

Registered number: 09973282

SECONDMIND LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021



SECONDMIND LIMITED

COMPANY INFORMATION

DIRECTORS

Dr D Kim
Dr H M Hauser
Professor C E Rasmussen
Mr K Dillon
Mr G Brotman (appointed 8 July 2021)
Mr A Broun (appointed 8 July 2021)
Mr I M Lane (appointed 20 April 2022)
Passion Capital Nominees Limited (appointed 12 May 2022)
Ms E Burbidge (resigned 13 May 2022)
Mr A Williamson (resigned 20 April 2022)
Mr V Chatrath (resigned 12 January 2021)

COMPANY SECRETARY

OHS Secretaries Limited

REGISTERED NUMBER

09973282

REGISTERED OFFICE

9th Floor
107 Cheapside
London
EC2V 6DN

TRADING ADDRESS

72 Hills Road
Cambridge
CB2 1LA

INDEPENDENT AUDITORS

Price Bailey LLP
Chartered Accountants & Statutory Auditors
Tennyson House
Cambridge Business Park
Cambridge
CB4 0WZ

SECONDMIND LIMITED

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SECONDMIND LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

INTRODUCTION

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activities of the Group were the development and distribution of autonomous optimization systems to transform product engineering in Automotive.

BUSINESS REVIEW

Group revenue was £1.3m, 23.7 % lower than the prior year although it included signing its first multi-year SaaS contract and showed a 136% increase in revenues in the Automotive sector.

During the year the Group continued to invest in research and development in the Active Learning approaches to solving high-complexity engineering an automotive design and development,

Secondmind is positioned to be a market leader in AI software as a service in the Automotive sector. The Group strategy is to invest in its people and products to become the global leader in autonomous systems to transform Automotive product engineering and design simulation. The dedicated Research team has established the commercial benefits of using Gaussian Processes and Bayesian Optimisation to solve complex problems in a range of different scenarios and environments.

Secondmind monitors its key markets and its product development such as the development of solutions for Electric and Hybrid vehicles.

PRINCIPAL RISKS AND UNCERTAINTIES

Changes in the economic condition in the global market is a continuing risk for the Group which was compounded by the worldwide Covid-19 pandemic. The Group managed to move to a remote working environment with minor disruption to the operating business. The Group manages the credit risk arising from bad debt by continually developing regular communication with customers at all levels throughout the organisation and ensuring all employees understand the importance of managing this risk. The Group manages the foreign currency risk by holding funds in local currencies in the local subsidiaries and through credit terms.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group uses financial instruments such as cash, borrowings, receivables and payables in order to raise finance for the Group's operations. The existence of these instruments exposes the Group to financial risks which are detailed below:

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Group has managed to raise significant funds but also taken steps to reduce its cost base and extend the cash runway. The Group customers have continued to pay promptly but as the business expands there are likely to be longer payment terms which may impact liquidity.

Interest risk

The Group does not have any debt financing from its banking arrangements.

The company has a convertible loan note which matures in December 2023 and is subject to 8% interest. The interest is likely to be settled by conversion into additional equity rather than cash payment.

Management do not consider either the availability of future debt nor probable interest rate movements to be a significant risk to the business.

SECONDMIND LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Credit risk

The principal credit risk for the Group arises from its trade receivables. Secondmind's customer base is made up of large financially secure corporations and as such credit risk is deemed to be low. This is demonstrated by the trivial nature of historic bad debt write offs in the group.

As at 31 December 2021, there were no material credit risk balances that were not provided for.

LIQUIDITY AND GOING CONCERN

The Group's activities are described above. The Directors believe the Group is structured to successfully manage and control the business risks it faces, despite the current economic uncertainty. The Group manages liquidity needs through its cash balances.

The Directors and the Management team monitor the Group's operating expenditure and take the appropriate action to ensure that the Group has sufficient cash funding. As a result, plans have been agreed to keep headcount at an appropriate level for the size of business and to dispose of surplus leased facilities.

On this basis the directors have a reasonable expectation that the Group can continue in operational existence for the foreseeable future and they therefore continue to adopt the going concern basis in preparing the annual report and accounts.

ENVIRONMENT

The Group recognises that all its activities interact with the environment and is committed to minimising the adverse impacts and improving process efficiency. The Group has developed and initiated implementation of a broad ESG program designed to minimise the Group's impact on the environment including cycle to work schemes and the provision of a secure bike park rather than extensive car parking at the Group's main office. The Group also encourages employees to recycle using separation of waste. The pandemic has significantly changed working arrangements both in terms of working remotely which reduced commuting and in terms of international travel. The Group will look to continue flexible working arrangements to reduce commuting and where possible to use technology rather than international travel for meetings and events.

EMPLOYEES

The Group is committed to staff retention and development and we have internal training courses designed to provide employees with the skills necessary for their role and future development. The Group has committed to fostering gender diversity as a key component of its ESG program. The Group has targeted hiring highly qualified technical and research employees as well as experienced executives to lead the Group through to the next stage of development. The Group has a share option scheme for all its employees to enable them to share in the future wealth creation of the Group. The Group's benefit scheme is continually reviewed to ensure employees are rewarded and recognised during their employment.

FUTURE PROSPECTS

The Group has strong client relationships, has achieved significant results and provides a platform, together with its talented employees and extensive financial resources, to execute its objectives to become the global leader in autonomous systems for Automotive.

SECONDMIND LIMITED

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

KEY PERFORMANCE INDICATORS

The Directors of the Group continue to review and manage both financial and non-financial KPIs on a regular basis. These KPIs include Revenue, EBITDA, and the research and development expenditure during the year as set out in the table below:

	2021	2020
	£	£
EBITDA	(10,207,889)	(14,377,195)
Research and Development Expenditure	3,639,546	5,907,128

This report was approved by the board on 13 Dec 2022

and signed on its behalf.

Gary Brotman

Gary Brotman (Dec 16, 2022, 10:00am)

Mr G Brotman
Director

SECONDMIND LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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

DIRECTORS

The Directors who served during the year were:

Dr D Kim
Dr H M Hauser
Professor C E Rasmussen
Mr K Dillon
Mr G Brotman (appointed 8 July 2021)
Mr A Broun (appointed 8 July 2021)
Ms E Burbidge (resigned 13 May 2022)
Mr A Williamson (resigned 20 April 2022)
Mr V Chatrath (resigned 12 January 2021)

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £10,555,529 (2020 - loss £12,746,980).

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

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

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

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

FUTURE DEVELOPMENTS

The Group has strong client relationships, has achieved significant results and provides a platform, together with its talented employees and extensive financial resources, to execute its objectives to become the global leader in autonomous systems for Automotive.

SECONDMIND LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

AUDITORS

Under section 487(2) of the Companies Act 2006, Price Bailey LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

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

Gary Brotman

Gary Brotman (Dec 16, 2022, 10:00am)

Mr G Brotman
Director

Date: 16 Dec 2022

SECONDMIND LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SECONDMIND LIMITED

OPINION

We have audited the financial statements of Secondmind Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021, which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.3 in the financial statements, which indicates that there is a need for the Group to secure some additional funding via existing or new investors. As stated in note 2.3, these events or conditions, along with the other matters as set forth in note 2.3, indicate that a material uncertainty exists that may cast significant doubt on the Group's or the parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. Our evaluation of the Directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included a review of the forecasts and plans going forward, which highlighted the need to secure some additional funding to continue trading for a period of at least 12 months.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

SECONDMIND LIMITED

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

OTHER INFORMATION

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

We have nothing to report in this regard.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

- the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

SECONDMIND LIMITED

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates and considered the risk of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations. This included those regulations directly related to the financial statements, including financial reporting, tax legislation and distributable profits and industry regulations including GDPR, employment law and health and safety.

We communicated the identified laws and regulations with the audit team and remained alert to any indications of non-compliance throughout the audit. We carried out specific procedures to address the risks identified. These included the following:

- agreeing the financial statement disclosures to underlying supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiries of management including those responsible for key regulations;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

In addressing the risk of management override of controls, we carried out testing of journal entries and other adjustments for appropriateness, assessing whether the judgements made in making accounting estimates are indicative of a potential bias and evaluating the business rationale of significant transactions outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

SECONDMIND LIMITED

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

USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Gullen FCCA (Senior Statutory Auditor)

for and on behalf of

Price Bailey LLP

Chartered Accountants

Statutory Auditors

Tennyson House

Cambridge Business Park

Cambridge

CB4 0WZ

19 December 2022

SECONDMIND LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £	2020 £
Turnover	4	1,305,408	1,711,799
Gross profit		<u>1,305,408</u>	<u>1,711,799</u>
Administrative expenses		(9,861,707)	(14,927,152)
Exceptional administrative expenses		(1,784,648)	(1,161,972)
Other operating income	5	462,830	624,194
Fair value movements		(578,321)	(906,380)
Operating loss	6	<u>(10,456,438)</u>	<u>(14,659,511)</u>
Interest receivable and similar income	10	797	62,211
Interest payable and similar expenses		(1,162,090)	-
Loss before tax		<u>(11,617,731)</u>	<u>(14,597,300)</u>
Tax on loss	12	1,062,202	1,850,320
Loss for the financial year		<u>(10,555,529)</u>	<u>(12,746,980)</u>
Profit for the year attributable to:			
Owners of the parent company		<u>10,555,529</u>	<u>12,746,980</u>

The notes on pages 19 to 38 form part of these financial statements.

SECONDMIND LIMITED
REGISTERED NUMBER: 09973282

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	15	251,230	279,952
Tangible assets	16	348,786	563,882
		600,016	843,834
Current assets			
Debtors	18	2,675,467	3,203,131
Cash at bank and in hand	19	7,583,288	14,365,221
		10,258,755	17,568,352
Creditors: amounts falling due within one year	20	(14,220,189)	(2,613,633)
Net current (liabilities)/assets		(3,961,434)	14,954,719
Total assets less current liabilities		(3,361,418)	15,798,553
Creditors: amounts falling due after more than one year	21	-	(9,781,197)
Net (liabilities)/assets		(3,361,418)	6,017,356
Capital and reserves			
Called up share capital	23	4	4
Share premium account	24	38,263,257	38,075,168
Foreign exchange reserve	24	4,521	10,746
Other reserves	24	4,272,692	4,896,316
Profit and loss account	24	(45,901,892)	(36,964,878)
		(3,361,418)	6,017,356

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

Gary Brotman

16 Dec 2022

Mr G Brotman
Gary Brotman (Dec 16, 2022, 10:00am)
 Director

The notes on pages 19 to 38 form part of these financial statements.

SECONDMIND LIMITED
REGISTERED NUMBER: 09973282

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	15	251,230	279,952
Tangible assets	16	347,420	563,882
Investments	17	8,039	8,040
		606,689	851,874
Current assets			
Debtors	18	2,720,597	3,426,084
Cash at bank and in hand	19	7,511,944	14,192,939
		10,232,541	17,619,023
Creditors: amounts falling due within one year	20	(14,199,316)	(2,591,517)
Net current (liabilities)/assets		(3,966,775)	15,027,506
Total assets less current liabilities		(3,360,086)	15,879,380
Creditors: amounts falling due after more than one year	21	-	(9,781,197)
Net (liabilities)/assets		(3,360,086)	6,098,183
Capital and reserves			
Called up share capital	23	4	4
Share premium account	24	38,263,257	38,075,168
Other reserves	24	4,272,692	4,896,316
Profit and loss account brought forward		(36,873,305)	(25,115,752)
Loss for the year		(10,641,249)	(12,655,278)
Other changes in the profit and loss account		1,618,515	897,725
Profit and loss account carried forward		(45,896,039)	(36,873,305)
		(3,360,086)	6,098,183

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

16 Dec 2022

Gary Brotman

Mr G Brotman (Dec 16, 2022, 1:20pm)
 Director

The notes on pages 19 to 38 form part of these financial statements.

SECONDMIND LIMITED

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

	Called up share capital	Share premium account	Foreign exchange reserve	Share based payments reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 January 2021	4	38,075,168	10,746	4,896,316	(36,964,878)	6,017,356
Comprehensive income for the year						
Loss for the year	-	-	-	-	(10,555,529)	(10,555,529)
Currency translation differences	-	-	(6,225)	-	-	(6,225)
Share based payments	-	-	-	994,891	-	994,891
Total comprehensive income for the year	-	-	(6,225)	994,891	(10,555,529)	(9,566,863)
Contributions by and distributions to owners						
Shares issued during the year	-	188,089	-	-	-	188,089
Reserve transfer from the share based payment reserve	-	-	-	(1,618,515)	1,618,515	-
Total transactions with owners	-	188,089	-	(1,618,515)	1,618,515	188,089
At 31 December 2021	4	38,263,257	4,521	4,272,692	(45,901,892)	(3,361,418)

The notes on pages 19 to 38 form part of these financial statements.

SECONDMIND LIMITED

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

	Called up share capital £	Share premium account £	Foreign exchange reserve £	Share based payments reserve £	Profit and loss account £	Total equity £
At 1 January 2020 (as previously stated)	4	37,915,173	4,998	2,251,731	(24,530,905)	15,641,001
Prior year adjustment	-	-	-	584,718	(584,718)	-
At 1 January 2020 (as restated)	4	37,915,173	4,998	2,836,449	(25,115,623)	15,641,001
Comprehensive income for the year						
Loss for the year	-	-	-	-	(12,746,980)	(12,746,980)
Currency translation differences	-	-	5,748	-	-	5,748
Share based payments	-	-	-	2,957,592	-	2,957,592
Total comprehensive income for the year	-	-	5,748	2,957,592	(12,746,980)	(9,783,640)
Contributions by and distributions to owners						
Shares issued during the year	-	159,995	-	-	-	159,995
Reserve transfer from the share based payment reserve	-	-	-	(897,725)	897,725	-
Total transactions with owners	-	159,995	-	(897,725)	897,725	159,995
At 31 December 2020	4	38,075,168	10,746	4,896,316	(36,964,878)	6,017,356

The notes on pages 19 to 38 form part of these financial statements.

SECONDMIND LIMITED

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

	Called up share capital	Share premium account	Share based payment reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2021	4	38,075,168	4,896,316	(36,873,305)	6,098,183
Comprehensive income for the year					
Loss for the year	-	-	-	(10,641,249)	(10,641,249)
Share based payments	-	-	994,891	-	994,891
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>994,891</u>	<u>(10,641,249)</u>	<u>(9,646,358)</u>
Contributions by and distributions to owners					
Shares issued during the year	-	188,089	-	-	188,089
Reserve transfer from the share based payment reserve	-	-	(1,618,515)	1,618,515	-
Total transactions with owners	<u>-</u>	<u>188,089</u>	<u>(1,618,515)</u>	<u>1,618,515</u>	<u>188,089</u>
At 31 December 2021	<u>4</u>	<u>38,263,257</u>	<u>4,272,692</u>	<u>(45,896,039)</u>	<u>(3,360,086)</u>

The notes on pages 19 to 38 form part of these financial statements.

SECONDMIND LIMITED

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

	Called up share capital	Share premium account	Share based payment reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2020 (as previously stated)	4	37,915,173	2,251,731	(24,531,034)	15,635,874
Prior year adjustment	-	-	584,718	(584,718)	-
At 1 January 2020 (as restated)	4	37,915,173	2,836,449	(25,115,752)	15,635,874
Comprehensive income for the year					
Loss for the year	-	-	-	(12,655,278)	(12,655,278)
Share based payments	-	-	2,957,592	-	2,957,592
Total comprehensive income for the year	-	-	2,957,592	(12,655,278)	(9,697,686)
Contributions by and distributions to owners					
Shares issued during the year	-	159,995	-	-	159,995
Reverse transfer from the share based payment reserve	-	-	(897,725)	897,725	-
Total transactions with owners	-	159,995	(897,725)	897,725	159,995
At 31 December 2020	4	38,075,168	4,896,316	(36,873,305)	6,098,183

The notes on pages 19 to 38 form part of these financial statements.

SECONDMIND LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £	2020 £
Cash flows from operating activities		
Loss for the financial year	(10,555,529)	(12,746,980)
Adjustments for:		
Amortisation of intangible assets	28,722	7,160
Depreciation of tangible assets	220,528	275,156
Loss on disposal of tangible assets	14,766	147
Interest received	(797)	(62,211)
Taxation charge	(1,062,202)	(1,850,320)
(Increase) in debtors	(376,814)	(272,769)
Increase in creditors	1,244,128	9,566,009
Net fair value losses recognised in P&L	578,321	906,380
Corporation tax received	1,969,571	2,406,414
Share based payments	994,891	2,957,592
Foreign exchange reserve	(6,225)	5,748
Net cash generated from operating activities	<u>(6,950,640)</u>	<u>1,192,326</u>
Cash flows from investing activities		
Purchase of intangible fixed assets	-	(287,112)
Purchase of tangible fixed assets	(20,180)	(194,173)
Sale of tangible fixed assets	1	1,136
Interest received	797	62,211
Net cash from investing activities	<u>(19,382)</u>	<u>(417,938)</u>
Cash flows from financing activities		
Issue of ordinary shares	188,089	159,995
Net cash used in financing activities	<u>188,089</u>	<u>159,995</u>
Net (decrease)/increase in cash and cash equivalents	<u>(6,781,933)</u>	<u>934,383</u>
Cash and cash equivalents at beginning of year	14,365,221	13,430,838
Cash and cash equivalents at the end of year	<u><u>7,583,288</u></u>	<u><u>14,365,221</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	7,583,288	14,365,221
	<u><u>7,583,288</u></u>	<u><u>14,365,221</u></u>

The notes on pages 19 to 38 form part of these financial statements.

SECONDMIND LIMITED

CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2021

	At 1 January 2021 £	Cash flows £	At 31 December 2021 £
Cash at bank and in hand	14,365,221	(6,781,933)	7,583,288
Related derivatives	(9,684,084)	-	(9,684,084)
	<u>4,681,137</u>	<u>(6,781,933)</u>	<u>(2,100,796)</u>

The notes on pages 19 to 38 form part of these financial statements.

SECONDMIND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL INFORMATION

Secondmind Limited is a private company limited by shares incorporated in England and Wales, United Kingdom. The address of the registered office is 9th Floor, 107 Cheapside, London, EC2V 6DN.

The principal activity of the company continued to be that of the development of autonomous decision making systems.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 BASIS OF CONSOLIDATION

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

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

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 January 2018.

SECONDMIND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES (CONTINUED)

2.3 GOING CONCERN

The directors have considered the going concern basis of preparation of the financial statements, noting the result for the year, forecasts and plans going forward. The current plans and forecasts indicate that losses will continue in the short term as the Group continues to incur expenditure on the development of its platform.

Since the balance sheet date, the Group has, subject to contract, agreed with its main customer a further Statement of work to the value of £2m, assigned property leases and taken other costs saving measures which will result in annual cost savings in excess of £2.5m. The current plans and forecasts have been prepared factoring in the expected increase in revenue and cost savings mentioned. The most recent cash flow forecasts indicate that, depending on the timing of cash flows, there is a need for the Group to secure some additional funding via existing or new investors. The directors are confident from discussions with investors that they have the intention and ability to provide the additional funding and support needed, in order for the Group to meet its liabilities as they fall due for a period of not less than 12 months from the date of approval of these financial statements. Verbal agreements have been received from existing internal investors and also external investors to inject further funds in Q1 2023 which will provide the Group with sufficient resources well into 2024. In the absence of a formal agreement being in place at the date of approval of these financial statements and in the unlikely event that the verbally agreed additional funding is not forthcoming, there may be a material uncertainty attached to going concern.

As a result the financial statements have been prepared on a going concern basis and do not include any adjustments that would result if the Group was not able to continue as a going concern.

2.4 TURNOVER

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

Rendering of services

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

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

SECONDMIND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES (CONTINUED)

2.5 INTANGIBLE ASSETS

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

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

The estimated useful lives range as follows:

Re-branding costs	-	10	years straight line
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2.6 TANGIBLE FIXED ASSETS

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

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

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

Depreciation is provided on the following basis:

Leasehold property improvements	-	5/10	years straight line
Office equipment	-	4	years straight line
Computer equipment	-	3	years straight line

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

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

2.7 VALUATION OF INVESTMENTS

Investments in subsidiaries are measured at cost less accumulated impairment.

2.8 DEBTORS

Short term debtors are measured at transaction price, less any impairment.

SECONDMIND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES (CONTINUED)

2.9 CASH AND CASH EQUIVALENTS

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

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

2.10 FINANCIAL INSTRUMENTS

Non-basic debt instruments, including convertible loans, are measured at fair value with any changes in value being recognised in the Statement of Comprehensive Income.

Basic debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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

2.11 CREDITORS

Short term creditors are measured at the transaction price.

SECONDMIND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES (CONTINUED)

2.12 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

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

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

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. All income and expenditure is translated at the average rate for the year. Exchange differences arising between the rates are allocated to a foreign exchange reserve within equity.

2.13 FINANCE COSTS

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

SECONDMIND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES (CONTINUED)

2.14 SHARE BASED PAYMENTS

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

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

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

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

2.15 OPERATING LEASES: THE GROUP AS LESSOR

Rental income from operating leases is credited to profit or loss on a straight line basis over the lease term.

Amounts paid and payable as an incentive to sign an operating lease are recognised as a reduction to income over the lease term on a straight line basis, unless another systematic basis is representative of the time pattern over which the lessor's benefit from the leased asset is diminished.

2.16 OPERATING LEASES: THE GROUP AS LESSEE

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

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

2.17 PENSIONS

Defined contribution pension plan

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

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

SECONDMIND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES (CONTINUED)

2.18 HOLIDAY PAY ACCRUAL

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

2.19 INTEREST INCOME

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

2.20 TAXATION

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

2.21 EXCEPTIONAL ITEMS

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

2.22 RESEARCH AND DEVELOPMENT

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

SECONDMIND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make significant judgements, estimates and assumptions. The estimates and associated assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates.

These estimates and judgments are continually evaluated and based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances prevailing at that time. In preparation of the company's financial statements, estimates and assumptions have been made by the Directors concerning the fair value of share options, fair value of convertible loans, revenue recognition, the non-recognition of deferred tax assets, the estimated useful lives of tangible and intangible assets, accruals and provisions required, and similar evaluations. Actual amounts may differ from estimates.

Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both the current and future years.

There are no critical judgments or estimates.

4. TURNOVER

The whole of the turnover is attributable to the one principal activity of the Group.

Analysis of turnover by country of destination:

	2021 £	2020 £
United Kingdom	-	328,376
Rest of Europe	46,597	473,417
Rest of the world	1,258,811	910,006
	<u>1,305,408</u>	<u>1,711,799</u>

5. OTHER OPERATING INCOME

	2021 £	2020 £
Net rents receivable	462,830	623,819
Sundry income	-	375
	<u>462,830</u>	<u>624,194</u>

SECONDMIND LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

6. OPERATING LOSS

The operating loss is stated after charging:

	2021 £	2020 £
Research & development charged as an expense	258,271	269,048
Exchange differences	24,966	(486,362)
Other operating lease rentals	991,622	849,630
Share based payment	1,094,902	2,857,581
Depreciation	220,509	275,156
Amortisation	28,722	7,160
	<u>2,527,091</u>	<u>3,573,173</u>

7. AUDITORS' REMUNERATION

	2021 £	2020 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	<u>23,100</u>	<u>22,250</u>

8. EMPLOYEES

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

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Wages and salaries	4,589,485	7,447,230	4,399,509	7,386,143
Social security costs	583,135	1,087,395	568,079	1,085,108
Cost of defined contribution scheme	96,088	134,752	96,088	134,752
	<u>5,268,708</u>	<u>8,669,377</u>	<u>5,063,676</u>	<u>8,606,003</u>

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

	Group 2021 No.	Group 2020 No.	Company 2021 No.	Company 2020 No.
Directors	8	7	8	7
Employees	57	102	55	101
	<u>65</u>	<u>109</u>	<u>63</u>	<u>108</u>

Directors includes 4 (2020 - 4) Directors that did not receive remuneration.

SECONDMIND LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

9. DIRECTORS' REMUNERATION

	2021 £	2020 £
Directors' emoluments	304,511	367,075
Group contributions to defined contribution pension schemes	5,801	3,941
	310,312	371,016

During the year retirement benefits were accruing to 3 Directors (2020 - 3) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £131,460 (2020 - £144,082).

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £2,356 (2020 - £1,314).

During the year there were 2 Directors (2020 - 2) that received options during the year and 1 received unapproved options (2020 - 1).

10. INTEREST RECEIVABLE

	2021 £	2020 £
Other interest receivable	797	62,211
	797	62,211

11. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021 £	2020 £
Other interest payable	1,162,090	-
	1,162,090	-

12. TAXATION

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	(992,175)	(1,896,330)
Adjustments in respect of previous periods	(70,027)	46,010
Total current tax	(1,062,202)	(1,850,320)

SECONDMIND LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

12. TAXATION (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Loss on ordinary activities before tax	(11,617,731)	(14,597,299)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	(2,207,369)	(2,742,853)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	246,573	622,212
Capital allowances for year in excess of depreciation	712	1,679
Enhanced research and development expenditure	(662,715)	(1,459,060)
Losses surrendered for research and development tax credit	1,172,496	611,388
Adjustments to tax charge in respect of prior periods	(70,027)	49,150
Research and development tax credit	(971,893)	-
Other timing differences leading to an increase (decrease) in taxation	364	(15,902)
Adjustments to brought forward values	(2,653)	-
Movement in deferred tax not recognised	2,926,588	1,259,175
Remeasurement of deferred tax for changes in tax rates	(1,480,700)	(233,391)
Other differences leading to an increase (decrease) in the tax charge	(13,578)	57,282
Total tax charge for the year	<u>(1,062,202)</u>	<u>(1,850,320)</u>

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The company losses totalling £24,746,977 (2020 - £17,429,241) available for carry forward against future profits.

The company has a potential deferred tax asset of £6,186,745 (2020 - £3,311,556) on the above losses. This has not been recognised in the financial statements due to the uncertainty when such losses will be utilised.

SECONDMIND LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

13. EXCEPTIONAL ITEMS

	2021 £	2020 £
Restructure costs	1,784,648	528,639
Directors loss of office	-	300,000
Rebranding costs	-	333,333
	1,784,648	1,161,972

Following the restructuring and rebranding of the group during the year, specific costs including redundancy, directors loss of office and rebranding have been included as exceptional items.

14. PARENT COMPANY PROFIT FOR THE YEAR

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss after tax of the parent Company for the year was £10,641,249 (2020 - loss £12,655,278).

15. INTANGIBLE ASSETS

Group and Company

	Re-branding costs £
Cost	
At 1 January 2021	287,112
At 31 December 2021	287,112
Amortisation	
At 1 January 2021	7,160
Charge for the year on owned assets	28,722
At 31 December 2021	35,882
Net book value	
At 31 December 2021	251,230
At 31 December 2020	279,952

SECONDMIND LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

16. TANGIBLE FIXED ASSETS

Group and Company

	Leasehold property improvements £	Office equipment £	Computer equipment £	Total £
COST				
At 1 January 2021	394,768	159,177	656,893	1,210,838
Additions	10,066	6,222	3,892	20,180
Disposals	-	(107,292)	(320,102)	(427,394)
At 31 December 2021	<u>404,834</u>	<u>58,107</u>	<u>340,683</u>	<u>803,624</u>
Depreciation				
At 1 January 2021	110,793	91,448	444,715	646,956
Charge for the year on owned assets	51,152	32,896	136,461	220,509
Disposals	-	(92,928)	(319,699)	(412,627)
At 31 December 2021	<u>161,945</u>	<u>31,416</u>	<u>261,477</u>	<u>454,838</u>
Net book value				
At 31 December 2021	<u>242,889</u>	<u>26,691</u>	<u>79,206</u>	<u>348,786</u>
At 31 December 2020	<u>283,975</u>	<u>67,729</u>	<u>212,178</u>	<u>563,882</u>

SECONDMIND LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

17. FIXED ASSET INVESTMENTS

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2021	8,040
Disposals	(1)
At 31 December 2021	8,039

SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Secondmind Inc	c/o Vcorp Services LLC, 1013 Centre Road, Suite 403-B, Wilmington, New Castle, Delaware 19805, USA	Ordinary	100%
Secondmind (Singapore) Pte Ltd	152 Beach Road, 10-18 Gateway East, Singapore (189721)	Ordinary	100%
Secondmind Kabushiki Kaisha	Shin-Yokohama Square Bldg 14F, 2-3-12 Shin- Yokohama, Kohoku-ku, Yokohama, Kanagawa, Japan	Ordinary	100%

SECONDMIND LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

18. DEBTORS

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Due after more than one year				
Other debtors	742,363	742,363	742,363	742,363
Due within one year				
Trade debtors	549,773	92,238	549,773	92,238
Amounts owed by group undertakings	-	-	47,103	222,951
Other debtors	1,006,272	1,910,231	1,005,103	1,910,233
Prepayments and accrued income	377,059	458,299	376,255	458,299
	<u>2,675,467</u>	<u>3,203,131</u>	<u>2,720,597</u>	<u>3,426,084</u>

19. CASH AND CASH EQUIVALENTS

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Cash at bank and in hand	<u>7,583,288</u>	<u>14,365,221</u>	<u>7,511,944</u>	<u>14,192,939</u>

20. CREDITORS: Amounts falling due within one year

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Trade creditors	102,181	344,874	100,314	341,139
Amounts owed to group undertakings	-	-	642	7,316
Corporation tax	2,887	-	-	-
Other taxation and social security	278,540	227,871	274,601	227,871
Other creditors	271,295	31,329	271,294	30,441
Accruals and deferred income	2,140,791	2,009,559	2,127,970	1,984,750
Convertible loan (within 1 year)	11,424,495	-	11,424,495	-
	<u>14,220,189</u>	<u>2,613,633</u>	<u>14,199,316</u>	<u>2,591,517</u>

SECONDMIND LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

21. CREDITORS: Amounts falling due after more than one year

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Other creditors	-	97,113	-	97,113
Convertible loan (after 1 year)	-	9,684,084	-	9,684,084
	<u>-</u>	<u>9,781,197</u>	<u>-</u>	<u>9,781,197</u>

Convertible loans have been measured at fair value by discounting future cash flows. The significant assumptions used as part of the fair value measurement include:

- 100% probability of conversion
- 12% discount rate

At the year end the directors estimated that Convertible loans would convert in June 2022 as a result of an expected converting event. At the balance sheet date the amount included in creditors within one year was £11,424,495 (2020 - £9,684,084 (creditors falling due after more than one year)).

22. FINANCIAL INSTRUMENTS

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Financial assets				
Financial assets measured at fair value through profit or loss	7,583,288	14,365,221	7,511,944	14,192,939
Financial assets that are debt instruments measured at amortised cost	2,802,890	2,744,832	2,848,824	2,967,785
	<u>10,386,178</u>	<u>17,110,053</u>	<u>10,360,768</u>	<u>17,160,724</u>
Financial liabilities				
Other financial liabilities measured at fair value through profit or loss	(11,424,495)	(9,684,084)	(11,424,495)	(9,684,084)
Financial liabilities measured at amortised cost	(377,415)	(473,316)	(372,250)	(476,009)
	<u>(11,801,910)</u>	<u>(10,157,400)</u>	<u>(11,796,745)</u>	<u>(10,160,093)</u>

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand.

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

Other financial liabilities measured at fair value through profit and loss comprise convertible loans (after 1 year).

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

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23. SHARE CAPITAL

	2021 £	2020 £
Allotted, called up and fully paid		
1,240,006 (2020 - 1,139,231) Ordinary shares of £0.000001 each	1.240006	1.139231
910,192 (2020 - 910,192) Series A Preference shares of £0.000001 each	0.910192	0.910192
1,471,675 (2020 - 1,461,818) Series B Preference shares of £0.000001 each	1.471675	1.461818
485,437 (2020 - 485,437) Seed shares of £0.000001 each	0.485437	0.485437
	<u>4.107310</u>	<u>3.996678</u>

During the year the company issued 100,775 Ordinary shares of £0.000001 each for cash consideration of £4,751.

During the year the company issued 9,857 Series B Preference shares of £0.000001 each for cash consideration of £183,338.

24. RESERVES

Share premium account

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Foreign exchange reserve

Includes differences between the foreign exchange rates used in the Statement of Comprehensive Income and Balance Sheet.

Profit and loss account

Includes all current and prior period retained profits and losses less any dividends paid.

Share based payment reserve

Represents the movements in relation to the employee share option scheme in place for employees and share option scheme in place for non-employees as disclosed in note 24.

SECONDMIND LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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25. SHARE BASED PAYMENTS

The company has a share option scheme in place for employees. This is a equity-settled share option scheme.

Options are exercisable at a price equal to the estimated fair value of the Company's shares on the date of grant. The vesting period is as follows, 1/4 of the shares to vest on the first anniversary of the Vesting Start Date. 1/48 of the remaining shares to vest each calendar month following the first anniversary of the Vesting Start Date. If the options remain unexercised after a period of ten years from the date of grant, the options expire. Options are forfeited if the employee leaves the company before the options vest.

Details of the share options outstanding during the year are as follows:

	Weighted average exercise price (pence) 2021	Number 2021	Weighted average exercise price (pence) 2020	Number 2020
Outstanding at the beginning of the year	65.63	921,378	43.00	709,714
Granted during the year	0.001	235,440	100.00	313,977
Forfeited during the year	83.58	(66,290)	58.46	(7,612)
Exercised during the year	4.71	(100,775)	10.57	(94,701)
Outstanding at the end of the year	0.37	989,753	65.63	921,378

The fair value of the share options at the grant date was calculated using the Black Scholes model, which is considered to be the most appropriate generally accepted valuation method of measuring fair value.

Out of the options outstanding at the year end there were 634,841 that were exercisable (2020 - 801,033).

As at 31 December 2021 the share options were valued at £4,272,692 (2020 - £4,796,305). A charge of £1,094,902 (2020 - £2,857,581) has been made to the Statement of Comprehensive Income in the year.

The assumptions used in the calculation were as follows:

- Estimated average time until exercise - 10 years
- Risk-free interest rate - 1.56%
- Volatility - 1.00%

SECONDMIND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

SHARE BASED PAYMENTS (CONTINUED)

The company also had a share option scheme in place for non-employees during the year. This is a equity-settled share option scheme.

Options are exercisable at a price equal to the estimated fair value of the Company's shares on the date of grant. The vesting period is as follows, 8,064 of the shares to vest on the execution of the warrant. 5,377 of the shares vest on a monthly basis in equal instalments over the period for so long as the holder continues to provide services. If the options remain unexercised after a period of ten years from the date of grant, the options expire.

A further 4,480 options were granted and exercised during the year. These options vest on the execution of the warrant.

Details of the share options outstanding during the year are as follows:

	Weighted average exercise price (pence) 2021 £	Number 2021 £	Weighted average exercise price (pence) 2020 £	Number 2020 £
Outstanding at the beginning of the year	19	5,377	-	-
Granted during the year	19	4,480	19	13,441
Exercised during the year	19	(9,857)	19	(8,064)
OUTSTANDING AT THE END OF THE YEAR	19	-	19	5,377

The fair value of the share options at the grant date were measured at the fair value of the services received.

As at 31 December 2021 the share options were valued at £Nil (2020 - £100,011). A charge of £Nil (2020 - £100,011) has been made to the Statement of Comprehensive Income in the year. All of the options had been exercised at the year end and .

26. PENSION COMMITMENTS

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £96,088 (2020 - £134,752). Contributions totalling £31,524 (2020 - £23,063) were payable to the fund at the balance sheet date and are included in creditors.

SECONDMIND LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

27. COMMITMENTS UNDER OPERATING LEASES - LESSEE

At 31 December 2021 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Not later than 1 year	971,603	997,756	971,603	997,756
Later than 1 year and not later than 5 years	3,469,290	3,965,370	3,469,290	3,965,370
Later than 5 years	2,167,415	2,495,892	2,167,415	2,495,892
	<u>6,608,308</u>	<u>7,459,018</u>	<u>6,608,308</u>	<u>7,459,018</u>

28. COMMITMENTS UNDER OPERATING LEASES - LESSOR

At 31 December 2021 the Group and the Company had agreed commitments as a lessor under non-cancellable operating leases to receive the receipts as follows:

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Not later than 1 year	275,545	151,200	275,545	151,200
Later than 1 year and not later than 5 years	-	75,600	-	75,600
Later than 5 years	-	-	-	-
	<u>275,545</u>	<u>226,800</u>	<u>275,545</u>	<u>226,800</u>

29. POST BALANCE SHEET EVENTS

Since the Balance Sheet date the Group has negotiated agreements to reorganise and settle its real estate leasing agreements as follows:

- (i) The lease of Charter House, 68-70 Hills Road Cambridge was surrendered on 13th September, 2022. The property was occupied by a tenant who has taken a lease.
- (ii) The Group occupies as its principal place of business a self-contained building in excess of 25,000 square feet the lease of 72 Hills Road, Cambridge. The lease expires on 28th July, 2028 at a rent of £866,966 per annum.

Heads of terms have been agreed on 18th August 2022 to assign the lease with the expectation to complete on 30th November 2022.

At the same time the incoming tenant will grant an underlease to Secondmind for part of the building at an annual rent of £257,956 per annum for a term of 8 months.