000 | Provision of Saas | Ordinary | 100.00 |

Codat Limited

Notes to the group financial statements (continued)
For the year ended 31 December 2021

15 Debtors

| | Group | | Company | |
|--|------------------|------------------|-------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 |
| | \$ | \$ | \$ | \$ |
| Amounts falling due within one year: | | | | |
| Trade debtors | 1,595,427 | 349,154 | 925,602 | 330,849 |
| Corporation tax recoverable | 939,276 | 427,965 | 939,276 | 427,965 |
| Amounts owed by group undertakings | - | - | 6,833,159 | 836,324 |
| Other debtors | 674,723 | 172,758 | 518,121 | 131,896 |
| Prepayments and accrued income | 1,196,027 | 223,066 | 970,620 | 217,601 |
| | <u>4,405,453</u> | <u>1,172,943</u> | <u>10,186,778</u> | <u>1,944,635</u> |
| Amounts falling due after more than one year: | | | | |
| Other debtors | <u>124,521</u> | <u>121,828</u> | <u>120,554</u> | <u>98,465</u> |
| Total debtors | <u>4,529,974</u> | <u>1,294,771</u> | <u>10,307,332</u> | <u>2,043,100</u> |

16 Creditors: amounts falling due within one year

| | Group | | Company | |
|------------------------------------|-------|-------------------|------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| | \$ | \$ | \$ | \$ |
| | Notes | | | |
| Trade creditors | | 470,368 | 333,321 | 380,747 |
| Other taxation and social security | | 530,862 | 261,367 | 530,862 |
| Deferred income | 19 | 11,724,862 | 3,502,825 | 10,837,598 |
| Other creditors | | 107,742 | 71,399 | 104,257 |
| Accruals | | 1,116,248 | 293,904 | 712,973 |
| | | <u>13,950,082</u> | <u>4,462,816</u> | <u>12,566,437</u> |
| | | <u>4,322,101</u> | | |

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Notes to the group financial statements (continued)
For the year ended 31 December 2021

17 Creditors: amounts falling due after more than one year

| | | Group | | Company | |
|-----------------|--------------|---------------|------------------|----------------|------------------|
| | | 2021 | 2020 | 2021 | 2020 |
| | Notes | \$ | \$ | \$ | \$ |
| Deferred income | 19 | 97,291 | 2,617,063 | 97,291 | 2,617,063 |
| Other creditors | | 715 | 26,482 | 715 | 26,482 |
| | | <u>98,006</u> | <u>2,643,545</u> | <u>98,006</u> | <u>2,643,545</u> |

18 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

| | Liabilities | Liabilities |
|--------------------------------|--------------------|--------------------|
| | 2021 | 2020 |
| | \$ | \$ |
| Group | | |
| Accelerated capital allowances | 101,643 | 47,360 |
| | <u>101,643</u> | <u>47,360</u> |
| | Liabilities | Liabilities |
| | 2021 | 2020 |
| | \$ | \$ |
| Company | | |
| Accelerated capital allowances | 101,643 | 47,360 |
| | <u>101,643</u> | <u>47,360</u> |
| | Group | Company |
| | 2021 | 2021 |
| | \$ | \$ |
| Movements in the year: | | |
| Liability at 1 January 2021 | 47,360 | 47,360 |
| Charge to profit or loss | 39,672 | 39,672 |
| Change in tax rate (note 11) | 15,058 | 15,058 |
| Other | (447) | (447) |
| | <u>101,643</u> | <u>101,643</u> |
| Liability at 31 December 2021 | <u>101,643</u> | <u>101,643</u> |

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Notes to the group financial statements (continued)
For the year ended 31 December 2021

19 Deferred income

| | Group | | Company | |
|--------------------------------|-------------------|------------------|-------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 |
| | \$ | \$ | \$ | \$ |
| Arising from government grants | 8,598,483 | 5,447,541 | 8,598,483 | 5,447,541 |
| Other deferred income | 3,223,670 | 672,347 | 2,336,406 | 599,390 |
| | <u>11,822,153</u> | <u>6,119,888</u> | <u>10,934,889</u> | <u>6,046,931</u> |

Deferred income is included in the financial statements as follows:

| | | | | |
|-------------------------|-------------------|------------------|-------------------|------------------|
| Current liabilities | 11,724,862 | 3,502,825 | 10,837,598 | 3,429,868 |
| Non-current liabilities | 97,291 | 2,617,063 | 97,291 | 2,617,063 |
| | <u>11,822,153</u> | <u>6,119,888</u> | <u>10,934,889</u> | <u>6,046,931</u> |

20 Retirement benefit schemes

| | 2021 | 2020 |
|---|----------------|----------------|
| | \$ | \$ |
| Defined contribution schemes | | |
| Charge to profit or loss in respect of defined contribution schemes | <u>503,899</u> | <u>101,350</u> |

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

Notes to the group financial statements (continued)
For the year ended 31 December 2021

21 Share-based payment transactions

Employee Management Incentive (EMI) scheme

The parent Company operates an Employee Management Incentive scheme, whereby employees are granted options to purchase shares in the parent Company. The options are granted with a fixed exercise price, are exercisable subject to vesting spread over a 4 year period, and expire ten years after the grant date. Share options will immediately vest in full in the event of an exit. Employees are required to remain in employment with the company until exercise, otherwise the awards lapse. On exercise of options by the employees, the parent Company issues new shares. The weighted average exercise price is disclosed in pounds sterling as this is the currency in which the options are exercisable.

The fair value of the share options have been estimated using the Black-Scholes model, being a common valuation method for valuing European style options.

At the start of the year, a total of 2,382,500 share options remained in issue over Ordinary shares.

| | 2021 Number | 2021 Price (£) |
|---------------------------------|------------------------|---------------------------|
| Outstanding at 1 January 2021 | 2,382,500 | 0.07 |
| Granted | 963,742 | 0.63 |
| Forfeited | (52,688) | 0.46 |
| Exercised | (16,800) | 0.09 |
| | <hr/> | <hr/> |
| Outstanding at 31 December 2021 | 3,276,754 | 0.23 |
| | <hr/> | <hr/> |
| Exercisable at 31 December 2021 | 1,506,021 | 0.06 |
| | <hr/> | <hr/> |

The options outstanding at 31 December 2021 had an exercise price ranging from £0.65 to 0.0149, and a remaining contractual life of 3 years.

| | Group (£) | Company (£) |
|--|------------------|--------------------|
| Expenses recognised in the period | | |
| Arising from equity settled share based payment transactions | 107,659 | 107,659 |
| | <hr/> | <hr/> |

Notes to the group financial statements (continued)
For the year ended 31 December 2021

21 Share-based payment transactions (continued)

Incentive Stock Option (ISO) scheme

The parent company also operates a ISO equity settled scheme for its US subsidiary employees. The options are granted with a fixed exercise price, are exercisable subject to vesting spread over a 4 year period, and expire ten years after the grant date. Share options will immediately vest in full in the event of an exit. Employees are required to remain in employment with the company until exercise, otherwise the awards lapse. Options have also been granted where vesting is subject to employees meeting certain internal targets. As this is a non-market performance condition it is not included in the determination of the fair value of the grant date, however it is used to estimate the number of awards expected to vest. On exercise of options by the employees, the parent Company issues new shares.

The weighted average exercise price is disclosed in dollars as this is the currency in which the options are exercisable.

The fair value of the share options have been estimated using the Black-Scholes model, being a common valuation method for valuing European style options.

The ISO scheme has resulted in a capital contribution reserve in the US subsidiary accounts, whilst an increase in investment is recognised in the parent company accounts. The strike price is determined by a third party valuation exercise conducted in accordance with Section 409A of the Internal Revenue Code.

| | 2021 Number | 2021 Price (\$) |
|---------------------------------|------------------------|----------------------------|
| Outstanding at 1 January 2021 | - | - |
| Granted | 346,480 | 1.36 |
| Forfeited | (23,692) | 4.28 |
| Outstanding at 31 December 2021 | 322,788 | 1.26 |
| | <u> </u> | <u> </u> |
| Exercisable at 31 December 2021 | 2,301 | 1.80 |
| | <u> </u> | <u> </u> |

The options outstanding at 31 December 2021 had an exercise price ranging from £1.8 to £5.59, and a remaining contractual life of 3 years.

| | Group (\$) | Company (\$) |
|--|-------------------|---------------------|
| Expenses recognised in the period | | |
| Arising from equity settled share based payment transactions | 124,395 | 124,395 |
| | <u> </u> | <u> </u> |

The options outstanding at 31 December 2021 had an exercise price ranging from £0.65 to 0.0149, and a remaining contractual life of 4 years.

Notes to the group financial statements (continued)
For the year ended 31 December 2021

21 Share-based payment transactions (continued)

Growth Share Plan

The parent Company also operates a growth share scheme, under which employees are given the opportunity to purchase Growth shares. Growth shares allow employees to participate in the growth of the company above a hurdle valuation, which is set as the market value of the company at the date of grant. Similar to the EMI scheme, the shares are subject to employment vesting conditions.

During the reporting period, no tranches of shares have been issued, however as the vesting period begins from an employees start date, a share based payment charge has been recognised in the reporting period in respect of employees who started employment prior to 31 December 2021.

22 Share capital

| Group and company | 2021 | 2020 | 2021 | 2020 |
|----------------------------------|------------|------------|-------|-------|
| Ordinary share capital | Number | Number | \$ | \$ |
| Issued and fully paid | | | | |
| Ordinary shares of of 0.01p each | 31,660,000 | 20,044,000 | 3,166 | 2,520 |

The ordinary shares are denominated in Sterling. During the year 11,616,000 shares were issued with a nominal value of £0.0001 each.

On 2 February 2021 the parent company allotted 11,900 ordinary shares for £0.0945 each with a nominal value of £0.0001. On 11 June 2021 the parent company allotted 627,562 ordinary shares for £6.46 each with a nominal value of £0.0001, 3,433,388 ordinary shares for £10.11 each with a nominal value of £0.0001 and 502,361 ordinary shares for £8.07 each with a nominal value of £0.0001. On 4 October 2021 the parent company allotted 2,600 ordinary shares for £0.0945 each with a nominal value of £0.0001.

23 Reserves

Equity reserve

The equity reserve recognises all share based payment related balances.

Other reserves

Other reserves recognises all OCI balances in relation to foreign exchange.

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Notes to the group financial statements (continued)
For the year ended 31 December 2021

24 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | Group | | Company | |
|----------------------------|----------------|----------------|----------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| | \$ | \$ | \$ | \$ |
| Within one year | 250,000 | 515,107 | - | 421,655 |
| Between two and five years | - | 216,464 | - | 216,454 |
| | <u>250,000</u> | <u>731,571</u> | <u>-</u> | <u>638,119</u> |

25 Events after the reporting date

On 21 April 2022 the group completed a Series C fundraise, generating \$100m in funding through share capital.

26 Cash absorbed by group operations

| | 2021 | 2020 |
|--|--------------------|--------------------|
| | \$ | \$ |
| Loss for the year after tax | (14,540,550) | (2,279,197) |
| Adjustments for: | | |
| Taxation credited | (460,622) | (406,132) |
| Finance costs | - | 1 |
| Investment income | (28,965) | (12,079) |
| Loss on disposal of tangible fixed assets | 18,341 | - |
| Depreciation and impairment of tangible fixed assets | 147,012 | 96,024 |
| Other gains and losses | 2,886,494 | - |
| Equity settled share based payment expense | 346,280 | 50,787 |
| Movements in working capital: | | |
| Increase in debtors | (2,723,892) | (562,977) |
| Increase in creditors | 1,239,462 | 317,084 |
| Increase/(decrease) in deferred income | 5,702,265 | (104,905) |
| Cash absorbed by operations | <u>(7,414,175)</u> | <u>(2,901,394)</u> |

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Notes to the group financial statements (continued)
For the year ended 31 December 2021

27 Analysis of changes in net funds - group

| | 1 January 2021 | Cash flows | Exchange rate movements | 31 December 2021 |
|--------------------------|-------------------|-------------------|----------------------------|---------------------|
| | \$ | \$ | \$ | \$ |
| Cash at bank and in hand | 14,110,778 | 35,391,369 | (2,062,087) | 47,440,060 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

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