

TESSIAN LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021



TESSIAN LIMITED

COMPANY INFORMATION

Directors	E Bishop A F Brasoveanu S Chandratillake M Miller J Montgomery (appointed 12 May 2021) T R Sadler R Sayar (appointed 12 April 2021)
Registered number	08358482
Registered office	3 Finsbury Avenue London EC2M 2PA
Independent auditor	Nexia Smith & Williamson Chartered Accountants & Statutory Auditors 25 Moorgate London EC2R 6AY

TESSIAN LIMITED

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TESSIAN LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2021

Introduction

The directors present the Group Strategic Report and the financial statements for Tessian Limited ("the Company") and its subsidiary (together "the Group") for the year ended 31 March 2021.

Principal activities and review of the business

Tessian is the world's first Human Layer Security (HLS) platform to automatically secure people and their digital interactions at work. Tessian's products automatically prevent cybersecurity threats such as spear phishing, misdirected emails, unauthorised emails (data loss) and non-compliance. Tessian is headquartered in London, with presence in both the UK and US.

Like the rest of the world, Tessian started the financial year uncertain of the impact COVID-19 would have on the global economy. Tessian paused hiring early in the financial year to monitor market conditions prior to returning to scale up mode towards the end of the financial year. However, despite the uncertainty and temporary pause in hiring, Tessian continued to grow with an increase in revenue of 53% to £13.8m (2020: £9.0m). The loss for the year was £16.4m (2020: £9.7m) which is in line with expectations for a fast growing venture backed technology company.

In 2020-21, Tessian received its SOC 2 Type II compliance certification and retained its ISO 27001 certification, and its Cyber Essentials Plus Certificate of Assurance. The Group, and Tessian's Human Layer Security platform was also recognised for excellence and achievement through awards from major publications. These include:

- Black Unicorn Awards' Top 100 Cyber Security Startup for 2020
- 451 Research Firestarter 2020
- The Sunday Times - FastTrack / Tech Track 100 ranking #3
- Cyber Defense Awards

Tessian is led by the six Tessian 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

TESSIAN LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

Future developments

Post financial year end, Tessian raised a \$74m Series C between 12 May 2021 and 4 August 2021 made up of the conversion of the convertible loan notes and \$60m received led by March Capital with participation from existing investors Sequoia Capital, Accel, Balderton Capital and Latitude, and new investors Schroder Adveq, Sozo ventures, Citi Ventures, Okta and Adversarial Ventures. The capital raised will be used to invest heavily in R&D to expand Tessian to secure other interfaces and communication channels beyond email, as well as bringing Human Layer Risk Scores to enterprises around the world, helping them quantify the security strengths and vulnerabilities of every single employee in their organization. We'll also be expanding our go-to-market teams in the US, UK and beyond.

The convertible loan notes held at a fair value of £14,395,660 in the Balance Sheet converted post year-end on 12 May 2021 at a conversion price of £2.8161 with the lenders receiving 3,551,010 shares valued at £4.0987 each.

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 & establishing the HLS category;
- 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.

As with the rest of the economy, Tessian is exposed to uncertainty as the global economy recovers and adapts post COVID-19. Tessian had adapted and continued to grow during the pandemic and is confident in future growth projections given recent investment.

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, monitoring credit risk on a monthly basis 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. Tessian raised a \$74m Series C post financial year to continue the mission of securing the human layer which significantly mitigates liquidity risk.

Foreign currency and exchange risk: The Group predominantly operates in GBP and USD which has been volatile both due to the UK's decision to leave the EU (Brexit), the US elections, and COVID-19. The Group holds USD and GBP 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.

TESSIAN LIMITED

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

Going concern

In the year to 31 March 2021, the Group made a loss of £16.4m and as at 31 March 2021 had net current assets of £17.6m including cash of £22.6m. Between 12 May 2021 and 4 August 2021, the Group secured Series C investment of \$74m extending the Group's cash reserves.

As part of the Directors' assessment of going concern, they have produced forecasts 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.

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

Tim Sadler

Tim Sadler (Aug 18, 2021 14:22 PDT)

T R Sadler
Director

Date: 18/08/2021

TESSIAN LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2021

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

Business review

A review of the business and its principal risks and uncertainties is set out in the Strategic Report of these financial statements.

Results and dividends

The loss for the year, after taxation, amounted to £16,382,230 (2020: loss £9,746,010).

The directors do not recommend the payment of a dividend (2020: £Nil).

Directors

The directors who served during the year were:

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

Subsequent events and future developments

Between 12 May 2021 and 4 August 2021 a Series C fundraising took place where 10,410,882 C Preferred shares were issued for consideration of \$59,999,995.

The convertible loan notes held at a fair value of £14,395,660 in the Balance Sheet (consideration of £10,000,000 received in July 2020) converted post year-end 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 \$74m combining the original convertible loan and the main fundraising.

Post financial year end, an additional 1,285,429 shares have been issued pursuant to option exercises for proceeds of £679,751 of which £65,166 was included in shares to be issued as at year-end.

On 12 April 2021 the Company entered into a new lease agreement with its current landlord at the same registered office address for the period from 24 May 2021 to 24 June 2023. Rent commenced on 24 July 2021 and is £302,363 per year.

Research and Development

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

We are in the process of submitting an R&D tax credit claim for this financial year, as per previous years.

Matters covered in the strategic report

Where necessary, disclosures relating to principal risks & uncertainties, post balance sheet events, future developments and results & dividends have been made in the Strategic Report and have not been repeated here in accordance with Section 414C of the Companies Act 2006.

TESSIAN LIMITED

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

Disclosure of information to auditor

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

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

Auditor

The auditor, Nexia Smith & Williamson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

Tim Sadler

Tim Sadler (Aug 18, 2021 14:22 PDT)

T R Sadler

Director

Date: 18/08/2021

TESSIAN LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 MARCH 2021

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TESSIAN LIMITED

Opinion

We have audited the financial statements of Tessian Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheet, the Consolidated and Parent Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

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

TESSIAN LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TESSIAN LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report and financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent 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 Parent Company or to cease operations, or have no realistic alternative but to do so.

TESSIAN LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TESSIAN LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

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

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

We obtained a general understanding of the Group's legal and regulatory framework through enquiry of management in respect of their understanding of the relevant laws and regulations. We obtained an understanding of the entity's policies and procedures in relation to compliance with relevant laws and regulations. We also drew on our existing understanding of the Group's industry and regulation.

We understand that the Group complies with requirements of the framework through updating operating procedures, manuals and internal controls as legal and regulatory requirements change.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the Group's ability to conduct its business and where failure to comply could result in material penalties. We identified the following laws and regulations as being of significance in the context of the Group:

- The Companies Act 2006 and FRS 102 in respect of the preparation and presentation of the financial statements.

To gain evidence about compliance with the significant laws and regulations above we reviewed board meeting minutes, enquired with the Group's management as to the existence of litigation and no material items were identified, made enquires of the directors and obtained written management representations regarding the adequacy of procedures in place.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur. The key areas identified as part of the discussion was the risk of manipulation of the financial statements through manual journal entries, incorrect recognition of revenue and management bias in areas of estimation uncertainty.

The procedures we carried out to gain evidence in the above areas included;

- Testing of a sample of manual journal entries, selected through applying specific risk assessments based on the Group's processes and controls surrounding manual journal entries.
- Testing a sample of revenue transactions to underlying documentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

TESSIAN LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TESSIAN LIMITED (CONTINUED)

Nexia Smith & Williamson

Timothy Adams (Senior Statutory Auditor)

for and on behalf of

Nexia Smith & Williamson

Chartered Accountants
Statutory Auditors

25 Moorgate
London

EC2R 6AY

Date: 19/08/2021

TESSIAN LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021**

	Note	2021 £	2020 £
Turnover	4	13,751,756	8,981,810
Cost of sales		(4,836,666)	(2,760,539)
Gross profit		8,915,090	6,221,271
Administrative expenses		(22,634,673)	(17,246,614)
Loss on disposal of fixed assets		(5,963)	(11,419)
Other operating income	5	114,990	12,958
Fair value loss on convertible loan notes		(4,395,660)	-
Operating loss	6	(18,006,216)	(11,023,804)
Interest receivable and similar income	10	65,335	73,967
Loss before taxation		(17,940,881)	(10,949,837)
Tax on loss	11	1,558,651	1,203,827
Loss for the financial year		(16,382,230)	(9,746,010)
Currency translation differences		392,256	18,409
Other comprehensive income for the year		392,256	18,409
Total comprehensive loss for the year		(15,989,974)	(9,727,601)
Loss for the year attributable to:			
Owners of the Parent Company		(16,382,230)	(9,746,010)
		<u>(16,382,230)</u>	<u>(9,746,010)</u>
Total comprehensive loss for the year attributable to:			
Owners of the Parent Company		(15,989,974)	(9,727,601)
		<u>(15,989,974)</u>	<u>(9,727,601)</u>

The notes on pages 21 to 42 form part of these financial statements.

TESSIAN LIMITED
REGISTERED NUMBER:08358482

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible fixed assets	12	407,742	489,861
		<u>407,742</u>	<u>489,861</u>
Current assets			
Debtors	14	6,030,926	4,579,745
Cash at bank and in hand		22,586,669	22,260,510
		<u>28,617,595</u>	<u>26,840,255</u>
Creditors: amounts falling due within one year	15	(11,007,605)	(8,045,669)
Net current assets		<u>17,609,990</u>	<u>18,794,586</u>
Total assets less current liabilities		<u>18,017,732</u>	<u>19,284,447</u>
Creditors: amounts falling due after more than one year	16	(14,395,660)	-
Provisions for liabilities			
Deferred taxation	17	(58,434)	(74,971)
Other provisions	18	(55,972)	(51,647)
		<u>(114,406)</u>	<u>(126,618)</u>
Net assets		<u>3,507,666</u>	<u>19,157,829</u>
Capital and reserves			
Called up share capital	19	2,444	2,433
Share premium account	20	36,968,290	36,935,497
Foreign exchange reserve	20	409,339	17,083
Shares to be issued	20	65,166	-
Profit and loss account	20	(34,484,643)	(18,102,413)
Share based payment reserve	20	547,070	305,229
Shareholders' funds		<u>3,507,666</u>	<u>19,157,829</u>

TESSIAN LIMITED
REGISTERED NUMBER:08358482

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 MARCH 2021

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

Tim Sadler

Tim Sadler (Aug 18, 2021 14:22 PDT)

T R Sadler
Director

Date: 18/08/2021

The notes on pages 21 to 42 form part of these financial statements.

TESSIAN LIMITED
REGISTERED NUMBER:08358482

COMPANY BALANCE SHEET
AS AT 31 MARCH 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible fixed assets	12	337,523	434,426
Investments	13	5,384,023	7
		<u>5,721,546</u>	<u>434,433</u>
Current assets			
Debtors	14	4,991,674	6,845,677
Cash at bank and in hand		21,450,192	21,589,472
		<u>26,441,866</u>	<u>28,435,149</u>
Creditors: amounts falling due within one year	15	(8,144,750)	(6,632,587)
Net current assets		<u>18,297,116</u>	<u>21,802,562</u>
Total assets less current liabilities		<u>24,018,662</u>	<u>22,236,995</u>
Creditors: amounts falling due after more than one year	16	(14,395,660)	-
Provisions for liabilities			
Deferred taxation	17	(58,434)	(74,971)
Other provisions	18	(55,972)	(51,647)
		<u>(114,406)</u>	<u>(126,618)</u>
Net assets		<u>9,508,596</u>	<u>22,110,377</u>
Capital and reserves			
Called up share capital	19	2,444	2,433
Share premium account	20	36,968,290	36,935,497
Shares to be issued	20	65,166	-
Share based payment reserve	20	564,299	183,433
Profit and loss account	20	(28,091,603)	(15,010,986)
Shareholders' funds		<u>9,508,596</u>	<u>22,110,377</u>

TESSIAN LIMITED
REGISTERED NUMBER:08358482

COMPANY BALANCE SHEET (CONTINUED)
AS AT 31 MARCH 2021

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 £13,080,617 (2020: £6,814,077).

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

Tim Sadler

Tim Sadler (Aug 18, 2021 14:22 PDT)

T R Sadler
Director

Date: 18/08/2021

The notes on pages 21 to 42 form part of these financial statements.

TESSIAN LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

	Called up share capital	Share premium account	Shares to be issued	Foreign exchange reserve	Share based payment reserve	Profit and loss account	Total equity
	£	£	£	£	£	£	£
At 1 April 2019	2,432	36,925,366	-	(1,326)	112,186	(8,356,403)	28,682,255
Comprehensive income for the year							
Loss for the year	-	-	-	-	-	(9,746,010)	(9,746,010)
Foreign exchange	-	-	-	18,409	-	-	18,409
Total comprehensive income for the year	-	-	-	18,409	-	(9,746,010)	(9,727,601)
Shares issued during the year	1	10,131	-	-	-	-	10,132
Equity settled share-based payment	-	-	-	-	193,043	-	193,043
At 1 April 2020	2,433	36,935,497	-	17,083	305,229	(18,102,413)	19,157,829
Comprehensive income for the year							
Loss for the year	-	-	-	-	-	(16,382,230)	(16,382,230)
Foreign exchange	-	-	-	392,256	-	-	392,256
Total comprehensive income for the year	-	-	-	392,256	-	(16,382,230)	(15,989,974)
Shares issued during the year	11	32,793	-	-	-	-	32,804
Equity settled share based payment	-	-	-	-	241,841	-	241,841
Shares to be issued	-	-	65,166	-	-	-	65,166
At 31 March 2021	2,444	36,968,290	65,166	409,339	547,070	(34,484,643)	3,507,666

TESSIAN LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

	Called up share capital £	Share premium account £	Shares to be issued £	Share based payment reserve £	Profit and loss account £	Total equity £
At 1 April 2019	2,432	36,925,366	-	112,186	(8,196,909)	28,843,075
Comprehensive income for the year						
Loss for the year	-	-	-	-	(6,814,077)	(6,814,077)
Total comprehensive income for the year	-	-	-	-	(6,814,077)	(6,814,077)
Shares issued during the year	1	10,131	-	-	-	10,132
Equity settled share based payment	-	-	-	71,247	-	71,247
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)
Total comprehensive income for the year	-	-	-	-	(13,080,617)	(13,080,617)
Shares issued during the year	11	32,793	-	-	-	32,804
Equity settled share based payment	-	-	-	163,249	-	163,249
Shares to be issued	-	-	65,166	-	-	65,166
Capital contribution	-	-	-	217,617	-	217,617
At 31 March 2021	2,444	36,968,290	65,166	564,299	(28,091,603)	9,508,596

TESSIAN LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021**

	2021 £	2020 £
Cash flows from operating activities		
Loss for the financial year	(16,382,230)	(9,746,010)
Adjustments for:		
Depreciation of tangible fixed assets	163,927	143,607
Loss on disposal of tangible fixed assets	5,963	11,419
Interest received	(65,335)	(73,967)
Taxation credit	(1,558,651)	(1,203,827)
Increase in debtors	(1,016,824)	(1,647,648)
Increase in creditors	2,961,946	3,694,870
Fair value loss on convertible loan notes	4,395,660	-
R&D tax credit received	1,107,757	826,201
Increase/(decrease) in provisions	4,325	(350,454)
Movement in share based payments reserve	241,841	193,043
Net cash used in operating activities	(10,141,621)	(8,152,766)
Cash flows from investing activities		
Purchase of tangible fixed assets	(104,479)	(338,695)
Sale of tangible fixed assets	11,100	49,545
Interest received	65,335	73,967
Net cash used in investing activities	(28,044)	(215,183)
Cash flows from financing activities		
Issue of ordinary shares	32,804	10,131
Cash received in advance of shares to be issued	65,166	-
Convertible loan notes received	10,000,000	-
Net cash generated from financing activities	10,097,970	10,131
Net (decrease) in cash and cash equivalents	(71,695)	(8,357,818)

TESSIAN LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

	2021 £	2020 £
Cash and cash equivalents at beginning of year	22,260,510	30,599,919
Foreign exchange gains and losses	397,854	18,409
Cash and cash equivalents at the end of year	22,586,669	22,260,510
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	22,586,669	22,260,510
	22,586,669	22,260,510

TESSIAN LIMITED

CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 MARCH 2021

	At 1 April 2020 £	Cash flows £	Other non- cash changes £	At 31 March 2021 £
Cash at bank and in hand	22,260,510	326,159	-	22,586,669
Debt due after 1 year	-	10,000,000	4,395,660	14,395,660
	<u>22,260,510</u>	<u>10,326,159</u>	<u>4,395,660</u>	<u>36,982,329</u>

TESSIAN LIMITED

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

1. General information

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

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

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 following principal accounting policies have been applied:

2.2 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 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).

2.3 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiary ("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 Statement of Comprehensive Income 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 2021

2. Accounting policies (continued)

2.4 Going concern

In the year to 31 March 2021, the Group made a loss of £16.4m and as at 31 March 2021 had net current assets of £17.6m including cash of £22.6m. Between 12 May 2021 and 4 August 2021, the Group secured Series C investment of \$74m extending the Group's cash reserves.

As part of the Directors' assessment of going concern, they have produced forecasts 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.

2.5 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 Statement of Comprehensive Income within 'administrative expenses'.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'administrative expenses'. All other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income within 'administrative expenses'.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

2. Accounting policies (continued)

2.6 Turnover

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.

2.7 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 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.

2.8 Research and development

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

2.9 Government grants

Government grants are recognised based on the accruals model and are measured at the fair value of the asset received or receivable. Grants are classified as relating either to revenue or to assets. Grants relating to revenue are recognised in other operating income over the period in which the related costs are recognised. A grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised in other operating income in the period in which it becomes receivable. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

2.10 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 2021

2. Accounting policies (continued)

2.11 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.

2.12 Tangible fixed assets

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

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.

2.13 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.14 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.

2.15 Employee benefits

Short-term employee benefits including holiday pay and annual bonuses are accrued as services are rendered. Contribution to defined contribution pension schemes are charged to profit or loss as they become payable in accordance with the rules of the scheme. Differences between contributions payable in the year and those actually paid are shown as either accruals or prepayments.

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

2. Accounting policies (continued)

2.16 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.

2.17 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.

TESSIAN LIMITED

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

2. Accounting policies (continued)

2.18 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 share options are awarded to employees of the subsidiary a capital contribution is recognised within the Parent Company as an addition to investments in subsidiaries.

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

2.19 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 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.

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

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

The preparation of financial statements to conform to generally accepted accounting practise 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 reported amounts of revenues and expenses during the reporting period.

Key judgements

Bad debt provisions

The trade debtors balance of £3,052,748 (2020: £2,212,753) 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 2020/21. 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 historic R&D claims and qualifying expenditure. A debtor of £1,397,120 (2020: £962,763) is recorded in both the Consolidated Balance Sheet and Parent Company Balance Sheet as at 31 March.

Loans to subsidiaries

Although the loans to subsidiaries of £5,166,399 recorded in the Company's Balance Sheet are repayable on demand, there is not an expectation this year that they will be repaid within twelve months and therefore are classified as non-current assets.

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 year-end for the other financial instruments using the known fair value at the date at which these convertible loan notes converted at post year-end 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 2021

4. Turnover

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

	2021 £	2020 £
Provision of cybersecurity software	<u>13,751,756</u>	<u>8,981,810</u>

Analysis of turnover by country of destination:

	2021 £	2020 £
United Kingdom	7,049,534	5,856,611
Rest of Europe	1,045,611	756,773
Rest of the world	5,656,611	2,368,426
	<u>13,751,756</u>	<u>8,981,810</u>

5. Other operating income

	2021 £	2020 £
Sundry income	-	12,958
Government grants	<u>114,990</u>	<u>-</u>

6. Operating loss

The operating loss is stated after charging:

	2021 £	2020 £
Bad debt expenses	36,584	28,274
Operating lease rentals	503,615	561,087
Depreciation of tangible fixed assets	163,927	135,134
Foreign exchange loss/(gain)	<u>1,737,998</u>	<u>(14,890)</u>

TESSIAN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

7. Auditor's remuneration

	2021 £	2020 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	41,300	27,250
Fees payable to the Group's auditor and its associates in respect of:		
Audit-related assurance services	6,200	7,200
Taxation compliance services	7,850	18,630
Tax advisory services	67,850	110,800
All other services	21,730	48,749
	103,630	185,379

8. Employees

Staff costs were as follows:

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Wages and salaries	13,198,124	9,785,325	9,638,326	7,645,725
Social security costs	1,855,638	1,471,087	1,658,840	1,267,511
Cost of defined contribution scheme	405,608	655,129	340,679	618,186
	15,459,370	11,911,541	11,637,845	9,531,422

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

	Group 2021 No.	Group 2020 No.	Company 2021 No.	Company 2020 No.
Research and development	57	53	57	53
Sales and marketing	54	62	37	50
Technical support	6	3	6	3
General and administrative	21	20	18	18
	138	138	118	124

TESSIAN LIMITED

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

9. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	464,096	349,623
Company contributions to defined contribution pension schemes	7,138	8,833
	<u>471,234</u>	<u>358,456</u>

The highest paid director received remuneration of £263,446 (2020: £187,874).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £7,138 (2020: £4,492).

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

The total accrued pension provision of the highest paid director at 31 March 2021 amounted to £875 (2020: £375).

10. Interest receivable

	2021 £	2020 £
Other interest receivable	<u>65,335</u>	<u>73,967</u>

TESSIAN LIMITED

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

11. Taxation

	2021 £	2020 £
Corporation tax		
Current tax credit on profits for the year	(1,397,120)	(962,763)
Adjustment in respect of previous periods	(144,994)	(258,760)
Total current tax	<u>(1,542,114)</u>	<u>(1,221,523)</u>
Deferred tax		
Origination and reversal of timing differences	(16,537)	17,696
Total deferred tax	<u>(16,537)</u>	<u>17,696</u>
Taxation on loss on ordinary activities	<u>(1,558,651)</u>	<u>(1,203,827)</u>
The total current tax credit above all related to R&D tax credits.		

TESSIAN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020: *higher than*) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £	2020 £
Loss on before tax	<u>(17,940,881)</u>	<u>(10,949,837)</u>
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	(3,408,767)	(2,080,469)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	884	6,328
Other permanent differences	(92,232)	(11,394)
Additional deduction for R&D expenditure	(1,034,748)	(713,051)
Surrender of tax losses for R&D tax credit refund	433,588	298,789
Adjustments to tax charge in respect of prior periods	(144,994)	(258,760)
Higher rate taxes on overseas earnings	627,307	557,065
Adjust opening deferred tax to average rate of 19.00%	2,187	(120,614)
Deferred tax not recognised	2,060,505	1,118,279
Fixed asset differences	(2,381)	-
Total tax credit for the year	<u>(1,558,651)</u>	<u>(1,203,827)</u>

Factors that may affect future tax charge

The Company has unutilised tax losses of £21,528,499 (2020: £11,292,104) against which a deferred tax asset of £4,180,872 (2020: £2,200,777) has not been recognised.

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate has not been substantively enacted at the balance sheet date, as a result deferred tax balances as at 31 March 2021 will continue to be measured at 19%.

TESSIAN LIMITED

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

12. Tangible fixed assets

Group

	Office equipment £	Computer equipment £	Total £
Cost			
At 1 April 2020	190,518	477,872	668,390
Additions	289	104,190	104,479
Disposals	(12,533)	(10,312)	(22,845)
Exchange adjustments	(794)	(5,331)	(6,125)
At 31 March 2021	177,480	566,419	743,899
Depreciation			
At 1 April 2020	57,594	120,935	178,529
Charge for the year	43,202	120,735	163,937
Disposals	-	(5,436)	(5,436)
Exchange adjustments	(84)	(789)	(873)
At 31 March 2021	100,712	235,445	336,157
Net book value			
At 31 March 2021	76,768	330,974	407,742
At 31 March 2020	132,924	356,937	489,861

TESSIAN LIMITED

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

12. Tangible fixed assets (continued)

Company

	Office equipment £	Computer equipment £	Total £
Cost			
At 1 April 2020	182,658	421,651	604,309
Additions	289	67,348	67,637
Disposals	(12,533)	(6,891)	(19,424)
At 31 March 2021	<u>170,414</u>	<u>482,108</u>	<u>652,522</u>
Depreciation			
At 1 April 2020	56,764	113,119	169,883
Charge for the year	41,388	107,562	148,950
Disposals	-	(3,834)	(3,834)
At 31 March 2021	<u>98,152</u>	<u>216,847</u>	<u>314,999</u>
Net book value			
At 31 March 2021	<u><u>72,262</u></u>	<u><u>265,261</u></u>	<u><u>337,523</u></u>
At 31 March 2020	<u><u>125,894</u></u>	<u><u>308,532</u></u>	<u><u>434,426</u></u>

TESSIAN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

13. Fixed asset investments

Company

	Investments in subsidiary companies £	Loans to subsidiary companies £	Total £
Cost or valuation			
At 1 April 2020	7	-	7
Capital contributions	217,617	-	217,617
Loans to subsidiary companies	-	5,166,399	5,166,399
At 31 March 2021	<u>217,624</u>	<u>5,166,399</u>	<u>5,384,023</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, CA 94105	Provision of Cyber Security software	Ordinary	100%

The aggregate of the share capital and reserves as at 31 March 2021 and the profit or loss for the year ended on that date for the subsidiary undertaking was as follows:

Name	Aggregate of share capital and reserves £	Profit/(Loss) £
Tessian Inc	(5,782,848)	(3,301,614)

TESSIAN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

14. Debtors

	Group 2021 £	<i>Group 2020 £</i>	Company 2021 £	<i>Company 2020 £</i>
Trade debtors	3,052,748	2,212,753	2,037,091	2,032,144
Amounts owed by group undertakings	-	-	-	2,563,532
Other debtors	1,426,720	1,104,460	1,426,698	1,013,243
Prepayments	1,365,197	1,241,495	1,341,624	1,215,721
Accrued income	186,261	21,037	186,261	21,037
	<u>6,030,926</u>	<u>4,579,745</u>	<u>4,991,674</u>	<u>6,845,677</u>

15. Creditors: Amounts falling due within one year

	Group 2021 £	<i>Group 2020 £</i>	Company 2021 £	<i>Company 2020 £</i>
Trade creditors	409,988	428,552	380,362	372,322
Other taxation and social security	47,441	7,047	-	-
Other creditors	71,223	62,300	71,223	62,300
Accruals	1,689,292	1,243,610	1,254,207	704,087
Deferred income	8,789,661	6,304,160	6,438,958	5,493,878
	<u>11,007,605</u>	<u>8,045,669</u>	<u>8,144,750</u>	<u>6,632,587</u>

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

	Group 2021 £	<i>Group 2020 £</i>	Company 2021 £	<i>Company 2020 £</i>
Convertible loan notes	14,395,660	-	14,395,660	-

This relates to a nominal value of £10,000,000 of convertible loan notes held at fair value at year-end.

TESSIAN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

17. Deferred taxation

Group

	2021 £	2020 £
1 April	74,971	57,275
Charged to profit or loss	(16,537)	17,696
31 March	58,434	74,971

Company

	2021 £	2020 £
1 April	74,971	57,275
Charged to profit or loss	(16,537)	17,696
31 March	58,434	74,971

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Fixed asset timing differences	58,434	74,971	58,434	74,971
	58,434	74,971	58,434	74,971

No increase in deferred tax has been recognised in respect of additional unrelieved losses and short-term timing differences arising in the year. The estimated value of the deferred tax asset not recognised, measured at the standard rate of 19% substantively enacted at the balance sheet date (2020: 19%), is £4,180,872 (2020: £2,200,777). This potential deferred tax asset has not been recognised, as the business is not operating profitably and ongoing claims for enhanced Research and Development tax relief mean there is insufficient evidence that the asset will be fully recovered in the short to medium-term.

TESSIAN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

18. Provisions

Group

	Dilapidations £
At 1 April 2020	51,647
Charged to profit or loss	4,325
At 31 March 2021	55,972

Company

	Dilapidations £	Total £
At 1 April 2020	51,647	51,647
Charged to profit or loss	4,325	4,325
At 31 March 2021	55,972	55,972

The dilapidations provision relates to the expectation of the dilapidations charge against property currently leased payable at the end of the lease term.

19. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
22,573,711 (2020: 22,300,000) Ordinary shares of £0.00004 each	903	892
242,875 (2020: 250,000) A Ordinary shares of £0.00004 each	10	10
11,657,875 (2020: 11,650,000) A Preferred shares of £0.00004 each	466	466
17,714,450 (2020: 17,725,000) B Preferred shares of £0.00004 each	709	709
8,898,625 (2020: 8,900,000) Seed Preferred shares of £0.00004 each	356	356
	2,444	2,433

TESSIAN LIMITED

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

19. Share capital (continued)

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

On 28 July 2020 32,250 £0.00004 Ordinary shares were issued for consideration of £7,643. The premium of £7,642 has been credited to the share premium account.

On 29 July 2020 93,725 £0.00004 Ordinary shares were issued for consideration of £14,128. The premium of £14,124 has been credited to the share premium account.

On 22 January 2021 147,736 £0.00004 Ordinary shares were issued for consideration of £11,032. The premium of £11,026 has been credited to the share premium account.

Rights, preferences and restrictions

Seed shares, A Ordinary shares, A Preferred shares and B 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.

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.

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.

Foreign exchange reserve

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

Share based payment reserve

This reserve relates to the fair value of the options granted which has been charged to the Statement of Comprehensive Income over the vesting period of the options.

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.

TESSIAN LIMITED

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21. Share based payments

The table below represents the share options in force (whether or not registered with HMRC as at 31 March 2021), 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) 2021	Number 2021	<i>Weighted average exercise price (pence) 2020</i>	<i>Number 2020</i>
Outstanding at the beginning of the year	75.95	4,630,175	36.57	1,733,950
Granted during the year	63.50	719,160	96.82	3,174,975
Forfeited during the year	67.58	(1,460,408)	52.64	(244,500)
Exercised during the year	25.96	(223,307)	29.58	(34,250)
Outstanding at the end of the year	68.88	3,665,620	<i>75.95</i>	<i>4,630,175</i>

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 all 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. 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.

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.

The charge arising during the year was:

	2021	<i>2020</i>
	£	<i>£</i>
Equity-settled schemes	241,841	<i>190,138</i>
	241,841	<i>190,138</i>

TESSIAN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

22. 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 £405,608 (2020: £655,129). Contributions totalling £71,349 (2020: £55,099) were payable to the fund at the balance sheet date.

23. Commitments under operating leases

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

	Group 2021 £	<i>Group 2020 £</i>	Company 2021 £	<i>Company 2020 £</i>
Not later than 1 year	55,879	<i>447,581</i>	55,879	<i>384,825</i>
Later than 1 year and not later than 5 years	-	<i>440,704</i>	-	<i>440,704</i>
	55,879	<i>888,285</i>	55,879	<i>825,529</i>

On 12 April 2021 the Company entered into a new lease agreement with its current landlord at the same registered office address for the period from 24 May 2021 to 24 June 2023. Rent commenced on 24 July 2021 and is £302,363 per year.

24. Other financial commitments

At the year end date the Company has other financial commitments that are contracted for but not provided in these financial statements of £Nil (2020: £2,100,118).

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 (2020: £12,737) to a company with a common director, of which none was outstanding at the 31 March 2021 (2020: £Nil)

Key management personell comprises of the directors. Details of directors' remuneration are given in note 9 of the financial statements.

TESSIAN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

26. Post balance sheet events

Between 12 May 2021 and 4 August 2021 a Series C fundraising took place where 10,410,882 C Preferred shares were issued for consideration of \$59,999,995.

The convertible loan notes held at a fair value of £14,395,660 in the Balance Sheet (consideration of £10,000,000 received in July 2020) converted post year-end 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 \$74m combining the original convertible loan and the main fundraising.

Post financial year end, an additional 1,285,429 shares have been issued pursuant to option exercises for proceeds of £679,751 of which £65,166 was included in shares to be issued as at year-end.

27. Controlling party

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