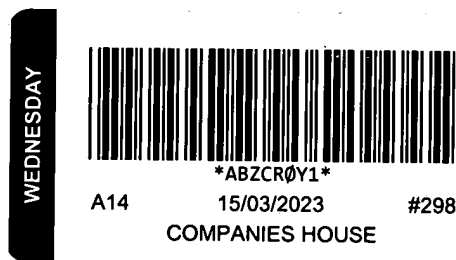


Company number: 10899991 (England and Wales)

**FOUNDRIES.IO LIMITED**  
**ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2022**



**FOUNDRIES.IO LIMITED**

**COMPANY INFORMATION**

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<b>Directors</b>	I A Drew G C Grey K Visvanathan IQ Capital Directors Nominees Ltd J Hubbard
<b>Secretary</b>	J Hubbard
<b>Company number</b>	10899991
<b>Registered office</b>	10 Groom Place London SW1X 7BA
<b>Auditors</b>	RSM UK Audit LLP Chartered Accountants City House 126-130 Hills Road Cambridge CB2 1RE
<b>Solicitors</b>	Goodwin Procter LLP 50-60 Station Road Cambridge CB1 2JH

**FOUNDRIES.IO LIMITED****STRATEGIC REPORT****FOR THE YEAR ENDED 30 SEPTEMBER 2022**

The directors present their Strategic Report and the audited consolidated financial statements for the year ended 30 September 2022.

**PRINCIPAL ACTIVITIES**

Foundries.io Limited ("the Company") is a cloud platform company and a holding company for the US subsidiary (collectively "the Group" or "Foundries.io") whose principal activities are that of providing cloud native platform solutions for development, management and maintenance of software to worldwide manufacturers of connected Internet of Things (IoT) and Edge computing devices.

Our world leading and award winning FoundriesFactory® products are self-serve on-line subscriptions providing infrastructure to enable rapid customization of secure firmware and Linux-based platform software to customer requirements, provide continuous integration and test frameworks, and enable our customers to deploy security and functionality updates over end-product lifetimes. Our products are architecture and cloud agnostic and enable manufacturers to manage where their product data is owned and stored. We operate in global markets with initial Tier 1 customers and partners in the USA and Europe.

**BUSINESS REVIEW**

As set out in the consolidated statement of comprehensive income on page 13, subscriptions revenue grew by 100% (2022: \$1,570k; 2021: \$787k) which drove the overall growth in total revenue (up by 79% year on year (2022: \$1,765k; 2021: \$987k)).

The revenue growth and resulting \$0.7m increase in gross profit was driven by continued traction of the Company's SAAS model, delivering new OEM business directly and through channel relationships.

The directors believe that this strategy provides a foundation for rapid future growth and will yield benefits and returns for our shareholders and other stakeholders.

Loss for the year totalled \$3.3m, some \$1.3m higher than in 2021 (2021 (as restated): \$2.0m). The increased loss comprised i) \$0.7m gross profit benefit noted above and ii) increased costs of \$2.1m explained by:

- \$0.6m foreign exchange movements at the balance sheet date, of which \$0.5m was unrealised
- \$0.5m additional sales and marketing investment,
- \$0.2m increase in share-based payment charges arising from option grants to new employees, and
- \$0.7m incremental R&D amortisation driven from continued expanding R&D investment throughout 2021 and 2022.

Of these \$2.1m cost increases, \$0.8m were non-cash movements and \$0.5m unrealised foreign exchange movements.

The cash balance as at 30 September 2022 was \$2.5m (2021: \$5.6m) and reflects the benefit of the receipt of the 2020 and 2021 R&D tax credit reclaims of \$1.3m (2021: 0.6m) which was offset by net operational cash outflow of \$1.2m and R&D investment of \$3.1m.

Net assets as at 30 September 2022 were \$5.5m (2021 (as restated): \$8.5m).

During the year, the directors have reviewed the IAS 12 recognition criteria for the deferred tax liability which was previously recognised and determined that this will actually be mitigated by a deferred tax asset (which has not formerly been recognised) arising from trading losses.

## **FOUNDRIES.IO LIMITED**

### **STRATEGIC REPORT (CONTINUED)**

#### **FOR THE YEAR ENDED 30 SEPTEMBER 2022**

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#### **BUSINESS REVIEW (CONTINUED)**

As such, the prior year comparatives have been restated to reflect this revised position and further detail is provided in note 5.

On 23 April 2021, the Company raised \$5.25m, converted the 2020 Convertible Loan Notes and issued share capital in the form of 401,164 A Ordinary Shares.

On the same date 131,653 existing Preference shares were cancelled and a further 131,653 new A Ordinary shares were issued as replacement shares. No additional monies were raised by the Company in this transaction.

In December 2022, the Company raised funding of \$2.5m through the issue of 2022 Convertible Loan Notes ('2022 CLN'). Additional Loan Notes are expected to be issued during the first quarter of 2023.

Like the 2021 fund raise, the 2022 fund raising will contribute towards product development and customer acquisition activities.

#### **FUTURE DEVELOPMENTS**

The Group is well placed to take advantage of current industry and global IOT trends, with products that can be used worldwide to address challenges of device security and long-term software maintenance.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

There are some risks and uncertainties that could impact the performance of Foundries.io, some of which are beyond the control of the Company and its board.

Management closely monitors market and technology trends and risks on an on-going basis and they are the focus of regular Executive meetings where KPIs are used to benchmark our operational performance. Financial performance is assessed versus annual budget, updated forecasts and prior periods. As well as regular operational reviews in depth strategic and planning meetings are held twice per year and Board meetings are held at least once per quarter. This comprehensive approach enables the Executive team and Board to determine and assess the Group's risk environment. Principal risks and uncertainties are:

##### *Funding*

The Group is at an early stage and is dependent on existing and new customers continuing to purchase our products and services. During the previous year the Group successfully raised over \$5.3m of cash funding, largely through the issue of new A Ordinary shares. In December 2022, the Group raised a further \$2.5m through the issue of the 2022 CLN with a further issue expected in the first quarter of 2023. This gives us sufficient funding to the end of 2024 based on our current projections and forecasts.

##### *Customer and partner acquisition*

The Group's goal is to solve the industry challenge of fragmentation of core platform software in the IoT and Edge marketplaces. We have early customers in industrial robotics, secure network access devices, global asset tracking, factory automation and secure software management applications, with initial feedback being strongly positive. We expect to grow our customer base both directly and through establishing industry partnerships. We require our customers to adopt modern technologies for embedded software development and are delivering a new industry category of cloud tools. If the marketplace is slower to adopt the Group's products than expected, we may need to secure additional funding or change our strategy and business plan accordingly.

**FOUNDRIES.IO LIMITED**  
**STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2022**

**PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)**

*Human resources*

Foundries.io is entirely dependent on its people, and talent acquisition and development is an integral part of the Group's everyday business. Foundries.io intends to attract and retain highly talented people through the provision of leading-edge opportunities and competitive remuneration packages. However, in an industry where competition for talent is significant, global inflation is considerable, and the war in Ukraine continues to disrupt some members of our team, Foundries.io is very conscious of the continued risk of employee churn. Some of these risks are mitigated through monitoring packages and providing career progression opportunities and training initiatives. The Group also has a share option scheme to help incentivise and retain the best talent.

*Global economy and market conditions*

Foundries.io is not immune to the global economic and political factors affecting the technology sector, including the current US China trade war, the UK departure from the European Union, COVID-19 and the Russian invasion of the Ukraine. Nevertheless, we believe that our open source-based technology will enable us to continue to trade globally as we grow.

*Currency risk*

Foundries.io's income is received mainly in US dollars. However, the Group has a significant natural hedge in terms of its US dollar denominated cost base. The Group operates a centralised treasury model and intends to utilise hedging facilities to mitigate this foreign exchange risk when appropriate.

**KEY PERFORMANCE INDICATORS**

The on-going performance of the Group is managed and monitored using a number of key performance indicators, both financial and qualitative. Some financial KPIs are as follows:

	<b>2022</b>	<b>2021</b>	<b>Movement</b>
	\$	\$	%
Revenue	1,765,336	987,141	78.8
Recurring revenue only	1,570,404	787,149	99.5
EBITDA*	(1,771,172)	(1,077,894)	(64.3)
Cash balances	2,528,289	5,584,432	(54.7)
Net current assets	2,528,695	5,975,880	(64.1)

\*EBITDA is the earnings before interest, tax, depreciation and amortisation.

On behalf of the Board

DocuSigned by:

*Julia Hubbard*

.....85280829C0824F2.....

J E Hubbard

**Director**

Date 8 March 2023

## **FOUNDRIES.IO LIMITED**

### **DIRECTORS' REPORT**

#### **FOR THE YEAR ENDED 30 SEPTEMBER 2022**

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The directors present their annual report and audited consolidated financial statements for the year ended 30 September 2022.

#### **RESULTS AND DIVIDENDS**

The Group's loss for the financial year was \$3,266,960 (2021 (as restated): \$2,066,670).

No dividends were paid (2021: £nil). The directors are precluded from recommending a payment of a final dividend.

#### **DIRECTORS**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

I A Drew  
G C Grey  
K Visvanathan  
IQ Capital Directors Nominees Ltd  
J Hubbard

#### **DIRECTORS' INDEMNITIES**

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

#### **RESEARCH AND DEVELOPMENT**

The Group has a structured development programme with the aim of continually developing and enhancing its software platform product which enables it to increase the accessible market for its product and the products' relevance to customers. Investment in development is seen as fundamental to further strengthen the Group's competitive position. Further information in relation to product development can be found on page 22. The underlying expense on this activity for the year ended 30 September 2022 was \$3.1m (2021: \$2.5m), of which \$3.1m (2021: \$2.5m) was capitalised as development costs.

#### **GOING CONCERN**

During the year ended 30 September 2022, the Group's expenditure exceeded its income producing a loss for the financial year of \$3,266,960 (2021 (as restated): \$2,066,670) for the year. The Group has net assets as at 30 September 2022 of \$5,526,665 (2021: \$8,536,786).

Additional macro economic factors such as global inflation, demand for quality employee resources and significant fluctuations in FX rates, in particular the US Dollar continue to be a concern for the business. These sensitivities are factored into the stress tested cash headroom during the directors' assessment of going concern.

Taking into account current cash resources, recent and further CLN funding forecast revenues, operating expenses and contingency plans that may be implemented in the event of lower than forecast revenues, the directors are satisfied that the Group will have sufficient working capital to continue in operational existence for a period of no less than 12 months from the date of signing these accounts.

Accordingly, the directors have adopted the going concern basis in preparing the report and accounts.

**FOUNDRIES.IO LIMITED**

**DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 30 SEPTEMBER 2022**

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**POST BALANCE SHEET EVENTS**

In December 2022, the Company raised funding of \$2.5m through the issue of 2022 convertible loan notes. An additional \$0.5m was received in January 2023. Further funding is expected to be issued during the first quarter of 2023.

Like the 2021 fund raise, the 2022 fund raising will contribute towards product development and customer acquisition activities.

**AUDITOR**

RSM UK Audit LLP have indicated their willingness to continue in office and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.


**STATEMENT OF DISCLOSURE TO AUDITORS**

So far as the directors are aware, there is no relevant audit information of which the Group's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Group's auditor is aware of that information.

**DISCLOSURE OF INFORMATION IN THE STRATEGIC REPORT**

The Group has chosen, in accordance with section 414C(11) of the Companies Act 2006 to present information regarding its financial risk management objectives and policies, and future developments in the Strategic Report.

On behalf of the Board

DocuSigned by:  
  
B52B0829C0824F2.....  
J E Hubbard  
**Director**

Date 8 March 2023

## **FOUNDRIES.IO LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

#### **FOR THE YEAR ENDED 30 SEPTEMBER 2022**

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

Company law requires the directors to prepare Group and Company financial statements for each financial year. The directors have elected under company law to prepare Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and have elected under company law to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101, the Reduced Disclosure Framework.

The Group financial statements are required by law and international accounting standards in conformity with the requirements of the Companies Act 2006 to present fairly the financial position and financial performance of the Group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 Group and the Company and of the profit or loss of the Group for that period.

In preparing each of the Group and Company financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. for the Group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and for the Company financial statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

**FOUNDRIES.IO LIMITED****INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOUNDRIES.IO LIMITED**

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**Opinion**

We have audited the financial statements of Foundries.io Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2022 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (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 30 September 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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's or the 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.

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

**FOUNDRIES.IO LIMITED****INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOUNDRIES.IO LIMITED  
(CONTINUED)**

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 8, 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.

**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.

**FOUNDRIES.IO LIMITED****INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOUNDRIES.IO LIMITED  
(CONTINUED)****The extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are IFRS, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures and evaluating computations received from external tax advisors.

The group audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates, and performing tests of detail to examine the cut-off of revenue transactions across the period end.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**FOUNDRIES.IO LIMITED**

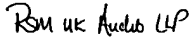
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOUNDRIES.IO LIMITED  
(CONTINUED)**

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**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

  
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Andrew Mason (Senior Statutory Auditor)  
for and on behalf of RSM UK Audit LLP  
Chartered Accountants and Statutory Auditor  
City House  
126-130 Hills Road  
Cambridge  
CB2 1RE

Date: 3/10/2023

## FOUNDRIES.IO LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Notes	2022 \$	2021 (as restated) \$
<b>Revenue</b>			
Subscriptions		1,570,404	787,149
Engineering fees		194,932	199,992
<b>Revenue total</b>	<b>6</b>	<u>1,765,336</u>	<u>987,141</u>
Cost of sales		(277,572)	(157,710)
<b>Gross profit</b>		<u>1,487,764</u>	<u>829,431</u>
Administrative expenses		(5,702,549)	(3,643,835)
Other income		-	-
<b>Operating loss</b>	<b>7</b>	<u>(4,214,785)</u>	<u>(2,814,404)</u>
<b>Operating loss</b>	<b>7</b>	(4,214,785)	(2,814,404)
Depreciation		17,932	7,546
Amortisation		2,425,681	1,728,964
<b>EBITDA</b>		<u>(1,771,172)</u>	<u>(1,077,894)</u>
Finance income	8	11,511	11,150
Finance costs	8	-	(57,990)
<b>Loss before tax</b>		<u>(4,203,274)</u>	<u>(2,861,244)</u>
Income tax credit	10	936,314	794,574
<b>Loss and total comprehensive expense, for the financial year</b>		<u>(3,266,960)</u>	<u>(2,066,670)</u>

There is no comprehensive expense other than the loss for the financial year.

The loss and total comprehensive expense for the year are entirely attributable to the owners of the parent company.

The notes on pages 19 to 42 are an integral part of these financial statements.

## FOUNDRIES.IO LIMITED

(Company Number: 10899991)


## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2022

	Notes	2022 \$	2021 (as restated) \$	2020 (as restated) \$
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	11	40,572	32,821	6,936
Intangible assets	12	2,957,398	2,266,299	1,516,011
		<u>2,997,970</u>	<u>2,299,120</u>	<u>1,522,947</u>
<b>Current assets</b>				
Trade and other receivables	14	372,204	325,185	43,122
Corporation tax		989,311	1,323,787	1,126,504
Cash and cash equivalents		2,528,289	5,584,432	2,988,746
		<u>3,889,804</u>	<u>7,233,404</u>	<u>4,158,372</u>
<b>Total assets</b>		<u>6,887,774</u>	<u>9,532,524</u>	<u>5,681,319</u>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Borrowings		-	-	2,052,425
		<u>-</u>	<u>-</u>	<u>2,052,425</u>
<b>Current liabilities</b>				
Trade and other payables	15	1,361,108	995,738	631,924
<b>Total liabilities</b>		<u>1,361,108</u>	<u>995,738</u>	<u>2,684,349</u>
<b>Net assets</b>		<u>5,526,666</u>	<u>8,536,786</u>	<u>2,996,970</u>
<b>Equity</b>				
Share capital	19	28,365	28,365	22,821
Share premium		12,060,687	12,060,687	4,561,995
Share based payment reserve		399,409	142,569	40,319
Retained earnings		(6,961,795)	(3,694,835)	(1,628,165)
<b>Total equity attributable to owners of the parent</b>		<u>5,526,666</u>	<u>8,536,786</u>	<u>2,996,970</u>

The notes on pages 19 to 42 are an integral part of these financial statements.

The financial statements on pages 13 to 42 are approved by the Board of Directors and authorised for issue on 8 March 2023 and are signed on its behalf by:

DocuSigned by:  
  
 85280829C0824F2.....  
 J E Hubbard  
 Director

## FOUNDRIES.IO LIMITED

(Company Number: 10899991)

## COMPANY STATEMENT OF FINANCIAL POSITION


AS AT 30 SEPTEMBER 2022

	Notes	2022 \$	2021 (as restated) \$	2020 (as restated) \$
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	11	36,189	31,941	3,578
Intangible assets	12	2,957,398	2,266,299	1,516,011
Investments in subsidiaries	13	10,000	10,000	10,000
		<u>3,003,587</u>	<u>2,308,240</u>	<u>1,529,589</u>
<b>Current assets</b>				
Trade and other receivables	14	344,968	310,385	34,056
Corporation tax		989,311	1,323,787	1,156,046
Cash and cash equivalents		2,439,849	5,535,940	2,966,503
		<u>3,774,128</u>	<u>7,170,112</u>	<u>4,156,605</u>
<b>Total assets</b>		<u>6,777,715</u>	<u>9,478,352</u>	<u>5,686,194</u>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Borrowings		-	-	2,052,425
		<u>-</u>	<u>-</u>	<u>2,052,425</u>
<b>Current liabilities</b>				
Trade and other payables	15	1,490,750	1,123,864	774,329
<b>Total liabilities</b>		<u>1,490,750</u>	<u>1,123,864</u>	<u>2,826,754</u>
<b>Net assets</b>		<u>5,286,965</u>	<u>8,354,488</u>	<u>2,859,440</u>
<b>Equity</b>				
Share capital	19	28,365	28,365	22,821
Share premium		12,060,687	12,060,687	4,561,995
Share based payment reserve		399,409	142,569	40,319
Retained earnings		(7,201,496)	(3,877,133)	(1,765,695)
<b>Total equity attributable to owners of the parent</b>		<u>5,286,965</u>	<u>8,354,488</u>	<u>2,859,440</u>

As permitted by s408 Companies Act 2006, the Company has not presented its own statement of comprehensive income and related notes. The Company's loss and total comprehensive expense for the year ended 30 September 2022 was \$3,324,364 (2021 (as restated): \$2,111,438).

The notes on pages 19 to 42 are an integral part of these financial statements.

The financial statements on pages 13 to 42 are approved by the Board of Directors and authorised for issue on 8 March 2023 and are signed on its behalf by:

DocuSigned by:  
  
 85280829C0824F2.....  
 J E Hubbard  
 Director

## FOUNDRIES.IO LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Share capital \$	Share premium \$	Share based payment reserve \$	Retained earnings \$	Total equity \$
<b>Balance as at 1 October 2020 (as reported)</b>	22,821	4,561,995	40,319	(1,885,335)	2,739,800
Prior period adjustment (note 5)	-	-	-	257,170	257,170
<b>Balance as at 1 October 2020 (as restated)</b>	22,821	4,561,995	40,319	(1,628,165)	2,996,970
Loss and total comprehensive expense for the financial year	-	-	-	(2,066,670)	(2,066,670)
<b>Transactions with owners in their capacity as owners:</b>					
Shares issued	5,544	7,498,692	-	-	7,504,236
Share based payment charge	-	-	102,250	-	102,250
	<u>5,544</u>	<u>7,498,692</u>	<u>102,250</u>	<u>-</u>	<u>7,606,486</u>
<b>Balance as at 30 September 2021 (as restated)</b>	28,365	12,060,687	142,569	(3,694,835)	8,536,786
Loss and total comprehensive expense for the financial year	-	-	-	(3,266,960)	(3,266,960)
<b>Transactions with owners in their capacity as owners:</b>					
Share based payment charge	-	-	256,840	-	256,840
<b>Balance as at 30 September 2022</b>	<u>28,365</u>	<u>12,060,687</u>	<u>399,409</u>	<u>(6,961,795)</u>	<u>5,526,666</u>

*Share capital*

Share capital represents the par value of ordinary shares issued by the Company.

*Share premium*

The aggregate amount of premium over and above nominal value paid upon issue of shares.

*Share based payment reserve*

The share based payment reserve represents the cumulative share-based payment expense for the Group's share option schemes.

*Retained earnings*

Retained earnings represent the cumulative profit and loss net of distributions to owners.

The notes on pages 19 to 42 are an integral part of these financial statements.

**FOUNDRIES.IO LIMITED**  
**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2022**

	Share capital \$	Share premium \$	Share based payment reserve \$	Retained earnings \$	Total equity \$
<b>Balance as at 1 October 2020 (as reported)</b>	22,821	4,561,995	40,319	(2,022,865)	2,602,270
Prior period adjustment (note 5)	-	-	-	257,170	257,170
<b>Balance as at 1 October 2020 (as restated)</b>	22,821	4,561,995	40,319	(1,765,695)	2,859,440
Loss and total comprehensive expense for the financial year	-	-	-	(2,111,438)	(2,111,438)
<b>Transactions with owners in their capacity as owners:</b>					
Shares issued	5,544	7,498,692	-	-	7,504,236
Share based payment charge	-	-	102,250	-	102,250
	<u>5,544</u>	<u>7,498,692</u>	<u>102,250</u>	<u>-</u>	<u>7,606,486</u>
<b>Balance as at 30 September 2021 (as restated)</b>	28,365	12,060,687	142,569	(3,877,133)	8,354,488
Loss and total comprehensive expense for the financial year	-	-	-	(3,324,363)	(3,324,363)
<b>Transactions with owners in their capacity as owners:</b>					
Share based payment charge	-	-	256,840	-	256,840
<b>Balance as at 30 September 2022</b>	<u>28,365</u>	<u>12,060,687</u>	<u>399,409</u>	<u>(7,201,496)</u>	<u>5,286,965</u>

*Share capital*

Share capital represents the par value of ordinary shares issued by the Company.

*Share premium*

The aggregate amount of premium over and above nominal value paid upon issue of shares.

*Share based payment reserve*

The share based payment reserve represents the cumulative share-based payment expense for the Group's share option schemes.

*Retained earnings*

Retained earnings represent the cumulative profit and loss net of distributions to owners.

The notes on pages 19 to 42 are an integral part of these financial statements.

**FOUNDRIES.IO LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2022**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>(as restated)</b>
		<b>\$</b>
<b>Cash flows from operating activities</b>		
Loss for the financial year	(3,266,960)	(2,066,670)
<i>Adjustments for:</i>		
Finance income	(11,511)	(11,150)
Finance costs	-	59,059
Depreciation	17,932	7,473
Amortisation	2,425,681	1,728,963
Corporation tax	(936,314)	(794,574)
Share based payment	256,840	102,250
Unrealised foreign currency losses	548,307	-
Operating cash flows before movements in working capital	<u>(996,025)</u>	<u>(974,649)</u>
Increase in trade and other receivables	(38,075)	(294,560)
Increase in trade and other payables	365,473	376,218
Cash used in operating activities	<u>(638,627)</u>	<u>(892,991)</u>
Income tax received	1,261,744	597,395
<b>Net cash generated from (used in) operating activities</b>	<u>623,117</u>	<u>(295,596)</u>
<b>Cash flows from investing activities</b>		
Payments to acquire property, plant and equipment	(25,684)	(33,359)
Payments to acquire intangible fixed assets	(3,116,780)	(2,479,252)
Net cash used in investing activities	<u>(3,142,464)</u>	<u>(2,512,611)</u>
<b>Cash flows from financing activities</b>		
Finance income received	11,511	11,150
Finance costs paid	-	(1,069)
Repayment of bank loans	-	(64,602)
Proceeds of convertible loan notes	-	69,000
Proceeds from issue of shares	-	5,390,277
Net cash generated from financing activities	<u>11,511</u>	<u>5,404,756</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<u>(2,507,836)</u>	<u>2,596,549</u>
Cash and cash equivalents at the beginning of the year	5,584,432	2,988,746
Effect of foreign exchange	(548,307)	(863)
<b>Cash and cash equivalents at the end of the year</b>	<u>2,528,289</u>	<u>5,584,432</u>
For the purposes of the statement of cash flows, cash and cash equivalents comprise cash at bank and in hand and restricted cash amounts.		
Cash at bank and in hand	1,411,209	4,237,432
Restricted cash amounts	1,117,080	1,347,000
<b>Total cash and cash equivalents</b>	<u>2,528,289</u>	<u>5,584,432</u>

The notes on pages 19 to 42 are an integral part of these financial statements.

**FOUNDRIES.IO LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 SEPTEMBER 2022****1. GENERAL INFORMATION**

Foundries.io Limited ("the Company") is a private company limited by shares and it is incorporated and domiciled in England and Wales. The address of its registered office is 10 Groom Place, London, SW1X 7BA.

The principal activities of the Group and Company are described in the Strategic Report.

**2. ALTERNATIVE PERFORMANCE MEASURES AND GLOSSARY OF TERMS**

The Group uses a series of non-IFRS alternative performance measures ('APMs') in its narrative and financial reporting. These measures are used because we believe they provide additional insight into the performance of the Group and are complementary to our IFRS performance measures. This belief is supported by the discussions that we have on a regular basis with a wide variety of stakeholders, including shareholders, staff and advisers.

The APM used by the Group and its definition, are provided below:

- EBITDA: this is calculated as operating loss with depreciation and amortisation added back.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

**3.1. BASIS OF PREPARATION AND FIRST TIME ADOPTION OF IFRS**

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("IFRS"). They have been prepared under the historical cost convention.

The preparation of the consolidated financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates and management judgements in applying the accounting policies. The significant estimates and judgements have been made and their effect is disclosed in note 3.

**3.2. ADOPTION OF NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS**

The following relevant new standards, amendments to standards and interpretations became effective in the current financial period, but have had no significant impact on the Group's or Parent Company's financial statements:

- Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest rate benchmark reform – phase 2 (effective 1 January 2021)
- Amendments to IFRS 4 insurance contracts – deferral of IFRS 9 (effective 1 January 2021)

There are no IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group or Parent Company

**FOUNDRIES.IO LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 SEPTEMBER 2022**

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**3.3. BASIS OF CONSOLIDATION**

The consolidated financial statements incorporate those of Foundries.io Limited and all of its subsidiaries (i.e., entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

**3.4. REDUCED DISCLOSURES**

The figures presented in relation to the Company's individual financial statements have been prepared in accordance with FRS 101 Reduced Disclosure Framework ("FRS 101") and the Companies Act 2006.

In accordance with FRS 101 the following exemptions from the requirements of IFRS have been applied in the preparation of the Company financial statements and, where relevant, equivalent disclosures have been made in the consolidated financial statements of the parent company:

- Presentation of a Company Cash Flow Statement and related notes;
- Disclosure of the objectives, policies and processes for managing capital;
- Inclusion of an explicit and unreserved statement of compliance with IFRS;
- Disclosure of Company key management compensation;
- Disclosure of the categories of financial instrument and nature and extent of risks arising on these financial instruments;
- For Company financial instruments measured at fair value, the valuation techniques and inputs used to measure fair value, the effect of fair value measurements with significant unobservable inputs on the result for the period and the impact of credit risk on the fair value;
- Comparative narrative information;
- Related party disclosures in respect of two or more wholly owned members of the Group; and
- Disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date.

The financial statements of the Company are consolidated within these financial statements which are publicly available from Companies House, Crown Way, Cardiff, CF14 3OZ.

**3.5. COMPANY STATEMENT OF COMPREHENSIVE INCOME**

As permitted by s408 Companies Act 2006, the Company has not presented its own statement of comprehensive income and related notes. The Company's loss and total comprehensive expense for the year ended 30 September 2022 was \$3,324,364 (2021 (as restated): \$2,111,438).

**FOUNDRIES.IO LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 SEPTEMBER 2022**

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**3.6. GOING CONCERN**

During the year ended 30 September 2022, the Group's expenditure exceeded its income producing a loss for the financial year of \$3,266,960 (2021 (as restated): \$2,066,670) for the year. The Group has net assets as at 30 September 2022 of \$5,526,666 (2021 (as restated): \$8,539,786).

Additional macro-economic factors such as global inflation, demand for quality employee resources and significant fluctuations in FX rates, in particular the US Dollar continue to be a concern for the business. These sensitivities are factored into the stress tested cash headroom during the directors' assessment of going concern.

Taking into account current cash resources, forecast revenues, operating expenses and contingency plans that may be implemented in the event of lower than forecast revenues, the directors are satisfied that the Group will have sufficient working capital to continue in operational existence for a period of no less than 12 months from the date of signing these accounts.

Accordingly, the directors have adopted the going concern basis in preparing the report and accounts.

**3.7. REVENUE**

The Group primarily derives its revenue from its internet of things ("IoT") and Edge operating system subscriptions, and engineering fees. Revenue is measured based on the consideration specified in a contract with a customer. Amounts receivable for the goods and services supplied are stated net of discounts, returns and value added taxes.

*Subscriptions*

Subscription service revenues consist of fees paid by a customer to access the Group's IoT and Edge operating systems. Subscriptions are for a flat rate and do not change based on usage. The contracts provide access to the service for a fixed period of time, typically between one month and one year. Provision of access to the operating systems is the only performance obligation of the Group. Subscription revenue is invoiced in advance and recognised on a monthly basis.

*Engineering services*

The provision of engineering services revenue provided on a time and materials incurred basis, and occasionally for a fixed fee basis. Time and materials contracts are generally recognised based upon the hours incurred by the Group, and fixed fee contracts are recognised as milestones are completed throughout the project. Revenue is recognised over time as the services are provided. Revenue recognised reflects the transfer of control for the services provided to a customer. The timing of satisfaction of the performance obligations relates to the typical timing of payment.

## FOUNDRIES.IO LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 SEPTEMBER 2022

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#### 3.8. PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate assets' cost amounts to their residual values over their estimated useful lives, as follows:

Office equipment	3 years straight line
------------------	-----------------------

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Administrative expenses' in the income statement.

#### 3.9. INTANGIBLE ASSETS

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on the research phase of projects to develop new software is recognised as an expense as incurred. Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet all of the following recognition requirements:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the Group intends to and has sufficient resources to complete the project
- the Group has the ability to use or sell the software
- the software will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Capitalised internally developed software is accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing. The following useful lives are applied:

Development costs	2 years straight line
-------------------	-----------------------

Any capitalised internally developed software that is not yet complete is not amortised but is subject to impairment testing.

Amortisation has been included within administration expenses. Subsequent expenditures on the maintenance of computer software and trade names are expensed as incurred. When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

**FOUNDRIES.IO LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 SEPTEMBER 2022**

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**3.10. INVESTMENTS IN SUBSIDIARIES**

Investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the Company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

**3.11. IMPAIRMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT**

At each reporting end date, the Group reviews the carrying amounts of its intangible assets and property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**3.12. FINANCIAL INSTRUMENTS**

Financial assets and liabilities are recognised on the statement of financial position when the Group has become party to the contractual provisions of the instrument. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

**Financial assets***Trade and other receivables*

Trade receivables are initially measured at their transaction price. Other receivables are initially measured at fair value plus transaction costs. Receivables are held to collect the contractual cash flows which are solely payments of principal and interest. Therefore, these receivables are subsequently measured at amortised cost using the effective interest rate method.

**FOUNDRIES.IO LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 SEPTEMBER 2022**

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**3.12. FINANCIAL INSTRUMENTS (CONTINUED)***Cash and cash equivalents*

Cash and cash equivalents includes cash in hand, demand deposits held on call with banks, other short term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, and cash which subject to restrictions over access. Restricted cash balances are those that are not immediately available.

*Financial liabilities*

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

*Trade and other payables*

Trade and other payables are initially recognised at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method, with all movements being recognised in the statement of comprehensive income. Cost approximates fair value.

*Equity*

Equity instruments issued are recorded at fair value on initial recognition net of transaction costs.

*Derecognition of financial assets and liabilities*

A financial asset (or part thereof) is derecognised when the contractual rights to cash flows expire or are settled, or when the contractual rights to receive the cash flows of the financial asset and substantially all the risks and rewards of ownership are transferred to another party.

When there is no reasonable expectation of recovering a financial asset, it is derecognised ('written off'). The gain or loss on derecognition of financial assets measured at amortised cost is recognised in profit or loss.

A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires. Any difference between the carrying amount of a financial liability (or part thereof) that is derecognised and the consideration paid is recognised in profit or loss.

**Impairment of financial assets**

An impairment loss is recognised for the expected credit losses on financial assets when there is an increased probability that the counterparty will be unable to settle an instrument's contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered, or both.

The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. The expected credit loss is a probability-weighted amount determined from a range of outcomes and takes into account the time value of money.

**FOUNDRIES.IO LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 SEPTEMBER 2022**

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**3.12. FINANCIAL INSTRUMENTS (CONTINUED)***Trade receivables*

For trade receivables, the simplified approach is used for expected credit losses as there is no significant financing component. The lifetime expected credit losses are measured by applying an expected loss rate to the gross carrying amount. The expected loss rate comprises the risk of a default occurring and the expected cash flows on default based on the aging of the receivable. The risk of a default occurring always takes into consideration all possible default events over the expected life of those receivables ("the lifetime expected credit losses"). Different provision rates and periods are used based on groupings of historic credit loss experience by product type, customer type and location.

*Impairment of other receivables measured at amortised cost*

The measurement of impairment losses depends on whether the financial asset is 'performing', 'underperforming' or 'non-performing' based on the Group's assessment of increases in the credit risk of the financial asset since its initial recognition and any events that have occurred before the year-end which have a detrimental impact on cash flows. The financial asset moves from 'performing' to 'underperforming' when the increase in credit risk since initial recognition becomes significant. In assessing whether credit risk has increased significantly, the Group compares the risk of default at the year-end with the risk of a default when the investment was originally recognised using reasonable and supportable past and forward-looking information that is available without undue cost.

The risk of a default occurring takes into consideration default events that are possible within 12 months of the year-end ("the 12-month expected credit losses") for 'performing' financial assets, and all possible default events over the expected life of those receivables ("the lifetime expected credit losses") for 'underperforming' financial assets.

Impairment losses, and any subsequent reversals of impairment losses, are adjusted against the carrying amount of the receivable and are recognised in profit or loss.

**Impairment of non-financial assets**

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

**3.13. CURRENT AND DEFERRED INCOME TAX**

The tax expense for the period 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 shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The tax expense for the period 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 shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

**FOUNDRIES.IO LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 SEPTEMBER 2022**

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**3.13. CURRENT AND DEFERRED INCOME TAX (CONTINUED)**

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is recognised on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is released or the deferred income tax liabilities is settled.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**3.14. SHARE OPTION SCHEMES**

The Group operates an equity settled share-based remuneration plan, under which the Group receives services from its employees as consideration for equity instruments (options) of the Company. The awards are granted by the Company and the subsidiaries have no obligation to settle the awards. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense.

The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save). Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to the share-based payment reserve in equity.

Where share options are granted to employees of subsidiaries, the fair value of the options is recharged by the parent company to the subsidiary through the intercompany account.

**3.15. PENSIONS**

The Group operates a defined contribution plan for its employees. The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

**FOUNDRIES.IO LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 SEPTEMBER 2022**

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**3.16. EMPLOYEE BENEFITS**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets. The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

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

**3.17. FOREIGN AND FUNCTIONAL CURRENCIES**

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which it operates ('the functional currency').

The accounts are prepared in US Dollars, which is the functional currency of the company and presentational currency of the group. Monetary amounts in these financial statements are rounded to the nearest \$.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Non-monetary items are not retranslated. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

On consolidation and where required, assets and liabilities of foreign operations are translated into the functional currency of the Group, being US Dollars at year-end exchange rates.

**3.18. LEASES**

At inception, the Group assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a property, plant or equipment asset is acquired through a lease, the Group recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within property, plant and equipment.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of premises that have a lease term of 12 months or less. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the financial statements requires management to make judgements, estimates and assumptions concerning the future which impact the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The accounting estimates resulting from these judgements and assumptions seldom equal the actual results but are based on historical experiences and future expectations.

The critical accounting estimates and judgements are as follows:

***Revenue***

Subscription revenue of the group is recognised over time. Customers enter into a licence agreement for access to the group's software which is considered distinct and meets the right to access criteria. The latter is based on the expectation that the group's activities will significantly change the software over the licence term, and those activities do not result in a transfer of services to the customer. Revenue from engineering services is recognised over time as the group's performance creates or enhances an asset that the customer controls.

## FOUNDRIES.IO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2022

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

**Share based payment charge**

In relation to equity-settled remuneration schemes, employee services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant. The fair value of share options is estimated by using the Black-Scholes valuation model on the date of grant, based on certain assumptions.

**Capitalisation of development expenditure**

Management has to make judgements as to whether development expenditure has met the criteria for capitalisation or whether it should be expensed in the year. Development expenditure is capitalised only after its reliable measurement, technical feasibility and commercial viability can be demonstrated. Management also estimate the useful economic life of the development expenditure capitalised and set the amortisation period accordingly.

## 5. PRIOR PERIOD ADJUSTMENT

The directors have reviewed the IAS 12 recognition criteria for the deferred tax liability recognised in the statement of financial position that arises from taxable temporary differences. The company has a deferred tax asset arising from trading losses, which are with the same tax authority and are not restricted in their utilisation, such that they are likely to mitigate the impact of the taxable temporary differences. These circumstances existed at the date the deferred tax liabilities were initially recognised and therefore represent an error in the prior year financial statements.

The prior year comparatives have been restated to reflect this revised position and the impact on the financial statement line items for the prior period are as follows. There was no impact on the reported cashflows for the year ended 30 September 2021.

	30 September 2021			1 October 2020		
	As reported \$	Adjustment \$	As restated \$	As reported \$	Adjustment \$	As restated \$
<b>Consolidated income statement</b>						
Income tax credit	522,000	272,574	794,574			
Loss and total comprehensive expense for the financial year	(2,339,244)	272,574	(2,066,670)			
<b>Consolidated balance sheet</b>						
Deferred tax liability	(529,744)	529,744	-	(257,170)	257,170	-
Retained earnings	(4,224,579)	529,744	(3,694,835)	(1,885,335)	257,170	(1,628,165)
Equity attributable to owners of the parent	8,007,042	529,744	8,536,786	2,739,800	257,170	2,996,970
<b>Company balance sheet</b>						
Deferred tax liability	(529,744)	529,744	-	(257,170)	257,170	-
Retained earnings	(4,406,877)	529,744	(3,877,133)	(2,022,865)	257,170	(1,765,695)
Equity attributable to owners of the parent	7,824,744	529,744	8,354,488	2,602,271	257,170	2,859,441



## FOUNDRIES.IO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2022

## 8. FINANCE INCOME AND COSTS

	2022 \$	2021 \$
<b>Finance income</b>		
Other interest income	11,511	11,150
<b>Finance costs</b>		
Convertible loan interest	-	(57,990)
<b>Net finance cost</b>	<u>11,511</u>	<u>(46,840)</u>

## 9. EMPLOYEES AND DIRECTORS

The average monthly number of persons (including directors) employed by the Group and Company during the year was:

	Group		Company	
	2022 Number	2021 Number	2022 Number	2021 Number
Executive team	5	5	4	4
Engineering and Support	21	18	16	14
Sales, Marketing and Administration	2	-	2	-
	<u>28</u>	<u>23</u>	<u>22</u>	<u>18</u>

The aggregate payroll costs (including directors' remuneration) were as follows:

	Group		Company	
	2022 \$	2021 \$	2022 \$	2021 \$
Wages and salaries	3,921,005	2,983,908	2,976,422	2,112,266
Social security costs	226,124	211,710	160,486	149,416
Pensions	121,277	130,544	64,619	78,907
Share based payment charge	256,840	102,250	234,290	91,284
	<u>4,525,246</u>	<u>3,428,412</u>	<u>3,435,817</u>	<u>2,431,873</u>
Less: Amounts capitalised in development costs	(2,926,385)	(2,479,252)	(1,881,523)	(1,422,140)
	<u>1,598,861</u>	<u>949,160</u>	<u>1,554,294</u>	<u>1,009,733</u>

## FOUNDRIES.IO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2022

## 9. EMPLOYEES AND DIRECTORS (CONTINUED)

**Directors' remuneration**

	<b>2022</b>	<b>2021</b>
<b>Company and Group</b>	<b>\$</b>	<b>\$</b>
Directors' emoluments	694,621	571,813
Pensions	22,445	23,952
	<u>717,066</u>	<u>595,765</u>

The number of directors to whom retirement benefits are accruing under money purchase schemes was 2 (2021: 2). No directors received shares under long term incentives schemes in the current or prior year.

**Highest paid director**

	<b>2022</b>	<b>2021</b>
<b>Company and Group</b>	<b>\$</b>	<b>\$</b>
Director's emoluments	350,661	358,810
Pensions	-	16,424
	<u>350,661</u>	<u>375,234</u>

**Key management personnel compensation**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The total compensation paid to key management personnel during the year was \$2,258,042 (2021: \$1,926,658) and relating to this, Employer's social security costs was \$160k (2021: \$195k).

## FOUNDRIES.IO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2022

## 10. INCOME TAX

	2022	2021 (as restated)
	\$	\$
<b>Current tax:</b>		
UK corporation tax	(989,311)	(774,614)
Adjustments in respect of previous periods	44,900	(57,174)
Foreign tax	8,097	37,214
<b>Total current tax and tax on loss</b>	<u>(936,314)</u>	<u>(794,574)</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is lower (2021: lower) than the effective rate of corporation tax as explained below:

	2022	2021 (as restated)
	\$	\$
Loss before income tax	(4,203,274)	(2,861,244)
Loss before income tax multiplied by the effective rate of corporation tax 19% (2021:19%)	(798,622)	(543,636)
Effects of:		
Fixed asset difference	(1,390)	-
Expenses not deductible for tax purposes	47,036	30,117
Other permanent differences	1,881	3,028
Additional deduction for R&D expenditure	(732,713)	(573,702)
Surrender of tax losses for R&D tax credit refund	307,028	240,397
Adjustments in respect of prior periods	44,900	(57,174)
Share based payments	(49,454)	(109,940)
Deferred tax not recognised	252,007	219,855
Income not taxable for tax purposes	-	(1,434)
Other movements	(6,987)	(2,085)
<b>Income tax credit</b>	<u>(936,314)</u>	<u>(794,574)</u>

## FOUNDRIES.IO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2022

## 10. INCOME TAX (CONTINUED)

## Unrecognised deferred tax

The Group and company has the following unprovided deferred tax assets/(liabilities) with the same tax authority:

	2022 \$	2021 \$
<b>Temporary differences arising from</b>		
Property, plant and equipment	(9,047)	(7,985)
Intangible assets	(696,202)	(527,495)
Trading losses	988,777	546,037
Share based payments	232,158	167,149
Provisions	10,520	5,737
	<u>526,206</u>	<u>183,443</u>
<b>Net unrecognised deferred tax asset / (liability)</b>	<u>526,206</u>	<u>183,443</u>

The parent company has trading losses with a tax carrying value of \$3,955,109 (2021: \$2,184,143) which have been carried forward to utilise against future trading profits.

In the March 2021 Budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the group's future tax charge.

## 11. PROPERTY, PLANT AND EQUIPMENT

Group	Office equipment \$
<b>Cost or valuation:</b>	
At 1 October 2021	46,184
Additions	25,683
At 30 September 2022	<u>71,867</u>
<b>Depreciation</b>	
At 1 October 2021	13,363
Charge for the period	17,932
At 30 September 2022	<u>31,295</u>
<b>Net book value</b>	
At 30 September 2022	<u>40,572</u>
At 30 September 2021	<u>32,821</u>

## FOUNDRIES.IO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2022

## 11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<b>Company</b>	<b>Office equipment \$</b>
<b>Cost or valuation:</b>	
At 1 October 2021	38,749
Additions	19,839
At 30 September 2022	<u>58,588</u>
<b>Depreciation</b>	
At 1 October 2021	6,808
Charge for the period	15,591
At 30 September 2022	<u>22,399</u>
<b>Net book value</b>	
At 30 September 2022	<u>36,189</u>
At 30 September 2021	<u>31,941</u>

Depreciation on property, plant and equipment is recognised within administrative expenses.

## 12. INTANGIBLE ASSETS

<b>Group and Company</b>	<b>Development costs \$</b>
<b>Cost</b>	
At 1 October 2021	6,332,059
Additions	3,116,780
At 30 September 2022	<u>9,448,839</u>
<b>Amortisation</b>	
At 1 October 2021	4,065,760
Charge for the year	2,425,681
At 30 September 2022	<u>6,491,441</u>
<b>Net book value</b>	
At 30 September 2022	<u>2,957,398</u>
At 30 September 2021	<u>2,266,299</u>

The development costs are internally generated and relate to the creation of software projects. Once the software project has been completed and is ready for use, the development costs relating to it are amortised from that point. The directors regularly review development costs for any impairment.

Any amortisation on development costs, which is made over the expected life each software project, or impairment is recognised within administrative expenses.

**FOUNDRIES.IO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 2022**

**13. INVESTMENTS**

<b>Company</b>	<b>Shares in subsidiary undertakings</b>
	<b>\$</b>
<b>Cost</b>	
At 1 October 2021 and 30 September 2022	10,000
	<u>          </u>
<b>Carrying amount</b>	
At 30 September 2021 and 30 September 2022	10,000
	<u>          </u>

The Company's subsidiary undertakings as at 30 September 2021 are set out below:

<b>Name of company and registered office</b>	<b>Country of incorporation or registration</b>	<b>Class of shares held</b>	<b>Proportion of class</b>
Foundries.io Inc.	USA	Ordinary	100%

The registered office of Foundries.io Inc is The Green, Ste A, Dover, 19901 Delaware.

The subsidiary is engaged in the provision of development staff to the parent company.

The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable.

**14. TRADE AND OTHER RECEIVABLES**

<b>Group</b>	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Trade receivables	262,500	258,750
Other receivables	43,394	24,292
Prepayments and accrued income	66,310	42,143
	<u>372,204</u>	<u>325,185</u>
	<u>          </u>	<u>          </u>

**FOUNDRIES.IO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 2022**

**14. TRADE AND OTHER RECEIVABLES (CONTINUED)**

<b>Company</b>	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Trade receivables	262,500	258,751
Other receivables	34,451	24,292
Prepayments and accrued income	48,017	27,342
	<u>344,968</u>	<u>310,385</u>

At 30 September 2022, no receivables were past due or impaired (2021: none). The fair value of the Group's and Company's trade and other receivables is the same as their book value stated above.

**15. TRADE AND OTHER PAYABLES**

<b>Group</b>	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Trade payables	66,313	81,448
Social security and other taxes	56,169	87,484
Other payables	581	651
Accruals	340,108	214,565
Deferred income	897,937	611,590
	<u>1,361,108</u>	<u>995,738</u>
<b>Company</b>	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Trade payables	42,869	68,161
Amounts owed to group undertakings	177,135	199,406
Social security and other taxes	55,861	87,381
Accruals	316,948	157,326
Deferred income	897,937	611,590
	<u>1,490,750</u>	<u>1,123,864</u>

**FOUNDRIES.IO LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 SEPTEMBER 2022****16. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS****Financial instruments**

The Group's principal financial instruments, from which financial risk arises, comprise of the following:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables

The Group does not issue or use financial instruments of a speculative nature.

The totals for each category of financial instruments, measured in accordance with IFRS 9 as detailed in the accounting policies to these consolidated financial statements, are as follows:

**Loans and receivables**

	<b>2022</b>	<b>2021</b>
	\$	\$
<b>Current assets</b>		
Trade and other receivables	296,951	260,767
Cash and cash equivalents	2,528,288	5,584,432
Total financial assets	<u>2,825,239</u>	<u>5,845,199</u>

**Financial liabilities held at amortised cost**

	<b>2022</b>	<b>2021</b>
	\$	\$
<b>Current liabilities</b>		
Trade and other payables	407,002	322,986
Total financial liabilities held at amortised cost	<u>407,002</u>	<u>322,986</u>

The carrying value of these assets and liabilities approximate to their fair value due to the short-term nature of the balances.

## FOUNDRIES.IO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2022

## 16. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

## Gains and losses on financial instruments included within the income statement

	2022	2021
	\$	\$
<b>Finance expense</b>		
Convertible loan interest	-	57,990
Total expense on financial liabilities	<u>-</u>	<u>57,990</u>

**Financial risks**

The directors monitor the Group's financial risks and management policies. The directors' overall risk management strategy seeks to assist the Group in meeting its financial targets whilst minimising potential adverse effects on financial performance. The Group is exposed to the following financial risks:

- Credit risk
- Liquidity risk
- Market risk
- Capital management

*Credit risk*

Credit risk is the risk of financial loss to the Group if a commercial or individual customer to a financial asset fails to meet its contractual obligations. The maximum exposure to credit risk at 30 September was as follows:

	2022	2021
	\$	\$
Trade and other receivables	296,951	260,767

The Group actively manages its credit exposures by ensuring it engages with reputable and established customers, and through the utilisation of a functional credit control facility. When increased exposure is detected, action is taken to mitigate the risks.

The Group does not hold any collateral as security or any other credit enhancements, nor does it hold any derivatives which mitigate credit risk. At the year end, the Group had outstanding receivables that were past due but not impaired. These items have been considered for credit risk and are considered to be recoverable:

*Liquidity risk*

Liquidity risk is the risk that the Group is unable to meet its financial obligations as they fall due. The Group endeavours to maintain sufficient cash and adequate credit facilities to meet its obligations at all times. The Group liquidity position is monitored by management and short-term cash requirements and long-term funding projections are constantly reviewed to manage the funding requirements. The Group employs efficient cash management, credit control and a low fixed cost base to minimise liquidity risk.

## FOUNDRIES.IO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2022

## 16. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	Carrying amount \$	Contractual cash flow \$	2022	
			1 year or less \$	1 to 5 years \$
<b>Financial liabilities</b>				
Trade and other payables	296,951	296,951	296,951	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	Carrying amount \$	Contractual cash flow \$	2021	
			1 year or less \$	1 to 5 years \$
<b>Financial liabilities</b>				
Trade and other payables	407,002	407,002	407,002	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

*Market risk*

Market risk is the risk of financial losses from changes in market factor such as foreign exchange rates and interest rate changes.

The foreign exchange risk arises because the Group has operations in various parts of the world.

Foreign exchange risk arises because the Group operates globally and funding has historically largely been in GBP. Costs arise largely in USD and also in GBP and EUROS. Foundries.io's income is received mainly in US dollars, therefore the Group has a significant natural hedge in terms of its US dollar denominated cost base. The Group operates a centralised treasury model and intends to utilise hedging facilities to mitigate this foreign exchange risk when appropriate.

At 30 September 2022, the Group had no variable rate instruments (2020: none). Since the year end the Group has issued fixed rate Convertible Loan Notes. These mitigate the risk of material fluctuations in the Group's financial performance as a result of market interest rate changes.

*Capital management*

The Group monitors its capital, which includes all components of equity. The Group's objectives when maintaining capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The capital structure of the Group consists of debt and equity. Debt consists of trade and other payables (note 14). Equity consists of share capital and undistributed earnings as presented in the statement of financial position.

In order to maintain or adjust the capital structure, the Group may issue new shares, sell assets to reduce debt, seek out new funding facilities or make repayments to existing funding facilities.

**Reconciliation of net debt**

Group	At 1 October \$	Cash flow \$	Non-cash movements \$	At 30 September \$
Cash and cash equivalents	5,584,432	(2,507,836)	(548,307)	2,528,289
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**FOUNDRIES.IO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 2022**

**17. RETIREMENT BENEFITS SCHEMES**

**Defined contribution schemes**

The Group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The cost charged represents contributions payable by the Group to the funds. At the balance sheet date contributions of \$42,080 (2021: \$26,991) were outstanding.

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Contributions payable by the Group for the year	121,277	130,544
	<u>          </u>	<u>          </u>

**18. SHARE BASED PAYMENTS**

**Company and Group**

The Company and Group operate an equity-settled share-based option scheme to reward and incentivise its employees, directors and consultants. Under the scheme, the Board of directors of the Company can grant options over the shares of the Company to directors and employees of the Company and its subsidiaries. The scheme is an EMI approved remuneration scheme in so far as it applies to UK employees.

Options are granted at a fixed price based on the estimated fair value at the time of the grant. The options expire 10 years after the date of the grant. The options will lapse if the holder leaves the Group as a bad leaver prior to the exercise date, but if they are a good leaver then they can retain any options already vested at the point of leaving. Options can be exercised upon an exit event, which is a sale of the Group or listing on a stock market, or at any other point the Board of directors agree to. If the options are not exercised during this period, they shall lapse.

The vesting period of the options is 33% after one year of the grant date, and then monthly thereafter over the following two years. The Board can, at its discretion, accelerate the vesting to allow option holders to exercise their options in full in the event of an exit event.

The number of share options outstanding at the balance sheet date are:

	<b>Weighted average exercise price \$</b>	<b>Total share options No.</b>
Outstanding at 1 October	4.15	102,592
Granted during the year	0.01	49,620
Forfeited during the year	4.03	(5,000)
Outstanding at 30 September	2.73	<u>147,212</u>

Number of options exercisable at year end was 65,156 (2021: 30,905).

The weighted average remaining contractual life as at 30 September 2022 was 8.5 years (2021: 9.0 years).

## FOUNDRIES.IO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2022

**18. SHARE BASED PAYMENTS (CONTINUED)**

Options were valued using the Black-Scholes option pricing model. The fair value of the share options was determined by the Black-Scholes pricing model, using the key assumptions noted in the table below:

	<b>2022</b>
Options pricing model	Black-Scholes
Share price at the date of grant	\$8.02
Exercise price	\$.0.01 to \$4.53
Contractual life	5
Expected volatility	88.07%
Expected dividend yield	0.00%
Risk free interest rate	4.40%

Expected volatility was determined by reference to the volatility of third party listed firms that are involved in similar activities to the Group. The Group's total charge for the year relating to the share-based payment scheme was \$256,840 (2021: \$102,250), and the Company's total charge was \$234,290 (2021: \$91,824).

**19. SHARE CAPITAL**

<b>Company</b>	<b>2022</b>	<b>2021</b>
	<b>No.</b>	<b>No.</b>
<b>Share capital issued and fully paid</b>		
Ordinary shares of £0.01 each	1,052,632	1,052,632
Preferred shares of £0.01 each	583,302	583,302
A ordinary shares of £0.01 each	532,817	532,817
	<u>2,168,751</u>	<u>2,168,751</u>
	<u>2022</u>	<u>2021</u>
	<u>\$</u>	<u>\$</u>
<b>Share capital issued and fully paid</b>		
Ordinary shares of £0.01 each	14,002	14,002
Preferred shares of £0.01 each	7,223	7,223
A ordinary shares of £0.01 each	7,140	7,140
	<u>28,365</u>	<u>28,365</u>

*Ordinary shares*

Each ordinary share carries the right to vote, to receive dividends and, in the event of winding up, a capital distribution.

*Preferred shares*

Each preferred share carries the right to vote, to receive dividends and, in the event of winding up, a priority over other classes of shares to a capital distribution.

*A Ordinary shares*

Each ordinary share carries the right to vote, to receive dividends and, in the event of winding up, a capital distribution.

**FOUNDRIES.IO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 2022**

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**20. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS**

During previous periods, convertible loan notes were issued to certain directors, employees, and shareholders, which were all converted into A ordinary shares of £0.01 each on 23 April 2021. Interest of \$nil (2021: \$38,152) accrued in the year. At the current and prior year end, there were no amounts outstanding.

Key management personnel compensation has been disclosed in note 8 of the accounts.

**21. CONTROLLING PARTIES**

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

**22. POST BALANCE SHEET EVENTS**

In December 2022, the Company raised funding of \$2.5m through the issue of 2022 convertible loan notes. An additional \$0.5m was received in January 2023. Further funding is expected to be issued during the first quarter of 2023.

Like the 2021 fund raise, the 2022 fund raising will contribute towards product development and customer acquisition activities.