

Company Registration No. 09359462 (England and Wales)

**EDGIFY AI LTD.
(PREVIOUSLY PICSONEYE SEGMENTATION INNOVATIONS LIMITED)**

CONSOLIDATED ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

PAGES FOR FILING WITH REGISTRAR

EDGIFY AI LTD.

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EDGIFY AI LTD.

GROUP AND COMPANY STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
Fixed assets					
Property, plant and equipment	4	55,600	70,596	7,832	8,668
Investments	5	-	-	212	212
		<u>55,600</u>	<u>70,596</u>	<u>8,044</u>	<u>8,880</u>
Current assets					
Trade and other receivables	7	117,274	79,259	37,930	13,296
Cash and cash equivalents		2,213,702	607,920	1,865,500	542,553
		<u>2,330,976</u>	<u>687,179</u>	<u>1,903,430</u>	<u>555,849</u>
Current liabilities	8	<u>(344,186)</u>	<u>(240,191)</u>	<u>(160,307)</u>	<u>(242,966)</u>
Net current assets		<u>1,986,790</u>	<u>446,988</u>	<u>1,743,123</u>	<u>312,883</u>
Total assets less current liabilities		<u>2,042,390</u>	<u>517,584</u>	<u>1,751,167</u>	<u>321,763</u>
Equity					
Called up share capital	9	550,732	34,570	550,732	34,570
Share premium account		12,858,565	8,520,711	12,858,565	8,520,711
Capital redemption reserve		4,255	4,255	4,255	4,255
Other reserves		-	1,035,829	-	1,035,829
Retained earnings		(11,371,162)	(9,077,781)	(11,662,385)	(9,273,602)
Total equity		<u>2,042,390</u>	<u>517,584</u>	<u>1,751,167</u>	<u>321,763</u>

These financial statements have been prepared in accordance with the provisions applicable to groups and companies subject to the small companies regime.

The company has not presented its own income statement and related notes. The company's loss for the year was £2,388,783 (2019 - £2,089,939 loss).

The financial statements were approved by the board of directors and authorised for issue on 22 March 2021 and are signed on its behalf by:

Mr. Ofri Ben-Porat
Director

Company Registration No. 09359462

EDGIFY AI LTD.

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Share premium account	Capital redemption reserve	Other reserves	Retained earnings	Total
Notes	£	£	£	£	£	£
Balance at 1 January 2019	34,396	8,520,711	4,255	-	(7,081,124)	1,478,238
Year ended 31 December 2019:						
Loss for the year	-	-	-	-	(2,029,845)	(2,029,845)
Other comprehensive income:						
Currency translation differences	-	-	-	-	5,734	5,734
Total comprehensive income for the year	-	-	-	-	(2,024,111)	(2,024,111)
Issue of share capital	174	-	-	-	-	174
Credit to equity for equity settled share-based payments	-	-	-	-	27,454	27,454
Other movements	-	-	-	1,035,829	-	1,035,829
Balance at 31 December 2019	34,570	8,520,711	4,255	1,035,829	(9,077,781)	517,584
Year ended 31 December 2020:						
Loss for the year	-	-	-	-	(2,306,965)	(2,306,965)
Other comprehensive income:						
Currency translation differences	-	-	-	-	13,584	13,584
Total comprehensive income for the year	-	-	-	-	(2,293,381)	(2,293,381)
Issue of share capital	516,162	4,337,854	-	-	-	4,854,016
Other movements	-	-	-	(1,035,829)	-	(1,035,829)
Balance at 31 December 2020	550,732	12,858,565	4,255	-	(11,371,162)	2,042,390

EDGIFY AI LTD.

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Share capital	Share premium account	Capital redemption reserve	Other reserves	Retained earnings	Total
Notes	£	£	£	£	£	£
Balance at 1 January 2019	34,396	8,520,711	4,255	-	(7,183,663)	1,375,699
Year ended 31 December 2019:						
Loss and total comprehensive income for the year	-	-	-	-	(2,089,939)	(2,089,939)
Issue of share capital	174	-	-	-	-	174
Other movements	-	-	-	1,035,829	-	1,035,829
Balance at 31 December 2019	34,570	8,520,711	4,255	1,035,829	(9,273,602)	321,763
Year ended 31 December 2020:						
Loss and total comprehensive income for the year	-	-	-	-	(2,388,783)	(2,388,783)
Issue of share capital	516,162	4,337,854	-	-	-	4,854,016
Other movements	-	-	-	(1,035,829)	-	(1,035,829)
Balance at 31 December 2020	550,732	12,858,565	4,255	-	(11,662,385)	1,751,167

EDGIFY AI LTD.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

Edgify AI Ltd. (formerly "Picsoneye Segmentation Innovations Limited") ("the parent company") is a private company limited by shares and domiciled and incorporated in England and Wales. The registered office is 12 The Polygon, Flat 1, London, United Kingdom, SW4 0JG.

The group consists of Edgify AI Ltd. and its subsidiary, Edgify Ltd (formerly PicInt Ltd). Edgify Ltd is a company based in Israel and provides research and development services. Edgify Ltd has 1,000 ordinary shares of which Edgify AI Ltd. owns 100%.

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 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

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

1.2 Basis of consolidation

The consolidated group financial statements consist of the financial statements of the parent company Picsoneye Segmentation Innovations 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 2020. 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.

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

1.3 Going concern

The group is developing a machine learning training platform. At the balance sheet date, the group had net assets of £2.0m and made a loss of £2.3m for the year ended 31 December 2020. In order to ensure the group has adequate resources to continue, the parent company has applied for government support in the form of a Future Fund loan whereby it can borrow funds as convertible loans matched by the same amount raised from private investors. The directors are confident the application will be successful, however, they are exploring other funding opportunities such as further investment rounds should they become necessary. Additionally, during 2021 the parent company plans to claim research and development tax relief, which will result in a tax credit being claimed. Therefore, 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 have adopted the going concern basis in preparing the financial statements.

EDGIFY AI LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies **(Continued)**

1.4 Revenue

Revenue 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.

1.5 Research and development expenditure

All research and development expenditure is recognised as an expense in the period in which it is incurred.

1.6 Property, plant and equipment

Property, plant and equipment 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	10%
Plant and equipment	15%
Fixtures and fittings	6%
Computers	33%

Leasehold improvements are depreciated by the straight line method over the term of the lease or the economic useful life of the improvements, whichever is shorter.

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.

1.7 Non-current investments

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.

1.8 Impairment of non-current 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).

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 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 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.

1.9 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include deposits held at call with banks.

EDGIFY AI LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.10 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' 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.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, 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.

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.

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.

Basic financial liabilities

Basic financial liabilities, including trade and other payables, 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.

Trade payables 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 payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

EDGIFY AI LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

1.11 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.

1.12 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 year. 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.

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. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is 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.

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

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

1.14 Retirement benefits

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

1.15 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.

1.16 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, usually on submission of a valid claim for payment.

EDGIFY AI LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.17 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.

Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The assets and liabilities of overseas subsidiary undertakings are translated into the presentational currency at the rate of exchange ruling at the balance sheet date. Income and expenses for each statement of comprehensive income are translated at exchange rates at the dates of transaction. All resulting exchange differences are recognised in other comprehensive income.

2 Auditor's remuneration

	2020	2019
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	10,000	10,000
	<u>10,000</u>	<u>10,000</u>

3 Employees

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

	Group 2020 Number	2019 Number	Company 2020 Number	2019 Number
Total	31	28	7	6
	<u>31</u>	<u>28</u>	<u>7</u>	<u>6</u>

EDGIFY AI LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

4 Property, plant and equipment

Group	Land and buildings	Plant and machinery etc	Total
	£	£	£
Cost			
At 1 January 2020	15,618	114,490	130,108
Additions	-	13,977	13,977
At 31 December 2020	<u>15,618</u>	<u>128,467</u>	<u>144,085</u>
Depreciation and impairment			
At 1 January 2020	3,481	56,031	59,512
Depreciation charged in the year	1,687	27,286	28,973
At 31 December 2020	<u>5,168</u>	<u>83,317</u>	<u>88,485</u>
Carrying amount			
At 31 December 2020	<u>10,450</u>	<u>45,150</u>	<u>55,600</u>
At 31 December 2019	<u>12,137</u>	<u>58,459</u>	<u>70,596</u>
Company			Plant and machinery etc
			£
Cost			
At 1 January 2020			33,821
Additions			6,485
At 31 December 2020			<u>40,306</u>
Depreciation and impairment			
At 1 January 2020			25,153
Depreciation charged in the year			7,321
At 31 December 2020			<u>32,474</u>
Carrying amount			
At 31 December 2020			<u>7,832</u>
At 31 December 2019			<u>8,668</u>

EDGIFY AI LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

5 Fixed asset investments

	Group 2020 £	2019 £	Company 2020 £	2019 £
Investments in subsidiaries	-	-	212	212

6 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
Edgify Ltd	Menahem Begin 11, Ramat Gan, Tel Aviv 52462, Israel	Ordinary	100.00

7 Trade and other receivables

	Group 2020 £	2019 £	Company 2020 £	2019 £
Amounts falling due within one year:				
Trade receivables	256	-	256	-
Corporation tax recoverable	51,489	55,227	3,212	3,212
Other receivables	44,851	15,545	34,462	10,084
	96,596	70,772	37,930	13,296
Deferred tax asset	20,678	8,487	-	-
	117,274	79,259	37,930	13,296

8 Current liabilities

	Group 2020 £	2019 £	Company 2020 £	2019 £
Trade payables	62,184	7,846	46,601	842
Amounts owed to group undertakings	-	-	95,920	205,656
Taxation and social security	27,555	26,916	6,301	7,375
Other payables	254,447	205,429	11,485	29,093
	344,186	240,191	160,307	242,966

EDGIFY AI LTD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

9 Share capital

	2020	2019	2020	2019
	Number	Number	£	£
Ordinary share capital				
Issued and fully paid				
Ordinary shares of 8.89977p each	386,611	237,189	34,408	21,109
Seed shares of 8.89977p each	0	149,422	-	13,298
Series A shares of 0.1p each	0	162,532	-	163
Seed Preferred shares of 0.1p each	481,104,477	-	481,104	-
Ordinary 2 shares of 0.1p each	162,532	-	163	-
A1 Ordinary shares of 0.1p each	35,057,243	-	35,057	-
	<u>516,710,863</u>	<u>549,143</u>	<u>550,732</u>	<u>34,570</u>

10 Audit report information

As the income statement has been omitted from the filing copy of the financial statements, the following information in relation to the audit report on the statutory financial statements is provided in accordance with s444(5B) of the Companies Act 2006:

The auditor's report was unqualified.

The senior statutory auditor was Marc Levy FCA.

The auditor was Citroen Wells.

11 Directors' transactions

During the year, the parent company advanced £48 (2019: £5,001) to Mr. Ofri Ben Porat and Mr. Ofri Ben Porat made repayments to the parent company totalling £4,000. The outstanding balance as at 31 December 2020 was £5,156 (2019: £9,108). This advance is interest free and repayable on demand.

12 Contingent liabilities

After the year end a customer filed a Request for Arbitration against the parent company, seeking damages for breach of contract. As at the date the board authorised the financial statements for the year to 31 December 2020 for issue, a response to this claim was planned but had not yet been submitted. As such the entity's lawyers are unable to assess the risks of the claim at this early stage and cannot provide an estimate of the financial effect or possibility of any reimbursement.

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