

EVOLUTION ARTIFICIAL INTELLIGENCE LTD

Financial Statements

for the Year Ended 31 May 2021

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for the year ended 31 May 2021**

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EVOLUTION ARTIFICIAL INTELLIGENCE LTD

**Company Information
for the year ended 31 May 2021**

Directors:	M R Goodson R A Kwasny
Registered office:	71-75 Shelton Street Covent Garden London WC2H 9JQ
Registered number:	09930251 (England and Wales)
Accountants:	Haines Watts (City) LLP New Derwent House 69-73 Theobalds Road London WC1X 8TA

EVOLUTION ARTIFICIAL INTELLIGENCE LTD (REGISTERED NUMBER: 09930251)

**Balance Sheet
31 May 2021**

	Notes	£	2021 £	£	2020 £
Fixed assets					
Tangible assets	4		48,472		49,284
Current assets					
Debtors	5	189,539		315,556	
Cash at bank		<u>505,576</u>		<u>286,162</u>	
		695,115		601,718	
Creditors					
Amounts falling due within one year	6	<u>119,628</u>		<u>153,661</u>	
Net current assets			<u>575,487</u>		<u>448,057</u>
Total assets less current liabilities			<u>623,959</u>		<u>497,341</u>
Creditors					
Amounts falling due after more than one year	7		<u>50,000</u>		<u>-</u>
Net assets			<u><u>573,959</u></u>		<u><u>497,341</u></u>
Capital and reserves					
Called up share capital	8		1,187		1,181
Share premium			507,314		499,820
Retained earnings			<u>65,458</u>		<u>(3,660)</u>
			<u><u>573,959</u></u>		<u><u>497,341</u></u>

The company is entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 31 May 2021.

The members have not required the company to obtain an audit of its financial statements for the year ended 31 May 2021 in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for:

- (a) ensuring that the company keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 and
- (b) preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

Balance Sheet - continued
31 May 2021

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

In accordance with Section 444 of the Companies Act 2006, the Income Statement has not been delivered.

The financial statements were approved by the Board of Directors and authorised for issue on 22 February 2022 and were signed on its behalf by:

R A Kwasny - Director

**Notes to the Financial Statements
for the year ended 31 May 2021**

1. **Statutory information**

Evolution Artificial Intelligence Ltd is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. **Accounting policies**

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Hire purchase and leasing commitments

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

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Notes to the Financial Statements - continued
for the year ended 31 May 2021

2. Accounting policies - continued

Going concern

The financial statements have been prepared on a going concern basis. The Directors have reviewed and considered relevant information, including the annual budget and future cash flows in making their assessment. In particular, in response to the COVID-19 pandemic, the Directors have tested their cash flow analysis to take into account the impact on their business of possible scenarios brought on by the impact of COVID-19, alongside the measures that they can take to mitigate the impact. Based on these assessments, given the measures that could be undertaken to mitigate the current adverse conditions, and the current resources available, the Directors have concluded that they can continue to adopt the going concern basis in preparing the annual report and accounts.

Financial instruments

Financial assets and liabilities are recognised when the Company becomes party to the contractual provisions of the financial instrument. The Company holds both basic and complex financial instruments which comprise cash and cash equivalents, trade and other receivables, equity investments derivative financial instruments, trade and other payables, convertible loan notes and loans and borrowings. The company has chosen to apply the provisions of Section 11 Basic Financial Instruments and Section 12 Other Financial Instruments in full.

Financial assets - classified as basic financial instruments

(i) Cash and cash equivalents include cash in hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

(ii) Trade and other receivables

Trade and other receivables are initially recognised at the transaction price, including any transaction costs, and subsequently measured at amortised cost including the effective interest method, less any provision for impairment. Amounts that are receivable within one year are measured at the undiscounted amount of the cash expected to be received, net of any impairment.

At the end of each reporting period, the Company assesses whether there is objective evidence that an receivable amount may be impaired. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised immediately in profit or loss.

(iii) Trade and other payables and loans and borrowings

Trade and other payables and loans and borrowings are initially measured at the transaction price, including any transaction costs, and subsequently measured at amortised cost using the effective interest method. Amounts that are payable within one year are measured at the discounted amount of the cash expected to be paid.

Notes to the Financial Statements - continued
for the year ended 31 May 2021

2. Accounting policies - continued

Critical accounting judgements and key sources of estimation uncertainty

In applying the Company's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ.

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, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The critical judgement that the directors have made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below:

(i) Assessing indicators and impairment

In assessing whether there have been any indicators or impairment of assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience or recoverability. There have been no indicators or impairments identified during the current financial year.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(ii) Revenue recognition in respect of services

The company uses the percentage of completion method to recognise project revenue for fixed-priced contracts. This method requires the directors to estimate the level of services performed at each reporting date as a proportion of the total services to be performed to complete the contract. Variations to estimates could result in the over or under recognition of revenue.

(iii) Estimating value in use

Where an indication of impairment exists the directors will carry out an impairment review of to determine the recoverable amount, which is the higher of fair value less cost to sell and value in use. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the asset or the cash generating unit and a suitable discount rate in order to calculate present value.

(iv) Recoverability of receivables

The Company establishes a provision for receivables that are estimated not to be recoverable. When assessing recoverability the directors consider factors such as the aging of the receivables, past experience and recoverability, and the credit profile of individual or groups of customers.

(v) Determining residual values and useful economic lives of property, plant and equipment

The Company depreciates tangible assets over their estimated useful lives. The estimation of the useful lives is based on historical performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Judgement is applied by management when determining the residual values for plant, machinery and equipment. When determining the residual value management aim to assess the amount that the company would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful economic life. Where possible this is done with reference to external market prices.

Notes to the Financial Statements - continued
for the year ended 31 May 20213. **Employees and directors**

The average number of employees during the year was 11 (2020 - 8).

4. **Tangible fixed assets**

	Fixtures and fittings £	Computer equipment £	Totals £
Cost			
At 1 June 2020	2,415	94,574	96,989
Additions	-	33,504	33,504
At 31 May 2021	<u>2,415</u>	<u>128,078</u>	<u>130,493</u>
Depreciation			
At 1 June 2020	1,989	45,716	47,705
Charge for year	426	33,890	34,316
At 31 May 2021	<u>2,415</u>	<u>79,606</u>	<u>82,021</u>
Net book value			
At 31 May 2021	<u>-</u>	<u>48,472</u>	<u>48,472</u>
At 31 May 2020	<u>426</u>	<u>48,858</u>	<u>49,284</u>

5. **Debtors: amounts falling due within one year**

	2021 £	2020 £
Trade debtors	70,226	170,796
Other debtors	14,912	14,912
Tax	35,141	49,999
VAT	-	4,396
Accrued income	67,781	75,161
Prepayments	1,479	292
	<u>189,539</u>	<u>315,556</u>

6. **Creditors: amounts falling due within one year**

	2021 £	2020 £
Social security and other taxes	5,472	41,660
VAT	22,624	-
Accruals and deferred income	91,532	112,001
	<u>119,628</u>	<u>153,661</u>

Notes to the Financial Statements - continued
for the year ended 31 May 2021

7. Creditors: amounts falling due after more than one year

	2021	2020
	£	£
Bank loans - 2-5 years	<u>50,000</u>	<u>-</u>

8. Called up share capital

Allotted, issued and fully paid:

Number:	Class:	Nominal Value:	2021	2020
			£	£
1,010,000 (2020 - 1,010,000)	A Ordinary	£0.001	1,010	1,010
36,000 (2020 - 30,000)	B Ordinary	£0.001	36	30
1 (2020 - 1)	C Ordinary	£1.000	1	1
40,000 (2020 - 40,000)	A1 Ordinary	£0.001	40	40
100,000 (2020 - 100,000)	Seed Preferred	£0.001	<u>100</u>	<u>100</u>
			<u>1,187</u>	<u>1,181</u>

During the year 6,000 Ordinary B shares were issued of nominal value £0.001 at a premium of £1.249 per share.

9. Share-based payment transactions

Enterprise Management Incentive Scheme share options issued to UK employees

Company employees have been granted options under an Enterprise Management Incentive Scheme at option prices of £1.25, which entitles the holders to options on shares in the Company at a future date. The option price granted was agreed in advance with HMRC Shares & Asset Valuation Division and represented current actual and unrestricted market value at the time of granting the options.

The following table shows the movements during the year:

	2021	2020
	Number	Number
Outstanding at 1 June	32,450	32,450
Granted during the year	-	-
Lapsed during the year	-	-
Exercised during the year	<u>(6,000)</u>	<u>-</u>
Outstanding at 31 May	<u>26,450</u>	<u>32,450</u>

The standard vesting period of the options in this scheme is 4 years, and at year end the average vesting period left on the options in this scheme were 1.91 years.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.