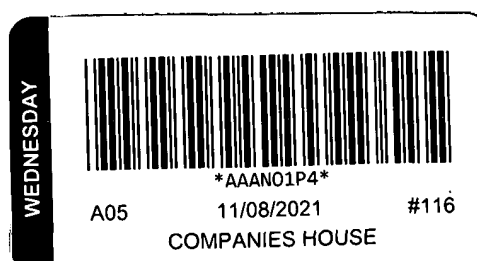


Registered number: 08873131

Faculty Science Limited

Annual Report and Financial Statements

For the Year Ended 31 March 2021



Faculty Science Limited

Company Information

Directors

A Brookes
S M A Ma
R I Ryan (resigned 21 May 2021)
Dr M Warner
S C Klein
M J S Beith (appointed 21 May 2021)

Registered number

08873131

Registered office

54 Welbeck Street
London
England
W1G 9XS

Independent auditors

Kreston Reeves LLP
Chartered Accountants & Statutory Auditor
Springfield House
Springfield Road
Horsham
West Sussex
RH12 2RG

Faculty Science Limited

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**Strategic Report
For the Year Ended 31 March 2021**

Introduction

The directors present their strategic report accompanying the financial statements for the year ended 31 March 2021.

Principal activity

Faculty is an applied AI company that helps companies who have the scale, data and foresight to adopt AI into their organisations. We're applying AI across the economy through a unique combination of strategy, software and skills; everything our customers need to successfully create value from AI today.

Business review and key performance indicators

These statutory accounts show the financial results of the business operating in a year which has been dominated worldwide by Covid-19. The measures taken across the globe to contain the spread of the virus have triggered significant disruptions to businesses and economies worldwide.

Nevertheless, we have continued to make AI real for our customers and deliver positive business impact. For example, our work with the NHS and Department of Health to optimise Covid resource planning using machine learning to provide local hospitals with timely, accurate, and trustworthy forecasts of patient demand. As a result, decisions on how to allocate supplies of oxygen, protective personal equipment, and hospital bed planning among other things are all now informed by the most relevant local and national data. We are very proud of this work and many other similar projects, not just for the efficiencies they create, but for the lives they have saved.

Despite winning 52 new customers during the financial year, including the National Crime Agency, Red Bull, Virgin Media, and Moonpig, our financial results were still affected by Covid. While the Directors are pleased with the revenue growth achieved given the challenging economic environment, it was significantly below pre-Covid forecasts. We were able to mitigate some of the impact by swiftly moving to a working from home environment and turning our business development focus to counter cyclical sectors such as Government. We closely managed our cost base through this period, implementing a headcount freeze as well as reducing discretionary costs where possible, as well as improving our working capital management to build up our cash runway.

Our cash balance was further bolstered by net proceeds of £0.7m from the sale of Bitcoin gifted to us by our shareholder, Jaan Tallinn, to fund further work into AI safety research.

This growth in revenue, cost base and working capital management is shown by the key metrics below:

	31 March 2021 £'m	31 March 2020 £'m	Change
Revenue	11.0	9.0	22%
Operating loss	(0.7)	(2.1)	67%
Cash at bank and in hand	5.8	3.9	49%

As we look forward to the next Financial Year, we anticipate the expansion of our AI as a Service engagement model, as well as accelerating our growth plans more generally. This has been supported by a £30m investment from the Apax Digital fund which closed post-year end. Our AI as a Service enables customers to customise powerful AI solutions to their needs, with the ongoing training and support that guarantees safe and high-performance AI over the long term. Apax's expertise and global network, together with existing investors including Local Globe and GMG Ventures, means we will continue to grow at pace, bringing the power of AI to even more customers, helping them to make effective, robust decisions with real-world impact.

**Strategic Report (continued)
For the Year Ended 31 March 2021**

Research and Development

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

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

The priority for the year ended 31 March 2021 has been our work on AI Safety. The safety considerations (i.e. the explainability, fairness, robustness, and privacy) of AI systems is one of the most important outstanding problems to address on the path to ensuring AI fulfils its enormous potential to be the transformative technology of our time. Meaningfully solving the open problems in AI Safety is thus a requirement for the widespread adoption of powerful AI systems by many of our customers. It is also a requirement we place on ourselves to meet our own standards for the deployment of safe, high-performing technology.

In the past year, we made significant progress on all four pillars of AI Safety (explainability, fairness, robustness, privacy). For example, we presented breakthrough work on explainability at NeurIPS 2020, the premier research conference in AI. In this work, we extended the standard explainability framework in order to rigorously incorporate causal information into explanations of how AI systems make their decisions; until this work, explanations were based only on correlations, not causation.

Principal risks and uncertainties

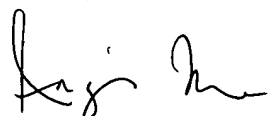
COVID-19: the risk of further restrictions due to future variants of COVID-19 and the associated impact on the UK and global economy impacting the growth of the business remains. We are mitigating this by building on our expertise and strong performance in counter cyclical sectors.

Information and Cyber Security Risk: cyber threats are becoming more regular and more sophisticated. We have strong data protection, cyber and information security practices in place, which include cyber threat modelling, bi-annual penetration tests, endpoint security monitoring, business continuity and disaster recovery solutions, and robust data governance processes. We are ISO-27001 and Cyber Essentials Plus certified. We continuously evolve our information and cyber security awareness, tooling, policies and practices through our cyber and information security roadmap.

Competition risk: we continue to operate in a competitive environment, with customers choosing to work with us over a myriad of other firms. We continue to preserve our competitive advantage through our Fellowship programme providing a pipeline of first class data science and data engineering talent; our usual combination of strategy, software and skills, which enables us to develop technology solutions that better match our customers strategic priorities; and finally we remain a specialist operator with a focus on machine learning and data science, which enables us to aggregate a depth of knowledge and experience that few other firms can match.

Liquidity risk: at the year end we had a strong cash balance and no loans or borrowings. To minimise our financial risk we were managing our working capital closely and making considered investment in our cost base. With the £30m of new investment, liquidity risk is currently minimal, with the greater focus being to ensure that capital is invested productively to accelerate the growth of our commercial capacity, and to reinforce the technology development of our proprietary AI Engines.

This report was approved by the board on 9 August 2021 and signed on its behalf.



.....
S M A Ma
Director

Faculty Science Limited

Directors' Report For the Year Ended 31 March 2021

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

Results and dividends

The loss for the year, after taxation, amounted to £289,000 (2020 - loss £1,057,000).

Directors

The directors who served during the year, and subsequent to the year end, were:

A Brookes
S M A Ma
R I Ryan (resigned 21 May 2021)
Dr M Warner
S C Klein
M J S Beith (appointed 21 May 2021)

Financial instruments

During the year the Company sold 50 units of Bitcoin that had been gifted to the Company by our shareholder, Jaan Tallinn to fund our research and work in AI safety. Net proceeds from this sale amounted to £0.7m and are reflected in the financial statements.

Future developments

On 21 May 2021 we successfully closed on a £30m investment from the Apax Digital Fund. This investment will allow the Company to accelerate the commercial growth of the company domestically and internationally, while also continuing to fund the development of the Faculty Platform, a suite of machine learning technology components that enable faster and more controlled deployment of machine learning models into customers' production environments.

Matters covered in the strategic report

The company has chosen in accordance with the Companies Act 2006, section 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch.7 to be contained in the directors' report. It has done so in respect of review of business, principal risks and uncertainties and research and development.

**Directors' Report (continued)
For the Year Ended 31 March 2021**

Directors' responsibilities statement

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

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

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

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

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

Disclosure of information to auditors

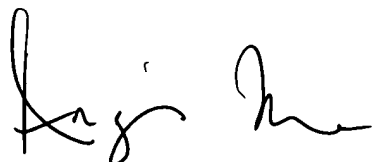
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

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

Auditors

The auditors, Kreston Reeves LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 9 August 2021 and signed on its behalf.



.....
S M A Ma
Director

Independent Auditors' Report to the Members of Faculty Science Limited

Opinion

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

In our opinion the financial statements:

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

Other matters

The prior period financial statements of the company for the year ended 31 March 2020 were not audited. Accordingly, the corresponding figures presented as part of the financial statements of the company for the year ended 31 March 2020 are unaudited.

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.

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Independent Auditors' Report to the Members of Faculty Science Limited (continued)

Auditors' responsibilities for the audit of the financial statements

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

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

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the company and industry, and through discussion with the directors and other management (as required by auditing standards), we identified that the principal risks of non-compliance with laws and regulations related to General Data Protection Regulations and employment law. We considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to revenue recognition. Audit procedures performed by the engagement team included:

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditors' Report to the Members of Faculty Science Limited (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditors' Report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditors' Report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Use of our report

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



Graham Hunt BA FCA (Senior Statutory Auditor)
for and on behalf of
Kreston Reeves LLP
Chartered Accountants
Statutory Auditor
Horsham

9 August 2021

Faculty Science Limited

Statement of Comprehensive Income For the Year Ended 31 March 2021

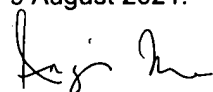
	Note	2021 £000	2020 £000
Turnover	4	10,986	9,004
Cost of sales		(6,118)	(5,184)
Gross profit		4,868	3,820
Administrative expenses		(5,837)	(5,976)
Other operating income	5	278	50
Operating loss	6	(691)	(2,106)
Interest receivable and similar income	10	17	10
Interest payable and expenses	11	-	(98)
Loss before tax		(674)	(2,194)
Tax on loss	12	385	1,137
Loss for the financial year		(289)	(1,057)
Other comprehensive income for the year			
Other comprehensive income		-	-
Total comprehensive income for the year		(289)	(1,057)

Faculty Science Limited
Registered number: 08873131

Balance Sheet
As at 31 March 2021

	Note	2021 £000	2020 £000
Fixed assets			
Fixed asset investment	13	-	259
Tangible assets	14	113	198
Investments	15	-	-
		<u>113</u>	<u>457</u>
Current assets			
Debtors: amounts falling due within one year	16	3,611	5,499
Cash at bank and in hand		5,790	3,947
		<u>9,401</u>	<u>9,446</u>
Creditors: amounts falling due within one year	17	(1,894)	(2,023)
Net current assets		<u>7,507</u>	<u>7,423</u>
Net assets		<u><u>7,620</u></u>	<u><u>7,880</u></u>
Capital and reserves			
Called up share capital	19	-	-
Share premium account	20	9,393	9,392
Capital contribution reserve	20	-	259
Other reserves	20	271	273
Profit and loss account	20	(2,044)	(2,044)
		<u><u>7,620</u></u>	<u><u>7,880</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 9 August 2021.



.....
S M A Ma
Director

The notes on pages 15 to 31 form part of these financial statements.

Faculty Science Limited

**Statement of Changes in Equity
For the Year Ended 31 March 2021**

	Called up share capital	Share premium account	Capital contribution reserve	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000
At 1 April 2020	-	9,392	259	273	(2,044)	7,880
Comprehensive income for the year						
Loss for the year	-	-	-	-	(289)	(289)
Shares issued during the year	-	1	-	-	-	1
Transfer cryptocurrency sold in the year	-	-	(259)	-	259	-
Employee share schemes - value of employee services	-	-	-	(2)	30	28
Total transactions with owners	-	1	(259)	(2)	289	29
At 31 March 2021	-	9,393	-	271	(2,044)	7,620

The notes on pages 15 to 31 form part of these financial statements.

Faculty Science Limited

Statement of Changes in Equity
For the Year Ended 31 March 2020

	Called up share capital	Share premium account	Capital contribution reserve	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000
At 1 April 2019	-	1,561	109	(419)	(1,312)	(61)
Comprehensive income for the year						
Loss for the year	-	-	-	-	(1,057)	(1,057)
Shares issued during the year	-	6,001	-	-	-	6,001
Conversion of convertible loan notes	-	1,830	-	600	201	2,631
Gift of cryptocurrency from shareholder	-	-	259	-	-	259
Transfer cryptocurrency sold in the year	-	-	(109)	-	109	-
Employee share schemes - value of employee services	-	-	-	92	15	107
Total transactions with owners	-	7,831	150	692	325	8,998
At 31 March 2020	-	9,392	259	273	(2,044)	7,880

The notes on pages 15 to 31 form part of these financial statements.

Faculty Science Limited

Statement of Cash Flows For the Year Ended 31 March 2021

	2021 £000	2020 £000
Cash flows from operating activities		
Loss for the financial year	(289)	(1,057)
Adjustments for:		
Amortisation of cryptocurrency	58	12
Depreciation of tangible assets	103	102
Impairments of cryptocurrency	-	(21)
(Profit)/loss on disposal of cryptocurrency	(481)	3
Interest paid	-	98
Interest received	(17)	(10)
Taxation credit	(385)	(1,137)
Decrease/(increase) in debtors	1,136	(1,826)
(Decrease)/increase in creditors	(129)	528
Share based payment charge	28	107
Corporation tax received	1,137	178
Net cash generated from operating activities	1,161	(3,023)
Cash flows from investing activities		
Sale of cryptocurrency	682	20
Purchase of tangible fixed assets	(22)	(118)
Sale of tangible fixed assets	4	1
Interest received	17	10
Net cash from investing activities	681	(87)
Cash flows from financing activities		
Issue of ordinary shares	1	6,001
Interest paid	-	(98)
Net cash used in financing activities	1	5,903
Net increase in cash and cash equivalents	1,843	2,793
Cash and cash equivalents at beginning of year	3,947	1,154
Cash and cash equivalents at the end of year	5,790	3,947
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	5,790	3,947
	5,790	3,947

The notes on pages 15 to 31 form part of these financial statements.

Faculty Science Limited

Analysis of Net Debt For the Year Ended 31 March 2021

	At 1 April 2020 £000	Cash flows £000	At 31 March 2021 £000
Cash at bank and in hand	3,947	1,843	5,790
	<u>3,947</u>	<u>1,843</u>	<u>5,790</u>

The notes on pages 15 to 31 form part of these financial statements.

**Notes to the Financial Statements
For the Year Ended 31 March 2021**

1. General information

The company is a private company limited by share capital and incorporated in England. Its registered office and principal place of business is 54 Welbeck Street, London, W1G 9XS.

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

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

2.2 Exemption from preparing consolidated financial statements

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

2.3 Going concern

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

The directors have considered the future funding requirements of the business. Based on detailed financial forecasts incorporating year-to-date performance and the £30m new investment from the Apax Digital Fund (which closed on 21 May 2021), the directors have concluded that the company will have sufficient funds to ensure it can meet its financial liabilities as and when they fall due.

2.4 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

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

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

Foreign exchange gains and losses are presented in the Statement of comprehensive income within administrative expenses.

**Notes to the Financial Statements
For the Year Ended 31 March 2021**

2. Accounting policies (continued)

2.5 Revenue

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

Rendering of services

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

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

2.6 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the Statement of comprehensive income 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.

2.7 Research and development

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

2.8 Government grants

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

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

2.9 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

2.10 Finance costs

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

**Notes to the Financial Statements
For the Year Ended 31 March 2021**

2. Accounting policies (continued)

2.11 Pensions

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

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the company in independently administered funds.

2.12 Share based payments

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

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

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

Where equity instruments are granted to persons other than employees, the Statement of comprehensive income is charged with the fair value of goods and services received.

**Notes to the Financial Statements
For the Year Ended 31 March 2021**

2. Accounting policies (continued)

2.13 Taxation

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

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

The company submits a research and development tax claim for all allowable research and development costs. Tax credits arising from such claims are accounted for in the tax charge as set out in note 12.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

2.14 Tangible fixed assets

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

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

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

Depreciation is provided on the following basis:

Leasehold improvements	- 2 or 10 years
Fixtures and fittings	- 5 years
Computer equipment	- 2 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

**Notes to the Financial Statements
For the Year Ended 31 March 2021**

2. Accounting policies (continued)

2.15 Fixed asset investments (cryptocurrency)

The company held investments in Bitcoin during the year, a type of crypto token or cryptocurrency, that are classified and accounted for under Section 18 of FRS 102 Intangible Assets other than Goodwill and are presented on the balance sheet as fixed asset investments. The Bitcoin was a gift made by a company minority shareholder to fund the company's AI Safety work.

FRS 102 defines intangible as an identifiable non-monetary asset without physical substance. The directors consider cryptocurrencies to meet the FRS 102 definition of intangible assets based on the following assessment:

- Cryptocurrency holdings are considered identifiable as they can be traded on an exchange or in peer-to-peer transactions.
- The value of a cryptocurrency is not fixed or determinable but subject to major variations that arise from supply and demand and cannot be predicted. Therefore it is not monetary but non-monetary in nature.
- Cryptocurrencies are a form of digital money and do not have physical substance.

Cryptocurrencies are accounted for under the cost model and initially recognised at cost. After recognition, under the cost model, cryptocurrencies are measured at cost less any accumulated amortisation and any accumulated impairment losses.

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.

All intangible assets are considered to have a finite useful life. Amortisation is provided on a straight line method on the following basis:

Cryptocurrencies	- 3 years
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2.16 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.17 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.18 Creditors

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

**Notes to the Financial Statements
For the Year Ended 31 March 2021**

2. Accounting policies (continued)

2.19 Financial instruments

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

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

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

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

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

**Notes to the Financial Statements
For the Year Ended 31 March 2021**

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

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

Accounting for cryptocurrencies

Accounting for cryptocurrency assets does not fit easily within the FRS 102 framework. The directors' view is that the classification of cryptocurrency as a fixed asset investment accounted for under Section 18 of FRS 102 fairly represents the intended use of the asset.

Accounting for cryptocurrency as inventory is not appropriate as it does not represent the company's business model and intended use of the asset.

In the directors' view, it is unlikely that cryptocurrencies would be considered financial instruments under FRS 102 as they do not meet the definition. Unlike cash, cryptocurrencies are not backed by a government or central bank and are not considered legal tender in virtually all jurisdictions. Whilst it may be possible to exchange cryptocurrencies into cash, the holder does not have cash or the right to cash. Cryptocurrencies do not give rise to equity instruments of another entity or the contractual right to receive cash, they do not give rise to a financial asset of one entity and are therefore not a financial instrument.

Fair value of share options granted

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

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

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

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

Movements in Capital contribution reserve

The capital contribution reserve arose from a gift of cryptocurrency received from a minority shareholder. The capital contribution reserve is reclassified to retained earnings at the same time as the relevant proportion of the underlying asset is sold, as the asset is readily convertible into cash.

Faculty Science Limited

Notes to the Financial Statements For the Year Ended 31 March 2021

4. Turnover

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

	2021 £000	2020 £000
Services and software	<u>10,986</u>	<u>9,004</u>

Analysis of turnover by country of destination:

	2021 £000	2020 £000
United Kingdom	9,412	5,269
Rest of Europe	62	214
Rest of the world	1,512	3,521
	<u>10,986</u>	<u>9,004</u>

5. Other operating income

	2021 £000	2020 £000
Government grants receivable	<u>278</u>	<u>50</u>

6. Operating loss

The operating loss is stated after charging:

	2021 £000	2020 £000
Research & development charged as an expense	2,670	3,215
Exchange losses/(gains)	22	(11)
Other operating lease rentals	383	430
Depreciation of tangible fixed assets	103	102
Amortisation of fixed asset investments	58	12
Share based payment	28	107
Impairment losses on fixed asset investment	-	(21)
Exceptional item - (profit)/loss on disposal of fixed asset investments	<u>(481)</u>	<u>3</u>

**Notes to the Financial Statements
For the Year Ended 31 March 2021**

7. Auditors' remuneration

	2021 £000	2020 £000
Audit of the company's annual financial statements	16	-
Other services	4	10
	<u>20</u>	<u>10</u>

8. Employees

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

	2021 £000	2020 £000
Wages and salaries	8,486	6,585
Social security costs	942	753
Cost of defined contribution pension schemes	233	145
	<u>9,661</u>	<u>7,483</u>

During the year, the company received grants for the Coronavirus Job Retention Scheme (CJRS) totalling £46,000 which are included within other operating income in the statement of comprehensive income. The staff costs are shown gross of the CJRS grants received.

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

	2021 No.	2020 No.
Delivery	73	66
Technology and Operations	49	42
	<u>122</u>	<u>108</u>

**Notes to the Financial Statements
For the Year Ended 31 March 2021**

9. Directors' remuneration

	2021	2020
	£000	£000
Directors' emoluments	450	450
Company contributions to defined contribution pension schemes	9	9
	459	459

During the year retirement benefits were accruing to 2 directors (2020 - 2) in respect of defined contribution pension schemes.

The three highest paid directors each received remuneration of £150,000 (2020 - £150,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of certain of the highest paid directors amounted to £4,500 (2020 - £4,500).

10. Interest receivable

	2021	2020
	£000	£000
Other interest receivable	10	-
Bank interest receivable	7	10
	17	10

11. Interest payable and similar expenses

	2021	2020
	£000	£000
Other loan interest payable	-	98

**Notes to the Financial Statements
For the Year Ended 31 March 2021**

12. Taxation

	2021	2020
	£000	£000
Corporation tax		
Current tax for the year	(385)	(676)
Adjustments in respect of previous periods	-	(461)
	(385)	(1,137)
Total current tax	(385)	(1,137)
Deferred tax		
Total deferred tax	-	-
Taxation on loss on ordinary activities	(385)	(1,137)

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
	£000	£000
Loss on ordinary activities before tax	(674)	(2,194)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	(128)	(417)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	15	19
Adjustments to tax charge in respect of prior periods	-	(461)
R&D relief adjustments	(341)	(346)
Deferred tax asset not recognised	25	65
Other differences leading to an increase in the tax charge	44	3
Total tax charge for the year	(385)	(1,137)

The company has unused trading losses carried forward at 31 March 2021 amounting to approximately £256,000 to be used against future trading profits. The directors have decided not to provide for a deferred tax asset relating to the losses until such time as the company establishes profitability.

Notes to the Financial Statements
For the Year Ended 31 March 2021

13. Fixed asset investment

	Cryptocurrency £000
At 1 April 2020	259
Disposals	(259)
At 31 March 2021	-
Amortisation	
At 1 April 2020	-
Charge for the year	58
Disposals	(58)
At 31 March 2021	-
Net book value	
At 31 March 2021	-
At 31 March 2020	259

14. Tangible fixed assets

	Leasehold improvements £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost or valuation				
At 1 April 2020	81	71	219	371
Additions	-	1	21	22
Disposals	(11)	-	(54)	(65)
At 31 March 2021	70	72	186	328
Depreciation				
At 1 April 2020	29	32	112	173
Charge for the year on owned assets	8	14	81	103
Disposals	(11)	-	(50)	(61)
At 31 March 2021	26	46	143	215
Net book value				
At 31 March 2021	44	26	43	113
At 31 March 2020	52	39	107	198

Faculty Science Limited

Notes to the Financial Statements For the Year Ended 31 March 2021

15. Investments

Investments in subsidiary companies

The following was a subsidiary undertaking of the company a sub:

Name	Registered office	Class of shares	Holding
Faculty Science Nominee Limited	54 Welbeck Street, London, W1G 9XS, United Kingdom	Ordinary	100%

Faculty Science Nominee Limited has been dormant since incorporation on 6 November 2019. The issued share capital in Faculty Science Nominee Limited is £1.00. The investment is held at cost of £1.00.

16. Debtors

	2021 £000	2020 £000
Trade debtors	2,471	2,958
Tax recoverable	385	1,137
Other debtors	282	338
Prepayments and accrued income	473	1,066
	<u>3,611</u>	<u>5,499</u>

17. Creditors: Amounts falling due within one year

	2021 £000	2020 £000
Trade creditors	412	412
Other taxation and social security	1,015	925
Other creditors	78	67
Accruals and deferred income	389	619
	<u>1,894</u>	<u>2,023</u>

**Notes to the Financial Statements
For the Year Ended 31 March 2021**

18. Financial instruments

	2021	2020
	£000	£000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	9,075	9,082
Financial liabilities		
Financial liabilities measured at amortised cost	(819)	(782)

Financial assets that are debt instruments measured at amortised cost comprise, cash, trade debtors, other debtors, and accrued income.

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

19. Share capital

	2021	2020
	£	£
Allotted, called up and fully paid		
8,872,347 (2020 - 8,997,300) Ordinary shares of £0.0000001-(2020 - £0.0000001) each	1	1
3,595,462 (2020 - 3,849,500) Ordinary 'A' shares of £0.0000001-(2020 - £0.0000001) each	1	1
24,912,500 (2020 - 24,912,500) Deferred shares of £0.0000001-(2020 - £0.0000001) each	2	2
4,342,707 (2020 - 3,779,474) Series 3 shares of £0.0000001-(2020 - £0.0000001) each	-	-
	4	4

Between 3 July 2020 and 12 March 2021 the company issued 184,242 ordinary shares of £0.0000001 each for a total consideration of £921.25.

On 23 November 2020 the company converted 309,195 ordinary shares and 254,038 ordinary 'A' shares into 563,233 Series 3 shares.

**Notes to the Financial Statements
For the Year Ended 31 March 2021**

20. Reserves

Share premium account

This account contains the premium on the issue of equity shares.

Capital contribution reserve

Represents a reserve arising from the gift of cryptocurrency to the company in previous periods.

Other reserves

Represents a reserve arising from the issue of share options.

Profit and loss account

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

21. Share based payments

The company operates an unapproved option scheme and an Enterprise Management Incentive ("EMI") scheme for certain directors, employees and contractors. Share options are exercisable for Ordinary shares at prices determined at the date of grant. The share options were granted on dates between 16 February 2016 and 24 August 2020 with the expiry dates being ten years following the date of grant.

Movements in share options during the year

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

	Weighted average exercise price (pence) 2021	Number 2021	Weighted average exercise price (pence) 2020	Number 2020
Outstanding at the beginning of the year	0.42	1,247,452	48	11,755
Arising on subdivision of number of options in existence		-		1,163,745
Granted during the year		1,042,167		236,500
Cancelled during the year		(131,063)		(117,348)
Exercised during the year		(184,242)		(47,200)
Outstanding at the end of the year	0.50	1,974,314	0.42	1,247,452

During the prior year the company subdivided its shares on the basis of 1:100. A commensurate adjustment was made to the number of options in issue and their exercise price.

**Notes to the Financial Statements
For the Year Ended 31 March 2021**

21. Share based payments (continued)

Fair value of share options granted

Options granted between 16 February 2016 to 17 May 2019:

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

Options granted between 3 July 2020 to 24 August 2020:

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

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

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

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

The company recognised total expenses of £28,000 (2020 - £107,000) related to equity settled share based payment transactions in the Statement of comprehensive income.

**Notes to the Financial Statements
For the Year Ended 31 March 2021**

22. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £233,000 (2020 - £145,000). Contributions totalling £67,000 (2020 - £49,000) were payable to the fund at the balance sheet date and are included in creditors.

23. Commitments under operating leases

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

	2021 £000	2020 £000
Not later than 1 year	275	380
Later than 1 year and not later than 5 years	1,100	1,100
Later than 5 years	315	589
	<u>1,690</u>	<u>2,069</u>

24. Related party transactions

Key management personnel

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

25. Post balance sheet events

In May 2021 the company issued 6,382,979 Series 4 shares of £0.0000001 each for a total consideration of £30,000,001.30, and converted 1,433,376 ordinary shares, 207,962 ordinary 'A' shares and 82,276 Series 3 shares to 1,723,614 Series 4 shares.

26. Controlling party

There is no ultimate controlling party.