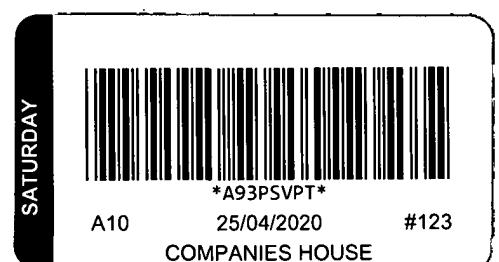


ZEPHR INC LIMITED
FINANCIAL STATEMENTS
FOR THE PERIOD 26 OCTOBER 2018 TO 31 DECEMBER 2019
PAGES FOR FILING WITH REGISTRAR



ZEPHR INC LIMITED

CONTENTS

Page

Balance sheet

1

Notes to the financial statements

2 - 10

ZEPHR INC LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £	£
Fixed assets			
Intangible assets	5		344,561
Tangible assets	6		41,745
			<u>386,306</u>
Current assets			
Debtors	7	282,221	
Cash at bank and in hand		1,012,708	
		<u>1,294,929</u>	
Creditors: amounts falling due within one year	8	<u>(479,005)</u>	
Net current assets			<u>815,924</u>
Total assets less current liabilities			<u>1,202,230</u>
Capital and reserves			
Called up share capital	7		1,881
Share premium account	7		2,363,454
Profit and loss reserves	10		<u>(1,163,105)</u>
Total equity			<u>1,202,230</u>

The directors of the company have elected not to include a copy of the profit and loss account within the financial statements.

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

The financial statements were approved by the board of directors and authorised for issue on 3 April 2020 and are signed on its behalf by:



.....
Mr J J Henderson
Director

Company Registration No. 11645431 (England and Wales)

ZEPHR INC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

Zephr Inc Limited is a private company limited by shares incorporated in England and Wales. The registered office is 2nd Floor Regis House, 45 King William Street, London, United Kingdom, EC4R 9AN. The principal place of business is 42-46 Princelet Street, London, E1 5LP.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements have been prepared with early application of the FRS 102 Triennial Review 2017 amendments in full.

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

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

1.2 Going concern

The directors have prepared detailed, sensitised financial projections modelling both the core business of the company and its forecast growth.

The company's core business is profitable and cash generating. The directors have, however, elected to take an accelerated growth strategy, backed by venture capital. Investment into the business during the period, in particular product development and commercial capabilities, has resulted in the reported £1,271,723 loss before taxation.

The directors have assessed the company's funding requirements needed to continue to pursue this accelerated growth strategy, and it is likely the directors will seek additional equity investment towards the end of 2020.

The directors have reviewed the company's forecasts and operating plans and taken into account the economic conditions and possible changes in trading performance, including the emerging impact of the Covid 19 virus on the business. Whilst it is too early to predict the full economic impact of the virus, the directors have modelled scenarios for the business based on information available at this time. On the basis of this information, the directors have a reasonable expectation that the company will have adequate resources to continue in operational existence for the foreseeable future.

After considering the above matters, in particular the security provided by the profitability of the core business, the directors believe that the company will have adequate resources to meet its liabilities as they fall due and so operate as a going concern for at least twelve months following the date of approval of these financial statements.

1.3 Reporting period

The Company was incorporated on 26 October 2018. The accounting period runs from the incorporation date to 31 December 2019, a period of 14 months. This is the first accounting period therefore there are no comparatives.

ZEPHR INC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

1 Accounting policies

1.4 Turnover

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

The main types of revenue recognised during the period are as follows:

- Monthly SaaS fees and support fees - recognised in the month they were provided, based on the signed contract with the individual customer
- Implementation fees - upfront set-up revenue recognised on a stage of completion basis

1.5 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 5 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

ZEPHR INC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

1 Accounting policies

1.6 Tangible fixed assets

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

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

Computer equipment	33% straight line
--------------------	-------------------

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.7 Cash and cash equivalents

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

1.8 Financial instruments

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

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

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

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities consist of trade creditors. Financial liabilities classified as payable within one year are not amortised.

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

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

ZEPHR INC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

1 Accounting policies

1.9 Equity instruments

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

1.10 Employee benefits

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

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

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

1.11 Retirement benefits

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

1.12 Share-based payments

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

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

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

1.13 Leases

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

1.14 Foreign exchange

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

1.15 Research and development

Expenditure on research is written off against profits in the year in which it is incurred. Development expenditure is capitalised and amortised over its useful life. Tax credits on research and development expenditure are recognised in the profit and loss account in the year to which they relate.

ZEPHR INC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the valuation of acquired goodwill and its useful life. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

3 Employees

The average monthly number of persons (including directors) employed by the company during the period was 15.

4 Directors' remuneration and dividends

2019
£

Remuneration paid to directors	138,068
--------------------------------	---------

5 Intangible fixed assets

Goodwill
£

Cost

At 26 October 2018

-

Additions

399,000

At 31 December 2019

399,000

Amortisation and impairment

At 26 October 2018

-

Amortisation charged for the period

54,439

At 31 December 2019

54,439

Carrying amount

At 31 December 2019

344,561

ZEPHR INC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

6 Tangible fixed assets

	Plant and machinery etc £
Cost	
At 26 October 2018	-
Additions	50,215
At 31 December 2019	50,215
Depreciation and impairment	
At 26 October 2018	-
Depreciation charged in the period	8,470
At 31 December 2019	8,470
Carrying amount	
At 31 December 2019	41,745

7 Debtors

	2019 £
Amounts falling due within one year:	
Trade debtors	148,825
Other debtors	133,396
	282,221

8 Creditors: amounts falling due within one year

	2019 £
Trade creditors	78,726
Taxation and social security	82,505
Other creditors	317,774
	479,005

ZEPHR INC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

9 Called up share capital

2019
£

Ordinary share capital

Issued and fully paid

131,179 Ordinary of 1p each

1,312

8,356 B Ordinary of 1p each

84

1,396

Preference share capital

Issued and fully paid

48,516 Series Seed Preferred of 1p each

485

Preference shares classified as equity

485

Total equity share capital

1,881

On 26 October 2018, being the date of incorporation, 100,000 Ordinary shares were issued for a nominal value of £0.01 each. On 26 April 2019, a further 25,827 Ordinary shares and 13,708 A Ordinary shares were issued, all for a nominal value of £0.01 each. On 26 June 2019, 8,356 Ordinary shares were reclassified as B Ordinary shares for a nominal value of £0.01 each. Also on 26 June 2019, All 13,708 A Ordinary shares were reclassified as Ordinary shares. The value remained at £0.01 per share. On 17 July 2019, 48,516 Series Seed Preferred shares were for a nominal value of £0.01 each.

10 Profit and loss reserves

2019
£

At the beginning of the period

-

Loss for the period

(1,171,358)

At the end of the period

(1,171,358)

11 Audit report information

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

The auditor's report was unqualified.

The directors have documented their consideration of the impact of the Covid 19 virus in note 1.2. However, because not all future events can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. So far as it concerns the impact of Covid 19, this is as yet unclear and it is difficult to evaluate all of the potential implications on the company's trade, customers and the wider economy.

The senior statutory auditor was Paul Creasey.

The auditor was Wilkins Kennedy Audit Services.

ZEPHR INC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

12 Acquisition of a business

On 26 April 2019 the company acquired the business of the trade and certain assets of Odin Solutions Limited.

	Fair Value £
Property, plant and equipment	8,098
Trade and other payables	(3,598)
	<hr/>
Total identifiable net assets	4,500
Goodwill	399,000
	<hr/>
Total consideration	403,500
	<hr/>
Satisfied by:	£
Loan note	403,500
	<hr/>
Contribution by the acquired business for the reporting period since acquisition:	£
Turnover	487,309
Loss after tax	(1,271,723)
	<hr/>

13 Share options

On 2 December 2019 41,064 share options were granted to employees with a weighted average exercise price of £0.72 per share.

Of the share options granted 10,863 vested immediately with the remaining 30,201 share options vesting over a four year period.

A total expense of £8,253 was recognised in the profit and loss account in respect of these share options.

No share options were exercised during the period.

ZEPHR INC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

14 Operating lease commitments

Lessee

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

	2019
	£
Within one year	108,822
	<u>108,822</u>

15 Related party transactions

Subsequent to issuing a loan note to Odin Solutions Limited as consideration for the purchase of trade and assets as detailed out in note 11, a loan forgiveness totalling £289,175 was agreed between the two parties and has been recognised as a credit to the profit and loss account.

Odin Solutions Limited is considered a related party by virtue of common shareholder ownership.