

TESSIAN LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

FRIDAY



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COMPANIES HOUSE

TESSIAN LIMITED

COMPANY INFORMATION

Directors

E Bishop
A F Brasoveanu
S Chandratillake
M Miller
J Montgomery
T R Sadler
R Sayar
I C Hamilton (resigned 12 April 2021)

Registered number

08358482

Registered office

3 Finsbury Avenue
London
England
EC2M 2PA

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
1 Embankment Place
London
WC2N 6RH

TESSIAN LIMITED

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TESSIAN LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2022

Strategic report

The Directors present the Strategic report and the financial statements for Tessian Limited ("the Company") and its subsidiary (together "the Group") for the year ended 31 March 2022 ("FY 2022").

Principal activities and review of the business

Tessian is a leading cloud email security platform that intelligently protects organisations against advanced attacks and data loss on email, while coaching people about security threats in-the-moment.

Using behavioural intelligence modelling, powered by machine learning, Tessian automatically stops threats that evade legacy email security solutions, including spear phishing attacks, business email compromise, account takeover, accidental data loss and insider threats. Tessian's intelligent approach not only strengthens email security but also builds a smarter security culture in modern enterprises.

Tessian is headquartered in London, with presence in both the UK and US. In May 2021, Tessian raised a \$74m Series C, led by March Capital with participation from existing investors Sequoia Capital, Accel, Balderton Capital and Latitude, and new investors Schroder AdvEq, Okta Ventures, Citi Ventures and Sozo Ventures. The capital raised will be used to invest heavily in R&D and to expand our go-to-market teams in the US, UK and beyond.

During FY 2022, Tessian increased revenue by 45% to £20.0m (FY 2021: £13.8m), and reported loss of £24.3m (FY 2021: loss of £16.4m) in the same period. This is in line with expectations for a fast growing venture backed technology company.

In FY 2022, Tessian retained its SOC 2 Type II compliance certification, ISO 27001 certification, and its Cyber Essentials Plus Certificate of Assurance. The Group, and Tessian's Cloud Email Security platform was also recognised for excellence and achievement through awards from major publications. These include:

- 2021 UK's Best Workplaces for Women
- VIVA Technology: Top 100 ScaleUps (AI, Deep Tech & Grand Prize)
- UK's Best Workplaces for Tech
- Cybersecurity Breakthrough Awards (Enterprise Email Security)
- Deloitte Fast 50 UK
- UK's Best Workplaces for Wellbeing
- Fast Company: Next Big Things In Tech (AI and data)
- FT 1000: Europe's Fastest Growing Companies

Tessian is led by seven company values that guide day to day decision making and are a true reflection of how the company operates. They're actionable, intuitive, and central to everything Tessian does, from recruitment, through to performance, development, and how Tessian interacts with its stakeholders. Tessian's values are:

- Human first
- Customer centricity
- Positive mindset
- Solution orientated
- Grit & perseverance
- We do the right thing
- Craft at speed

Principal risks and uncertainties

Tessian faces challenges similar to other fast-growing early-stage SaaS technology companies:

- continuing a fast-paced go to market motion;
- scaling product delivery to meet customer demand and maintain customer centricity;
- recruitment and retention of talented employees; and
- competition threat as Tessian broadens its services into new fields.

TESSIAN LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022**

Financial risk management policies and objectives

Tessian manages its key financial risks as follows:

Credit risk: The principal credit risk relates to trade receivables. Through the *Customer centricity* value, the Group maintains active relationships with clients and the Group seeks to deal with trading entities where the risk of default is considered low.

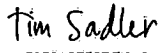
Liquidity risk: The Group manages cash flow risk by maintaining and reviewing cash flow forecasts on a regular basis and ensuring there is sufficient investment to meet foreseeable needs.

Currency risk: The Group predominantly operates in GBP and USD, the Group holds both currencies in line with forecast spend and continuously monitors & rebalances its cash currency split to ensure cash holdings match forecast currency.

Employee engagement

The Group regularly engages with the employee base through a number of mechanisms, including a frequent employee survey and feedback which is considered regularly at the manager, Executive and Board level.

Approved by the board of directors and signed on behalf of the board

DocuSigned by:

52521C759DFE4FC...
T R Sadler
Director

Date: 20 July 2022

TESSIAN LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2022

The directors present their report and the financial statements for the year ended 31 March 2022.

Results for the year and dividends

The Directors do not recommend the payment of a dividend (2021: £nil).

Directors

The directors who served during the year were:

E Bishop
A F Brasoveanu
S Chandratillake
M Miller
J Montgomery (appointed 12 May 2021)
T R Sadler
R Sayar (appointed 12 April 2021)
I C Hamilton (resigned 12 April 2021)

Subsequent events and future developments

There are no items to disclose post financial year end.

Going Concern

During FY 2022, the Company reported a loss of £24.3m (FY 2021: loss of £16.4m). The loss reflects investments in research & development, sales, and marketing in order to develop existing products, grow our customer base, delivering increasing levels of value to our customers and increased management incentives in the form of share options.

As part of the Directors' assessment of going concern, forecasts have produced taking into account the above which show that the Group has sufficient cash reserves to trade for the foreseeable future, being at least 12 months from the date of approval of the financial statements.

For this reason the Directors have prepared the financial statements on a going concern basis.

Research and Development

The Group's research and development team is predominantly based in the UK and are primarily focused on developing Tessian's core products.

We have submitted an R&D tax credit claim for this financial year, as per previous years.

Disclosure of information to auditors

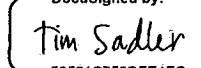
Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

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

TESSIAN LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022**

Approved by the board of directors and signed on behalf of the board

DocuSigned by:

52521C759DFE4FC...

T R Sadler
Director
Date: 20 July 2022

TESSIAN LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2022**

The directors are responsible for preparing the Annual 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 prepared the group and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).


Under company law, 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 group and company and of the profit or loss of the group for that period. In preparing the 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 United Kingdom Accounting Standards, comprising FRS 102 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 group and company will continue in business.

The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DocuSigned by:

T R Sadler
Director
Date: 20 July 2022

Independent auditors' report to the members of Tessian Limited

Report on the audit of the financial statements

Opinion

In our opinion, Tessian Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2022 and of the group's loss and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company balance sheets as at 31 March 2022; the Consolidated profit and loss account, the Consolidated statement of comprehensive income; the Consolidated and Company statements of changes in equity and the Consolidated statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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 group's and 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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, the Data Protection Act 2018 and UK tax and employment regulations, and 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 financial statements such as the Companies Act 2006. 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 fraudulent financial reporting, specifically the posting of inappropriate journal entries to manipulate financial results and potential management bias in accounting estimates. Audit procedures performed by the engagement team included:

- inquiries with management and the in-house legal counsel around any actual and potential litigation and claims, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- addressing the risk of management override of internal controls, including testing of journal entries (in particular journal entries posted with an unusual account combination); and
- evaluating and, where appropriate, challenging assumptions and judgements made by management in determining significant accounting estimates.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Jonathan Ford (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

23 July 2022

TESSIAN LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 £	2021 £
Turnover	3	20,030,628	13,751,756
Cost of sales		(5,659,634)	(4,836,666)
Gross profit		<u>14,370,994</u>	<u>8,915,090</u>
Administrative expenses		(39,723,335)	(22,634,673)
Exceptional administrative expenses		(84,227)	(5,963)
Other operating income	4	-	114,990
Fair value movements		(158,749)	(4,395,660)
Operating loss	5	<u>(25,595,317)</u>	<u>(18,006,216)</u>
Interest receivable and similar income	9	3,802	65,335
Interest payable and similar expenses	10	(126)	-
Loss before tax		<u>(25,591,641)</u>	<u>(17,940,881)</u>
Tax on loss	11	1,263,221	1,558,651
Loss for the financial year		<u>(24,328,420)</u>	<u>(16,382,230)</u>
Loss for the year attributable to:			
Owners of the parent		<u>(24,328,420)</u>	<u>(16,382,230)</u>
		<u>(24,328,420)</u>	<u>(16,382,230)</u>

The notes on pages 16 to 36 form part of these financial statements.

TESSIAN LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022**

	Note	2022 £	2021 £
Loss for the financial year		<u>(24,328,420)</u>	<u>(16,382,230)</u>
Other comprehensive income			
Foreign exchange		<u>(679,691)</u>	<u>392,256</u>
Other comprehensive (expense)/income for the year		<u>(679,691)</u>	<u>392,256</u>
Total comprehensive expense for the year		<u><u>(25,008,111)</u></u>	<u><u>(15,989,974)</u></u>
(Loss) for the year attributable to:			
Owners of the parent company		<u>(24,328,420)</u>	<u>(16,382,230)</u>
		<u><u>(24,328,420)</u></u>	<u><u>(16,382,230)</u></u>
Total comprehensive expense attributable to:			
Owners of the parent company		<u>(25,008,111)</u>	<u>(15,989,974)</u>
		<u><u>(25,008,111)</u></u>	<u><u>(15,989,974)</u></u>

The notes on pages 16 to 36 form part of these financial statements.

TESSIAN LIMITED
REGISTERED NUMBER: 08358482

COMPANY BALANCE SHEET
AS AT 31 MARCH 2022

	Note	2022 £	Restated 2021 £
Fixed assets			
Tangible assets	12	461,155	337,523
Investments	13	3,161,716	217,624
		<u>3,622,871</u>	<u>555,147</u>
Current assets			
Debtors	14	21,538,162	10,158,073
Cash at bank and in hand		51,745,606	21,450,192
		<u>73,283,768</u>	<u>31,608,265</u>
Creditors: amounts falling due within one year	15	<u>(14,170,222)</u>	<u>(8,144,750)</u>
Net current assets		59,113,546	23,463,515
Total assets less current liabilities		62,736,417	24,018,662
Creditors: amounts falling due after more than one year	16	-	(14,395,660)
Provisions for liabilities			
Deferred taxation	17	(113,084)	(58,434)
Other provisions	18	(9,567)	(55,972)
		<u> </u>	<u> </u>
Net assets		<u>62,613,766</u>	<u>9,508,596</u>
Capital and reserves			
Called up share capital	19	3,079	2,444
Share premium account	20	94,780,510	36,968,290
Share based payment reserve	20	6,958,581	564,299
Other reserves	20	-	65,166
Profit and loss account		(39,128,404)	(28,091,603)
		<u> </u>	<u> </u>
Total Shareholders' funds		<u>62,613,766</u>	<u>9,508,596</u>

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss after tax of the Parent Company was £11,036,801 (2021: £13,080,617).

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

DocuSigned by:

Tim Sadler
 Director

Date: 20 July 2022

The notes on pages 16 to 36 form part of these financial statements.

TESSIAN LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022

	Called up share capital £	Share premium account £	Share based payment reserve £	Foreign exchange reserve £	Shares to be issued £	Profit and loss account £	Total equity £
At 1 April 2020	2,433	36,935,497	305,229	17,083	-	(18,102,413)	19,157,829
Comprehensive income for the year							
Loss for the year	-	-	-	-	-	(16,382,230)	(16,382,230)
Equity settled share based payment	-	-	241,841	-	-	-	241,841
Foreign exchange	-	-	-	392,256	-	-	392,256
Shares to be issued	-	-	-	-	65,166	-	65,166
Shares issued during the year	11	32,793	-	-	-	-	32,804
At 1 April 2021	2,444	36,968,290	547,070	409,339	65,166	(34,484,643)	3,507,666
Comprehensive income for the year							
Loss for the year	-	-	-	-	-	(24,328,420)	(24,328,420)
Equity settled share based payment	-	-	6,403,935	-	-	-	6,403,935
Foreign exchange	-	-	-	(679,691)	-	-	(679,691)
Shares issued	-	-	-	-	(65,166)	-	(65,166)
Shares issued during the year	635	57,812,220	-	-	-	-	57,812,855
At 31 March 2022	3,079	94,780,510	6,951,005	(270,352)	-	(58,813,063)	42,651,179

The notes on pages 16 to 36 form part of these financial statements.

TESSIAN LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022

	Called up share capital	Share premium account	Share based payment reserve	Shares to be issued	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 April 2020	2,433	36,935,497	183,433	-	(15,010,986)	22,110,377
Comprehensive income for the year						
Loss for the year	-	-	-	-	(13,080,617)	(13,080,617)
Equity settled share based payment	-	-	163,249	-	-	163,249
Capital contribution	-	-	217,617	-	-	217,617
Shares to be issued	-	-	-	65,166	-	65,166
Shares issued during the year	11	32,793	-	-	-	32,804
At 1 April 2021	2,444	36,968,290	564,299	65,166	(28,091,603)	9,508,596
Comprehensive income for the year						
Loss for the year	-	-	-	-	(11,036,801)	(11,036,801)
Equity settled share based payment	-	-	6,394,282	-	-	6,394,282
Shares issued	-	-	-	(65,166)	-	(65,166)
Shares issued during the year	635	57,812,220	-	-	-	57,812,855
At 31 March 2022	3,079	94,780,510	6,958,581	-	(39,128,404)	62,613,766

The notes on pages 16 to 36 form part of these financial statements.

TESSIAN LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2022**

	2022 £	2021 £
Cash flows from operating activities		
Loss for the financial year	(24,328,420)	(16,382,230)
Adjustments for:		
Depreciation of tangible assets	234,360	163,927
Loss on disposal of tangible assets	84,227	5,963
Interest paid	126	-
Interest received	(3,802)	(65,335)
Taxation	(1,263,221)	(1,558,651)
(Increase) in debtors	(2,673,428)	(1,016,824)
Increase in creditors	7,979,420	2,961,946
(Decrease)/increase in provisions	(46,405)	4,325
Net fair value (gains)/losses recognised in P&L	(158,739)	4,395,660
R&D tax credit received	1,397,121	1,107,757
Movement in share based payments reserve	6,403,935	241,841
Net cash used in operating activities	<u>(12,374,826)</u>	<u>(10,141,621)</u>
Cash flows from investing activities		
Purchase of tangible assets	(497,474)	(104,479)
Proceeds from disposals of tangible assets	-	11,100
Interest received	3,802	65,335
Net cash used in investing activities	<u>(493,672)</u>	<u>(28,044)</u>
Cash flows from financing activities		
Issue of ordinary shares	57,747,689	32,804
Interest paid	(126)	-
Cash received in advance of shares to be issued	-	65,166
Convertible loan notes (redeemed)/received	(14,236,911)	10,000,000
Net cash used in financing activities	<u>43,510,652</u>	<u>10,097,970</u>
Net increase/(decrease) in cash and cash equivalents	30,642,154	(71,695)
Cash and cash equivalents at beginning of year	22,586,669	22,260,510
Foreign exchange gains and (losses)	(679,691)	397,854
Cash and cash equivalents at the end of year	<u>52,549,132</u>	<u>22,586,669</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	<u>52,549,132</u>	<u>22,586,669</u>

TESSIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

1. Accounting policies

1.1 Basis of preparation of financial statements

Tessian Limited is a private company, limited by shares, domiciled and incorporated in the England and Wales (Registered number: 08358482). The registered office address is 3 Finsbury Avenue, London, England, EC2M 2PA.

The financial statements are prepared in Sterling (£) and are for the year ended 31 March 2022 (2021: year ended 31 March 2021).

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgment in applying the group's accounting policies (see note 2).

The following principal accounting policies have been applied consistently, other than where new policies have been adopted:

1.2 Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the year has been presented as the reconciliation for the company and the parent company would be identical;
- No statement of cash flows has been presented for the parent company;
- No statement of comprehensive income has been presented for the parent company;
- No statement of profit or loss has been presented for the parent company;
- No disclosures have been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole; and
- Reduced disclosures for share-based payments (as equivalent disclosures have been given in the consolidated financial statements presented alongside the Parent Company's own financial statements).

1.3 Basis of consolidation

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

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

TESSIAN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1. Accounting policies (continued)

1.4 Going concern

In the year to 31 March 2022, the group made a loss of £24,328,420 and as at 31 March 2022 had net current assets of £42,181,718 including cash of £52,549,132. The Group is confident there are sufficient cash reserves to trade for more than 12 months from the date of approval of the financial statements. For this reason the Directors are confident that the Group can continue in operational existence for the foreseeable future being a period of at least 12 months from the signing of these financial statements and as a result have prepared the accounts on a going concern basis.

1.5 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated statement of comprehensive income within 'administrative expenses'.

Foreign exchange gains and losses are presented within 'administrative expenses'. Those that relate to borrowings and cash and cash equivalents are presented in the Consolidated statement of comprehensive income.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

TESSIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

1. Accounting policies (continued)

1.6 Revenue

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

Rendering of services

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

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

Once the above has been satisfied, revenue is recognised evenly over the life of the signed contract. Income is deferred and accrued in line with the FRS 102 framework.

1.7 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. At the balance sheet date all leases are classified as operating leases.

Rentals paid under operating leases are charged to the Consolidated statement of comprehensive income on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

1.8 Research and development

Research and development expenditure is expensed in the year in which it is incurred.

1.9 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

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

1.10 Interest income

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

TESSIAN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1. Accounting policies (continued)

1.11 Finance costs

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

1.12 Tangible 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.

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:

Office equipment	- 4 years
Computer equipment	- 4 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 profit or loss.

1.13 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

TESSIAN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1. Accounting policies (continued)

1.14 Pensions

Defined contribution pension plan

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

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

Defined benefit pension plan

The group operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

1.15 Exceptional items

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

TESSIAN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1. Accounting policies (continued)

1.16 Provisions for liabilities

Provisions are made where an event has taken place that gives the group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

1.17 Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the group becomes a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and measured at initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the group will not be able to collect all amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits with an original maturity of three months or less and bank overdrafts which are an integral part of the group's cash management.

Financial liabilities and equity instruments issued by the group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

Certain financial instruments are entered into by the directors which include convertible loan notes. Such financial instruments meet the criteria of other financial instruments and are initially recognised at fair value on the date at which an instrument is entered into and are subsequently remeasured at fair value at each reporting date through profit or loss.

The group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments as per the above.

TESSIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

1. Accounting policies (continued)

1.18 Share based payments

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

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

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

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

1.19 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

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;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

TESSIAN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

2. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements to conform to generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reapportioned amounts of revenues and expenses during the reporting period.

Key judgments

Bad debt provisions

The trade debtors balance of £4,499,531 (2021: £3,052,748) recorded in the group's Consolidated balance sheet comprise a number of small balances. A full line by line review of trade debtors is carried out at the end of each month. Whilst every attempt is made to ensure that the bad debt provisions are as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectable.

Financial instruments classification

The classification of financial instruments as "basic" or "other" requires judgement as to whether all the applicable conditions for classification as basic are met. This includes consideration of the form of the instrument and its return.

Research & development tax credit claim

The group recognises an asset in relation to its research & development tax credit claim to HMRC for 2021/22. The amount recognised as a debtor is the best estimate of the consideration expected to be received at the end of the reporting period based on successful historical R&D claims and qualifying expenditure.

A debtor of £1,317,870 (2021: £1,397,120) is recorded in both the Consolidated balance sheet and Company balance sheet.

Key sources of estimation uncertainty

Share based payments

Estimates have been made to value the equity settled share based payments recognised through the issuance of share options during the period. The key assumptions used centre on the share price volatility associated with the company's share price.

Convertible loan notes

The directors have estimated the fair value at FY21 year-end for the other financial instruments using the known fair value at the date at which these convertible loan notes converted during the year, on 12 May 2021, and then discounted for the time value of money.

TESSIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**3. Turnover**

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

	2022 £	2021 £
Provision of cybersecurity software	20,030,628	13,751,756

Analysis of turnover by country of destination:

	2022 £	2021 £
United Kingdom	9,393,909	7,049,534
Rest of Europe	1,618,439	1,045,611
Rest of the world	9,018,280	5,656,611
	<u>20,030,628</u>	<u>13,751,756</u>

4. Other operating income

	2022 £	2021 £
Government grants received	-	114,990

Other operating income relates to an amount of £Nil (2021: £114,990) received in respect of employees placed on "furlough" during the year, as part of the UK Government's Coronavirus Job Retention Scheme.

5. Operating loss

The operating loss is stated after charging/(crediting):

	2022 £	2021 £
Foreign exchange differences	2,688,240	1,737,998
Operating lease rentals	430,054	503,615
Bad debt (income)/expense	(32,623)	36,584
Staff costs (note 7)	6,394,309	259,070
Depreciation of tangible assets	234,370	163,927
Loss on disposal of tangible assets	84,227	3,599

TESSIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

6. Auditors' remuneration

	2022 £	2021 £
Fees payable to the group's auditors and their associates for the audit of the group's annual financial statements	80,000	41,300
Fees payable to the group's auditors and their associates in respect of:		
Audit-related assurance services	-	6,200
Taxation compliance services	-	7,850
Tax advisory services	-	67,850
All other services	-	21,730
	-	103,630

7. Employees

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

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Wages and salaries	21,179,723	13,198,124	12,260,740	9,638,326
Social security costs	1,083,159	1,855,638	496,044	1,658,840
Share based payment charge	6,394,309	259,070	3,450,217	163,249
Other pension costs	1,660,382	405,608	1,484,105	340,679
	<u>30,317,573</u>	<u>15,718,440</u>	<u>17,691,106</u>	<u>11,801,094</u>

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

	Group 2022 No.	Group 2021 No.	Company 2022 No.	Company 2021 No.
Research and development	67	57	67	57
Sales and marketing	89	54	43	37
Technical support	19	6	15	6
General and administrative	32	21	21	18
	<u>207</u>	<u>138</u>	<u>146</u>	<u>118</u>

TESSIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**8. Directors' remuneration**

	2022 £	2021 £
Directors' emoluments	482,734	464,096
Group contributions to defined contribution pension schemes	40,735	7,138
	<u>523,469</u>	<u>471,234</u>

During the year retirement benefits were accruing to 2 directors (2021: 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £268,999 (2021: £263,446).

The value of the group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £30,155 (2021: £7,138).

The total accrued pension provision of the highest paid director at 31 March 2022 amounted to £Nil (2021: £875).

9. Interest receivable

	2022 £	2021 £
Other interest receivable	3,802	65,335
	<u>3,802</u>	<u>65,335</u>

10. Interest payable and similar expenses

	2022 £	2021 £
Other interest payable	126	-
	<u>126</u>	<u>-</u>

TESSIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

11. Tax on loss

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	(1,317,871)	(1,397,120)
Adjustments in respect of previous periods	-	(144,994)
Total current tax	<u>(1,317,871)</u>	<u>(1,542,114)</u>
Deferred tax		
Origination and reversal of timing differences	33,352	(16,537)
Changes to tax rates	19,135	-
Effect of tax rate change on opening balance	2,163	-
Total deferred tax	<u>54,650</u>	<u>(16,537)</u>
Taxation credit on loss on ordinary activities	<u>(1,263,221)</u>	<u>(1,558,651)</u>
The total current tax credit above all related to R&D tax credits.		

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £	2021 £
Loss on ordinary activities before tax	<u>(25,591,641)</u>	<u>(17,940,881)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	(4,862,412)	(3,408,767)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	18,881	884
Other permanent differences	(84,568)	(92,232)
Additional deduction for R&D expenditure	(976,054)	(1,034,748)
Surrender of tax losses for R&D tax credit refund	408,994	433,588
Adjustments to tax charge in respect of prior periods	2,163	(144,994)
Higher rate taxes on overseas earnings	-	627,307
Adjust opening deferred tax to average rate of 19.00%	(1,624,361)	2,187
Deferred tax not recognised	5,357,493	2,060,505
Fixed asset differences	(20,146)	(2,381)
Current tax - other	(698,130)	-
Non-deductible share based payment charge	1,214,919	-
Total tax credit for the year	<u>(1,263,221)</u>	<u>(1,558,651)</u>

TESSIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

11. Tax on loss (continued)

Factors that may affect future tax charges

The company has unutilised tax losses of £27,055,731 (2021: £21,528,499) against which a deferred tax asset of £6,881,255 (2021: £4,180,872) has not been recognised.

On 3 March 2021, the Chancellor of the Exchequer announced that the corporation tax rate would increase to a maximum of 25% from 1 April 2023. This was substantively enacted on 24 May 2021. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised, based on tax law and the corporation tax rates that have been enacted, or substantively enacted, at 31 December 2021. As such, the deferred tax rate applicable at 31 March 2022 is 25% and deferred tax has been re-measured at this rate.

12. Tangible assets

Group

	Office equipment £	Computer equipment £	Total £
Cost			
At 1 April 2021	177,480	566,419	743,899
Additions	40,833	456,641	497,474
Disposals	-	(294,413)	(294,413)
Exchange adjustments	821	5,865	6,686
At 31 March 2022	<u>219,134</u>	<u>734,512</u>	<u>953,646</u>
Accumulated depreciation			
At 1 April 2021	100,712	235,445	336,157
Charge for the year on owned assets	51,925	182,435	234,360
Disposals	-	(210,185)	(210,185)
Exchange adjustments	259	943	1,202
At 31 March 2022	<u>152,896</u>	<u>208,638</u>	<u>361,534</u>
Net book value			
At 31 March 2022	<u>66,238</u>	<u>525,874</u>	<u>592,112</u>
At 31 March 2021	<u>76,768</u>	<u>330,974</u>	<u>407,742</u>

No impairment provision has been recognised in the year.

TESSIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

12. Tangible assets (continued)

Company

	Office equipment £	Computer equipment £	Total £
Cost			
At 1 April 2021	170,414	482,108	652,522
Additions	28,165	356,196	384,361
Disposals	-	(241,436)	(241,436)
At 31 March 2022	<u>198,579</u>	<u>596,868</u>	<u>795,447</u>
Accumulated depreciation			
At 1 April 2021	98,152	216,847	314,999
Charge for the year on owned assets	48,324	151,707	200,031
Disposals	-	(180,738)	(180,738)
At 31 March 2022	<u>146,476</u>	<u>187,816</u>	<u>334,292</u>
Net book value			
At 31 March 2022	<u><u>52,103</u></u>	<u><u>409,052</u></u>	<u><u>461,155</u></u>
At 31 March 2021	<u><u>72,262</u></u>	<u><u>265,261</u></u>	<u><u>337,523</u></u>

No impairment provision has been recognised in the year.

TESSIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

13. Fixed asset investments

Company

	Investments in subsidiary companies £
Cost	
At 1 April 2021	217,624
Additions	2,944,092
At 31 March 2022	<u>3,161,716</u>

Subsidiary undertaking

The following was a subsidiary undertaking of the company:

Name	Registered office	Principal activity	Class of shares	Holding
Tessian Inc	535 Mission Street, San Francisco, California, CA94105	Cloud email security platform that intelligently protects organisations against advanced attacks and data loss on email, while coaching people about security threats in-the-moment	Ordinary	100%

The aggregate of the share capital and reserves as at 31 March 2022 and the profit or loss for the year ended on that date for the subsidiary undertaking were as follows:

Name	Aggregate of share capital and reserves	Profit/(Loss)
Tessian Inc	(19,709,542)	(13,256,198)

14. Debtors

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Trade debtors	4,499,531	3,052,748	2,995,897	2,037,091
Amounts owed by group undertakings	-	-	14,990,659	5,166,399
Other debtors	1,801,456	1,426,720	1,687,687	1,426,698
Prepayments and accrued income	2,324,117	1,551,458	1,863,919	1,527,885
	<u>8,625,104</u>	<u>6,030,926</u>	<u>21,538,162</u>	<u>10,158,073</u>

TESSIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

15. Creditors: Amounts falling due within one year

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Trade creditors	1,991,213	409,988	1,737,963	380,362
Other taxation and social security	8,561	47,441	3,508	-
Other creditors	319,967	71,223	319,967	71,223
Accruals and deferred income	16,672,777	10,478,953	12,108,784	7,693,165
	<u>18,992,518</u>	<u>11,007,605</u>	<u>14,170,222</u>	<u>8,144,750</u>

16. Creditors: Amounts falling due after more than one year

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Convertible loan note	-	14,395,660	-	14,395,660
	<u>-</u>	<u>14,395,660</u>	<u>-</u>	<u>14,395,660</u>

The convertible loan notes held at a fair value of £14,395,660 in the balance sheet in the prior year (consideration of £10,000,000 received in July 2020) converted during the year, on 12 May 2021, at a conversion price of £2.8161 with the lenders receiving 3,551,010 shares valued at £4.0987 each. This resulted in a total amount for Series C being announced at \$74,000,000 combining the original convertible loan and the main fundraising.

17. Deferred taxation

Group and Company

	2022 £			
At beginning of year				(58,434)
Charged to profit or loss				(54,650)
At end of year				<u>(113,084)</u>
	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Fixed asset timing differences	(113,084)	(58,434)	(113,084)	(58,434)
	<u>(113,084)</u>	<u>(58,434)</u>	<u>(113,084)</u>	<u>(58,434)</u>

TESSIAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

18. Other provisions

Group and Company

	Dilapidations provision
	£
At 1 April 2021	55,972
Utilised in year	(46,405)
	<hr/>
At 31 March 2022	9,567
	<hr/> <hr/>

19. Share capital

	2022	2021
	£	£
Allotted, called up and fully paid		
24,490,998 (2021 - 22,573,711) Ordinary shares of £0.00004 each	980	903
242,875 A ordinary shares of £0.00004 each	10	10
11,657,875 A preferred shares of £0.00004 each	466	466
17,714,450 B preferred shares of £0.00004 each	709	709
8,898,625 Seed Preferred shares of £0.00004 each	356	356
13,961,892 C preferred shares of £0.00004 each	558	-
	<hr/>	<hr/>
	3,079	2,444
	<hr/> <hr/>	<hr/> <hr/>

TESSIAN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

19. Share capital (continued)

In accordance with the Company's Employee Share Option Plan:

On 6 May 2021 1,094,470 £0.00004 Ordinary shares were issued for consideration of £649,270. The premium of £649,226 has been credited to the share premium account. The aggregate nominal value for this is £44.

On 29 July 2021 190,959 £0.00004 Ordinary shares were issued for consideration of £34,598. The premium of £34,590 has been credited to the share premium account. The aggregate nominal value for this is £8.

On 3 November 2021 137,724 £0.00004 Ordinary shares were issued for consideration of £94,442. The premium of £94,436 has been credited to the share premium account. The aggregate nominal value for this is £6.

On 11 February 2022 54,406 £0.00004 Ordinary shares were issued for consideration of £45,511. The premium of £46,509 has been credited to the share premium account. The aggregate nominal value for this is £2.

Other share issues:

On 12 May 2021 12,400,258 £0.00004 C Preferred shares were issued for consideration of £46,214,176. The premium of £46,213,680 has been credited to the share premium account. The aggregate nominal value for this is £496.

On 3 August 2021 1,353,418 £0.00004 C Preferred shares were issued for consideration of £5,677,391. The premium of £5,677,338 has been credited to the share premium account. The aggregate nominal value for this is £53.

On 5 August 2021 173,514 £0.00004 C Preferred shares were issued for consideration of £731,309. The premium of £731,302 has been credited to the share premium account. The aggregate nominal value for this is £7.

On 12 August 2021 17,351 £0.00004 C Preferred shares were issued for consideration of £73,129. The premium of £73,128 has been credited to the share premium account. The aggregate nominal value for this is £1.

On 17 August 2021 17,351 £0.00004 C Preferred shares were issued for consideration of £73,129. The premium of £73,128 has been credited to the share premium account. The aggregate nominal value for this is £1.

Rights, preferences and restrictions

Seed shares, A Ordinary shares, A Preferred shares, B Preferred shares & C Preferred shares (collectively "Preferred shares") and Ordinary shares confer on each holder the right to receive notice of and to attend, speak and vote at all general meetings of the Company and to receive and vote on proposed written resolutions of the Company. Preferred shares and Ordinary shares have the right to receive dividends from available profits in the Company which are split pro-rata according to the shareholders' holding.

Deferred shares have no rights or dividend rights attached to them. The articles provide for deferred shares however there were no deferred shares in issue in this, or prior, financial years.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**19. Share capital (continued)**

On liquidation or return of capital any net proceeds shall be distributed in the following order: firstly to Deferred shareholders who between all Deferred shares receive a total of £1.00; secondly to Preferred shareholders until they have received an amount equal to the subscription price plus £250, divided by the total Preferred shares in issuance; and thirdly to Ordinary shares who receive 0.0001% of net proceeds. Any remaining assets thereafter will be distributed as at 0.0001% to the holders of Preferred shares and Ordinary shares.

Please see note 16 for details of the issue during the year relating to the convertible loan note.

20. Reserves**Share premium account**

The share premium account is used to record the aggregate amount or value of premiums paid when the Company's shares are issued at an amount in excess of nominal value.

Capital redemption reserve

This reserve relates to the fair value of the options granted which has been charged to the profit and loss account over the vesting period of the options.

Foreign exchange reserve

The foreign exchange reserve represents the cumulative movements in foreign exchange.

Shares to be issued

This reserve relates to cash received in advance of shares being issued.

Profit and loss account

This reserve relates to the cumulative retained earnings less amounts distributed to shareholders.

21. Analysis of net debt

	At 1 April 2021 £	Cash flows £	Other non- cash changes £	At 31 March 2022 £
Cash at bank and in hand	22,586,669	29,962,463	-	52,549,132
Convertible loan notes	(14,395,660)	-	14,395,660	-
	<u>8,191,009</u>	<u>29,962,463</u>	<u>14,395,660</u>	<u>52,549,132</u>

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22. Share based payments reserve

The table below represents the share options in force (whether or not registered with HMRC as at 31 March 2022), that are expected to be exercised. The group granted these to certain employees of the group under an approved EMI option plan registered with HMRC and an ISO scheme with a 409A valuation.

	Weighted average exercise price (pence) 2022	Number 2022	Weighted average exercise price (pence) 2021	Number 2021
Outstanding at the beginning of the year	68.88	3,665,620	75.95	4,630,175
Granted during the year	61.53	6,630,672	63.50	719,160
Forfeited during the year	76.30	(579,710)	67.58	(1,460,408)
Exercised during the year	45.55	(1,913,425)	25.96	(223,307)
Outstanding at the end of the year	67.20	7,803,157	68.88	3,665,620

All options granted have performance conditions relating to the relevant employee remaining in the employment of the company at the vesting date. The option vesting period for options granted is 25% vest on the one year anniversary of grant and one forty-eighth (1/48th) vest each month thereafter, on the same day of the month as the vesting commencement date, until the remaining 75% of the option shares have vested. Or the vesting schedule is one thirty sixth (1/36) vest each month from the date of grant, on the same day of the month as the vesting commencement date, until all option shares have vested. If not exercised the share options will lapse 90 days after a sale or exit event, or on the tenth anniversary of the date of the grant. Unvested share options will lapse where an employee leaves the Company subject to the directors' discretion.

The group is unable to directly measure the fair value of employee services received. Instead the fair value of the share options granted during the year is determined using the Black-Scholes model. The model is internationally recognised as being appropriate to value employee share schemes similar to the All-employee and Key-employee schemes.

Share options are exercisable at a price determined through each individual option agreement. Options are exercisable in either the event of a sale or listing of the company or if the employee meets the requirement of a "good leaver". When exercised the share options are settled in equity. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Vested share options will lapse 60 days after an employee leaves the company and unvested share options will lapse immediately upon leaving employment, subject to the directors' discretion.

Below is the total expense in relation to the equity settled schemes which has been recognised in the statement of profit or loss for the period.

	2022 £	2021 £
Equity-settled schemes	6,394,309	259,070
	<u>6,394,309</u>	<u>259,070</u>

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FOR THE YEAR ENDED 31 MARCH 2022**23. Pension commitments**

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £1,660,382 (2021: £405,608). Contributions totalling £113,045 (2021: £71,349) were payable to the fund at the balance sheet date.

24. Commitments under operating leases

At 31 March 2022 the group and the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Not later than 1 year	-	55,879	-	55,879
	-	55,879	-	55,879

25. Related party transactions

The company has taken advantage of the exemption in FRS 102 Section 33.1A to not disclose transactions with wholly owned group entities.

During the year the company provided services of £25,473 (2021: £25,473) to a company with a common director, of which none was outstanding at the 31 March 2022 (2021: £Nil)

Key management personnel comprises of the directors. Details of directors' remuneration are given in note 8 of the financial statements.

26. Prior year adjustment

The Loans to subsidiary companies balance of £14,990,659 (2021: £5,166,399) has been reclassified from Fixed asset investment assets to Current assets due to a review of the contractual terms agreed, which allow for immediate repayment to be demanded. This is a presentation reclassification and the underlying amounts have not been changed or altered

27. Controlling party

The directors do not consider there to be an ultimate controlling party.