

Registered number: 08436120

NEURAL CAPITAL LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021



NEURAL CAPITAL LIMITED

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NEURAL CAPITAL LIMITED

COMPANY INFORMATION

| | |
|----------------------------|---|
| Directors | P De Villiers B Venter |
| Company secretary | B Venter |
| Registered number | 08436120 |
| Registered office | Austen House Station View Guildford Surrey GU1 4AR |
| Independent auditor | Blick Rothenberg Audit LLP Chartered Accountants & Statutory Auditor 16 Great Queen Street Covent Garden London WC2B 5AH |

NEURAL CAPITAL 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.

Results and dividends

The loss for the year, after taxation, amounted to £263,756 (2020 - loss £62,131).

The directors did not declare a dividend (2020: £nil).

Directors

The directors who served during the year were:

P De Villiers
B Venter

Pillar 3 of Capital Requirements Directive Disclosure

The company is authorised and regulated by the Financial Conduct Authority and as such is subject to minimum regulatory capital requirements. The company is categorised as a limited licence firm by the FCA for capital purposes.

The directors determine the business strategy and risk appetite along with designing and implementing a risk management framework that recognises the risks that the business faces. They also assess risk on an ongoing basis and implement the arrangements to manage those risks.

The directors meet on a regular basis and discuss current projections for profitability and regulatory capital management, business planning and risk management. The directors manage risks through a framework of policies and procedures having regard to relevant laws, standards, principles and rules (including FCA principles and rules) with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required.

The directors have identified that operational, business, credit and market risks are the main areas of risk to which the company is exposed. Annually the directors formally review their risks, controls and other risk mitigation arrangements and assess their effectiveness. To the extent that the directors identify material risks, the financial impact of these risks are assessed as part of the company's business planning and capital management in order to determine whether the amount of regulatory capital is adequate.

Operational risk arises mainly from the potential failure of an outsourced service provider, such as the primary futures commission merchant (FCM). This would lead to a significant time burden on the Firm and potential reduced fee income. The Firm regularly monitors the creditworthiness of the FCM and the current primary FCM was selected because as a US stock-exchange listed entity it is regulated by both the SEC and the CFTC.

Business risk arises mainly from the potential loss of one or more of the company's large customers which are investment funds or from the reduction in assets under management at those customers due to investment underperformance or otherwise. Investment performance and market risk is actively monitored by a dedicated risk function and compliance with the investment mandates is also actively monitored

Credit risk arises from management fees receivable from customers. The company mitigates this risk through quarterly fee collections as well as the steps it takes to mitigate business risk. Credit risk also arises due to cash held with international financial institutions which company monitors their financial standing and credit ratings.

Market risk arises from foreign exchange risk as revenues are received largely in US dollars, and expenses are largely in sterling. The company manages this risk by regularly converting revenues received. The company has no trading book.

NEURAL CAPITAL LIMITED

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

The company is small with a simple operational infrastructure. Operational risk (namely loss resulting from inadequate or failed internal processes, people and systems or from external events) is actively managed through a controls framework.

The company follows the standardized approach to market risk and the simplified standard approach to credit risk.

Regulatory capital

The Firm is a limited company and its regulatory capital as at 31 December 2021 is summarised as follows:

| | |
|--|----------|
| Tier 1 capital resources | £305,661 |
| Tier 2 capital resources | £nil |
| Tier 3 capital resources | £nil |
| Deductions from total capital e.g. illiquid assets | £nil |
| Total capital resources | £305,661 |

Neural Capital Limited is a limited activity firm and as such its Pillar 1 capital resources requirement is the greater of:

- The base capital requirement of €50,000; or
- The sum of the market and credit risk requirements; or
- The Fixed Overhead Requirement

The directors monitor each of these requirements as part of the firm's monthly financial reporting. It is the company's experience that the Fixed Overhead Requirement has consistently been the largest and is therefore the determinant of the capital requirement and that market and credit risks are not material.

The company's approach to assessing the adequacy of its internal capital to support current and future activities is contained in the Internal Capital Adequacy and Risk Assessment ("ICARA"). This process includes an assessment of the specific risks to the business and the internal controls in place to mitigate those risks. It also considers the nature and reasons for the company to hold capital independent of the regulatory capital requirements in the absence of a trading book in order to arrive at a level of required capital. It considers the costs of operations and the possibility of the need for an orderly windup, should it be unable to generate sufficient revenue to meet its liabilities as they fall due.

The ICARA is formally reviewed by the directors at least annually but will be revised should there be any material changes to the company's business or risk profile.

Pillar 1

As at the date of this report the Firm has a surplus of capital resources over its Pillar 1 capital resources requirement.

Pillar 2

The Firm has undertaken an ICARA to determine whether it needs any further regulatory capital due to the operational, business, credit and market risks it faces.

As a result of this the Firm has concluded that it does not need any further regulatory capital to meet its requirements under Pillar 2.

NEURAL CAPITAL LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

UK Stewardship Code Disclosure Statement

Neural Capital Limited's ("the Firm") investment strategy is a pure quantitative, diversified managed futures trend following strategy which trades continuously on entry/exit signals generated from multi-asset financial data.

The strategy does not invest in companies for our clients with the intention of taking any activist role in directing management or taking any form of controlling interest. Consequently, while the Firm supports the general objectives that underlie the Code, the provisions of the Code are not relevant to the type of trading currently undertaken by the Firm.

If the Firm's investment strategy changes in such a manner that the provisions of the Code become relevant, the Firm will amend this disclosure accordingly.

This non-commit disclosure fully encompasses the Firm's regulatory obligations in complying with the FRC's Stewardship Code and the FCA's regulatory requirements.

Remuneration Code Disclosure

The Firm's business is to provide investment management services. The Firm's remuneration policy is designed to provide sufficient rewards and incentives to the Firm's employees to encourage performance of the highest standard while supporting the Firm's business strategy, and fostering long term value creation. The policy is also risk focused in order to promote sound and effective risk management.

Specifically the Firm's remuneration policy is designed to ensure that remuneration arrangements are; consistent with and promote sound and effective risk management, do not encourage excessive risk taking, include measures to avoid conflicts of interest and are in line with the Firm's business strategy, objectives, values and long-term interests.

As a Tier 4 Firm the Firm's remuneration policy is structured to be appropriate and proportionate in relation to the size of the Firm, the Firm's internal organisation and the nature, scope and complexity of the Firm's activities and to be in compliance with FCA Remuneration Rules and other applicable law and regulations. In order to achieve these aims the Firm's remuneration policy is designed to ensure that individual remuneration is aligned with the Firm's long-term performance and the interests of all of the Firm's stakeholders.

The Firm has identified those employees registered with the FCA and performing significant influence functions as meeting FCA criteria for Code Staff. The Code Staff population is reviewed at least annually and is updated as required to reflect Code Staff leavers and joiners.

The Firm's remuneration framework is based on a total reward approach and is designed to reflect success or failure against a range of targets. These targets are defined within a business balanced scorecard (which includes suitably risk adjusted factors) covering firm, group, financial, and personal performance. There are two components of remuneration:

1. Fixed – cash salary set within an appropriate market range.
2. Variable – cash bonus, payable solely at the discretion of the Firm and sufficiently flexible to allow the possibility, where performance so warrants, that an employee may receive no variable awards based on business and individual performance.

NEURAL CAPITAL LIMITED

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

Disclosure of information to auditor

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

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

Small companies exemptions

In preparing this report, the director has taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

Post balance sheet events

Subsequent to the year end, on 22 March 2022, the company issued 571,608 ordinary shares of \$1 each, at par, to increase the working capital of the company.

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



B Venter
Director

Date: 27/04/2022

NEURAL CAPITAL LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments 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 financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

NEURAL CAPITAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEURAL CAPITAL LIMITED FOR THE YEAR ENDED 31 DECEMBER 2021

Opinion

We have audited the financial statements of Neural Capital Limited (the 'company') for the year ended 31 December 2021, which comprise the profit and loss account, the balance sheet, the statement of cash flows, the statement of changes in equity and the notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

NEURAL CAPITAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEURAL CAPITAL LIMITED (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

NEURAL CAPITAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEURAL CAPITAL LIMITED (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Auditor's 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 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 extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the investment management sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation and data protection, anti-bribery, employment, and financial services legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- reviewed a sample of journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, relevant regulators including the Financial Conduct Authority, and the company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

NEURAL CAPITAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEURAL CAPITAL LIMITED (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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 auditor's report.

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 auditor's 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.

Blick Rothenberg Audit LLP

Simon Mayston (senior statutory auditor)

for and on behalf of

Blick Rothenberg Audit LLP

Chartered Accountants
Statutory Auditor

16 Great Queen Street
Covent Garden
London
WC2B 5AH

Date: 27/04/2022

NEURAL CAPITAL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2021

| | Note | 2021 £ | 2020 £ |
|--|------|------------------|-----------------|
| Turnover | | 187,932 | 382,581 |
| Administrative expenses | | (451,704) | (454,718) |
| Other operating income | 4 | - | 10,000 |
| Operating loss | 5 | (263,772) | (62,137) |
| Interest receivable and similar income | 8 | 16 | 6 |
| Loss before tax | | (263,756) | (62,131) |
| Tax on loss | 9 | - | - |
| Loss for the financial year | | (263,756) | (62,131) |

There are no items of other comprehensive income for either the year or the prior year other than the loss for the year. Accordingly, no statement of other comprehensive income has been presented.

NEURAL CAPITAL LIMITED**BALANCE SHEET
AS AT 31 DECEMBER 2021**

| | Note | 2021 £ | 2020 £ |
|---|------|----------------|----------------|
| Current assets | | | |
| Debtors: amounts falling due after more than one year | 11 | - | 3,177 |
| Debtors: amounts falling due within one year | 11 | 41,727 | 140,978 |
| Cash at bank and in hand | | 330,601 | 337,356 |
| | | <u>372,328</u> | <u>481,511</u> |
| Creditors: amounts falling due within one year | 12 | (66,667) | (56,864) |
| Net current assets | | <u>305,661</u> | <u>424,647</u> |
| Total assets less current liabilities | | <u>305,661</u> | <u>424,647</u> |
| Net assets | | <u>305,661</u> | <u>424,647</u> |
| Capital and reserves | | | |
| Called up share capital | 14 | 1,819,743 | 1,674,973 |
| Other reserves | 15 | 48,244 | 48,244 |
| Profit and loss account | 15 | (1,562,326) | (1,298,570) |
| Total equity | | <u>305,661</u> | <u>424,647</u> |

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



B Venter
Director

Date: 27/04/2022

NEURAL CAPITAL LIMITED

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

| | Called up share capital £ | Other reserves £ | Profit and loss account £ | Total equity £ |
|--|---------------------------------|------------------------|---------------------------------|-------------------|
| At 1 January 2020 | 1,674,973 | 48,244 | (1,236,439) | 486,778 |
| Comprehensive income for the year | | | | |
| Loss for the year | - | - | (62,131) | (62,131) |
| | | | | |
| Other comprehensive income for the year | - | - | - | - |
| | | | | |
| Total comprehensive income for the year | - | - | (62,131) | (62,131) |
| | | | | |
| Total transactions with owners | - | - | - | - |
| | | | | |
| At 1 January 2021 | 1,674,973 | 48,244 | (1,298,570) | 424,647 |
| Comprehensive income for the year | | | | |
| Loss for the year | - | - | (263,756) | (263,756) |
| | | | | |
| Other comprehensive income for the year | - | - | - | - |
| | | | | |
| Total comprehensive income for the year | - | - | (263,756) | (263,756) |
| Shares issued during the year | 144,770 | - | - | 144,770 |
| | | | | |
| Total transactions with owners | 144,770 | - | - | 144,770 |
| | | | | |
| At 31 December 2021 | 1,819,743 | 48,244 | (1,562,326) | 305,661 |

The notes on pages 15 to 23 form part of these financial statements.

NEURAL CAPITAL LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

| | Note | 2021 £ | 2020 £ |
|---|------|------------------|------------------|
| Cash flows from operating activities | | | |
| Loss for the financial year | | (263,756) | (62,131) |
| Adjustments for: | | | |
| Government grants | | - | (10,000) |
| Decrease/(increase) in debtors | | 102,428 | (111,486) |
| Increase in creditors | | 6,221 | 9,621 |
| Increase/(decrease) in amounts owed to groups | | 3,582 | (1,073) |
| Net cash used in operating activities | | (151,525) | (175,069) |
| Cash flows from investing activities | | | |
| Government grants received | | - | 10,000 |
| Net cash from investing activities | | - | 10,000 |
| Cash flows from financing activities | | | |
| Issue of ordinary shares | | 144,770 | - |
| Net cash generated from financing activities | | 144,770 | - |
| Net (decrease) in cash and cash equivalents | | (6,755) | (165,069) |
| Cash and cash equivalents at beginning of year | | 337,356 | 502,425 |
| Cash and cash equivalents at the end of year | | 330,601 | 337,356 |
| Cash and cash equivalents at the end of year comprise: | | | |
| Cash at bank and in hand | 10 | 330,601 | 337,356 |

NEURAL CAPITAL LIMITED

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

1. General information

The principal activity of the company during the year continued to be the provision of investment management services.

The company is a private company limited by shares and is incorporated in England. The address of its principal place of business is Austen House, Station View, Guildford, Surrey, GU1 4AR.

The financial statements are presented in Sterling (£).

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 following principal accounting policies have been applied:

2.2 Going concern

Notwithstanding the loss incurred in the year, after making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence and meet its liabilities as they fall due for the foreseeable future, being a period of at least twelve months from the date these financial statements were approved. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

In addition, the parent undertaking, Neural Capital Trading, has provided a letter of support to the company, extending to at least 12 months from the date of the approval of the financial statements.

2.3 Revenue

Revenue comprises investment management and performance fees. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

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

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

NEURAL CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.4 Financial instruments

The company has elected to apply Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the instrument.

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 company after deducting all of its liabilities.

The company's policies for its major classes of financial assets and financial liabilities are set out below.

Financial assets

Basic financial assets, including trade and other debtors and cash and bank balances, are initially recognised at transaction price, 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 for a similar debt instrument. Financing transactions are those in which payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

Such assets are subsequently carried at amortised cost using the effective interest method, less any impairment.

Financial liabilities

Basic financial liabilities, including trade and other creditors and loans from fellow group companies, 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 for a similar debt instrument. Financing transactions are those in which payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

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

Impairment of financial assets

Financial assets 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 profit and loss account.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between the asset's carrying amount and the best estimate of the amount the company would receive for the asset if it were to be sold at the reporting date.

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

NEURAL CAPITAL LIMITED

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

2. Accounting policies (continued)

2.4 Financial instruments (continued)

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 and financial liabilities

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting of financial assets and financial liabilities

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

2.5 Share capital

Ordinary shares are classified as equity.

2.6 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the profit and loss account in the same period as the related expenditure.

NEURAL CAPITAL LIMITED

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

2. Accounting policies (continued)

2.7 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is Sterling (£).

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.

2.8 Operating leases: lessee

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

2.9 Interest income

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

3. Turnover

The whole of the turnover is attributable to the principal activity of the company.

All turnover arose outside the United Kingdom.

4. Other operating income

| | 2021 £ | 2020 £ |
|-------------------------|-----------|-----------|
| Government grant income | - | 10,000 |

NEURAL CAPITAL LIMITED

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

5. Operating loss

The operating loss is stated after charging:

| | 2021 £ | 2020 £ |
|--|-------------------|-------------------|
| Operating lease rental expense | 19,205 | 19,062 |
| Exchange differences | 6,885 | 11,142 |
| Fees payable to the company's auditor for the audit of the company's annual financial statements | 7,500 | 5,000 |
| Fees payable to the company's auditor and its associates for non-audit services | 8,388 | 6,910 |
| | <u> </u> | <u> </u> |

6. Employees

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

| | 2021 £ | 2020 £ |
|-----------------------|-------------------|-------------------|
| Wages and salaries | 300,000 | 300,000 |
| Social security costs | 34,962 | 34,979 |
| | <u> </u> | <u> </u> |
| | 334,962 | 334,979 |
| | <u> </u> | <u> </u> |

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

| | 2021 No. | 2020 No. |
|-----------|-------------------|-------------------|
| Directors | 2 | 2 |
| | <u> </u> | <u> </u> |

7. Directors' remuneration

| | 2021 £ | 2020 £ |
|-----------------------|-------------------|-------------------|
| Directors' emoluments | 300,000 | 300,000 |
| | <u> </u> | <u> </u> |

The highest paid director received remuneration of £150,000 (2020 - £150,000).

8. Interest receivable

| | 2021 £ | 2020 £ |
|---------------------------|-------------------|-------------------|
| Other interest receivable | 16 | 6 |
| | <u> </u> | <u> </u> |

NEURAL CAPITAL LIMITED

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

9. Taxation

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 | <u>(263,756)</u> | <u>(62,131)</u> |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%) | (50,114) | (11,805) |
| Effects of: | | |
| Unrelieved tax losses carried forward | <u>50,114</u> | <u>11,805</u> |
| Total tax charge for the year | <u>-</u> | <u>-</u> |

Factors that may affect future tax charges

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% for companies with profits of over £250,000. A small profits rate will also be introduced for companies with profits of £50,000 or less so that they will continue to pay corporation tax at 19%. From this date companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective corporation tax rate. This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

10. Analysis of net funds

| | At 1 January 2021 £ | Cash flows £ | At 31 December 2021 £ |
|--------------------------|------------------------------|-----------------|--------------------------------|
| Cash at bank and in hand | <u>337,356</u> | <u>(6,755)</u> | <u>330,601</u> |

NEURAL CAPITAL LIMITED

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

11. Debtors

| | 2021 £ | 2020 £ |
|-------------------------------------|-------------------|-------------------|
| Due after more than one year | | |
| Other debtors | - | 3,177 |
| | <u> </u> | <u> </u> |
| | 2021 £ | 2020 £ |
| Due within one year | | |
| Other debtors | 6,480 | 4,371 |
| Prepayments and accrued income | 35,247 | 136,607 |
| | <u> </u> | <u> </u> |
| | 41,727 | 140,978 |
| | <u> </u> | <u> </u> |

12. Creditors: amounts falling due within one year

| | 2021 £ | 2020 £ |
|------------------------------------|-------------------|-------------------|
| Trade creditors | 2,567 | 782 |
| Amounts owed to group undertakings | 33,991 | 30,409 |
| Other taxation and social security | 9,676 | 9,606 |
| Other creditors | 118 | - |
| Accruals and deferred income | 20,315 | 16,067 |
| | <u> </u> | <u> </u> |
| | 66,667 | 56,864 |
| | <u> </u> | <u> </u> |

13. Financial instruments

| | 2021 £ | 2020 £ |
|---|-------------------|-------------------|
| Financial assets | | |
| Financial assets that are debt instruments measured at amortised cost | 6,480 | 7,548 |
| | <u> </u> | <u> </u> |
| Financial liabilities | | |
| Financial liabilities measured at amortised cost | (36,676) | (31,191) |
| | <u> </u> | <u> </u> |

Financial assets measured at amortised cost comprise trade debtors, group debtors and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, group creditors and other creditors.

NEURAL CAPITAL LIMITED

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

14. Share capital

| | 2021 £ | 2020 £ |
|---|------------------|------------------|
| Allotted, called up and fully paid | | |
| 497,512 (2020: 497,512) Ordinary shares of £1 each | 497,512 | 497,512 |
| 1,800,000 (2020: 1,600,000) Ordinary shares of \$1 each | 1,322,231 | 1,177,461 |
| | <u>1,819,743</u> | <u>1,674,973</u> |

Ordinary shares are denominated in either sterling or US dollar. There are no restrictions on the distribution of dividends and the repayment of capital.

On 1 December 2021, the company issued 200,000 ordinary shares of \$1 each at par, in order to increase working capital of the company.

15. Reserves

Other reserves

Other reserves comprise a capital contribution reserve.

Profit and loss account

The profit and loss reserve includes all current and prior period retained profits and losses.

16. Commitments under operating leases

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

| | 2021 £ | 2020 £ |
|--|-----------|-----------|
| Not later than 1 year | 12,565 | 19,062 |
| Later than 1 year and not later than 5 years | - | 12,078 |

NEURAL CAPITAL LIMITED

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

17. Related party transactions

The company has taken advantage of the exemption contained in FRS 102 section 33 "Related Party Disclosures" from disclosing transactions with entities which are a wholly owned part of the group.

Transactions with other related parties are as follows:

| Relationship | Transaction | Amount | | Amount due (to)/from related parties | |
|-------------------------------------|--------------------------------|---------|---------|--------------------------------------|---------|
| | | 2021 | 2020 | 2021 | 2020 |
| | | £ | £ | £ | £ |
| Sailfish B.V. (common influence) | Management / incentive fees | 187,932 | 382,581 | 29,615 | 131,913 |

Amounts owed to related parties are unsecured, interest free and due for repayment within one year.

18. Post balance sheet events

Subsequent to the year end, on 22 March 2022, the company issued 571,608 ordinary shares of \$1 each, at par, to increase the working capital of the company.

19. Controlling party

The immediate and ultimate parent company is Neural Capital Trading, a company incorporated in the Cayman Islands whose registered office is Butterfield House, 68 Fort Street, George Town, KY1-1107, Cayman Islands. Group financial statements are prepared but are not available to the public.

In the opinion of the directors there is no ultimate controlling party.