

**GROUP STRATEGIC REPORT,
REPORT OF THE DIRECTORS AND
AUDITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
FOR
ADTHENA LIMITED**

Haines Watts
Chartered Accountants & Statutory Auditors
Old Station House
Station Approach
Swindon
Wiltshire
SN1 3DU

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FOR THE YEAR ENDED 31 DECEMBER 2022**

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ADTHENA LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2022

DIRECTORS:

Mr I W O'Rourke
Mr C J Underhill
Mr J M Seeber
Mr E Huddleston
Mr S Gaon
Mr P Thune

REGISTERED OFFICE:

Warnford Court
29 Throgmorton Street
London
EC2N 2AT

REGISTERED NUMBER:

08171866 (England and Wales)

AUDITORS:

Haines Watts
Chartered Accountants & Statutory Auditors
Old Station House
Station Approach
Swindon
Wiltshire
SN1 3DU

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The Directors present the Strategic Report of Adthena Limited (the "Company") and its wholly owned subsidiaries Adthena Inc. and Adthena APAC Pty Ltd (the "Group") for the year ended 31 December 2022.

Principal activities

The principal activity of the Group during the year was development and sale of an advanced competitive intelligence software platform. Adthena operates a software-as-a-service (SaaS) business model which offers businesses valuable insights into their online search advertising.

RESULTS

The loss for the year and the Group's financial position at the end of the year are shown in the financial statements.

STRATEGIC MANAGEMENT

The Group's mission is connecting marketers to consumers through unique search intelligence. Adthena is the market-leading, AI driven paid search intelligence product for global enterprise customers.

During 2022, the Group has shifted its focus from revenue growth through extensive investment into marketing and sales to operational efficiency, and a sustainable balance between growth and profitability. As a result, a decision was made to reduce the spend on sales and marketing activities and invest more heavily into research and development in order to further enhance the platform. Operational efficiency and sustainable growth will remain the key focus throughout the next year.

Adthena released a number of product improvements during the year focusing on its core proposition, launching two major new features aligned with the current market appetite for efficiency and savings: Infringement Takedown and Brand Activator. The Group will continue to invest in innovation, developing our core proposition to improve customer retention, and diversifying into new markets.

BUSINESS PERFORMANCE

The Group's revenue grew by 22% to £13.0m in the year, a slower growth rate than the 48% seen in 2021, reflecting the group's focus on improving operational efficiency and reducing losses. The Group's customer base increased from 315 at the end of 2021 to 334 at the end of 2022. The Group's staffing levels remain broadly unchanged, the average number of employees in 2022 was 111 (107 in prior year). As a result, its operation efficiency, as measured by revenue per employee, improved by 17%. Gross margin also improved considerably to 71% from 64% in prior year, and EBITDA margin improved from -52% (2021) to -42% in 2022.

The Group recorded a negative cashflow from operating activities of £4m for the year (-£3.9m in 2021), and a negative net total operating cash of £4.2m. This was adversely impacted by increasing debt levels combined with interest rate rises during the year, which increased the cost of servicing the Group's debt by £0.8m to £1.1m.

The Company secured an additional debt facility of £11.5m with Espresso Capital ("Espresso") at the start of 2022. The Company has drawn £9.5m of Espresso facility during the year, £3.5m of which was used to repay existing loans with the Canadian Imperial Bank of Commerce ("CIBC").

The Group's results were affected by significant foreign exchange movements. While FX affected revenue positively, it had a negative overall impact. The total loss for the year increased to £6.2m from £6.0 in prior year. £0.2m of the 2022 loss resulted from the movements in foreign exchange, hence, if the FX impact is excluded, the Group's loss would have remained consistent.

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

POST REPORTING DATE EVENTS

As a result of the breach of a revenue loan covenant with CIBC in December 2022, the company has entered into a forbearance agreement with CIBC to repay the loan of £2.5m by the end of June 2023. The Company has raised equivalent equity capital in April and May 2023 to deliver on the forbearance agreement.

The Company raised additional funds from its existing lead investor Udata Capital ("Udata") in early Q2 2023. Udata have invested a further \$3m USD of primary capital into the business.

The Company is seeking to arrange additional debt capital from a new lender. As of the date of this report, the Company had entered into a term sheet with another lender for a \$5m USD line of credit. This will be used to pay down existing debt and provide working capital for the business.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group recognises that operating in a dynamic business environment comes with inherent risks and uncertainties. The following are the principal risks and uncertainties that could potentially impact the business.

Macroeconomic risks: The Group operates in a global market influenced by macroeconomic factors, and reductions in customer budgets can impact our performance. Adthema's customer base is predominantly blue chip businesses from a diverse range of industries, and search advertising has proven to be resilient to market pressures with Google's advertising revenue continuing to grow year on year. Adthema is therefore positioned well to withstand the pressure of macroeconomic conditions.

Interest rate rises: The Group has a significant debt balance, and is therefore exposed to the risk of ongoing rises in interest rates in our principal markets. An increase in interest rates would result in higher borrowing costs which would, in turn, negatively affect the Group's cashflows. The Group continues to monitor macroeconomic conditions and has taken into account recent and potential future interest rate rises in preparation of its financial forecasts. In addition, the Group has raised additional equity financing in 2023 to improve gearing.

Platform reliance: the Group's primary product offering relates to Google search advertising, creating a high reliance on Google. Google continues to post strong advertising revenue growth and a dominant market share for search advertising. The strength of Google makes significant risk to the Group's operation unlikely, but nonetheless The Group's strategy will seek product diversification in the coming years.

ON BEHALF OF THE BOARD:

Mr P Thune - Director

31 May 2023

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2022.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2022.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2022 to the date of this report.

Mr I W O'Rourke
Mr C J Underhill
Mr J M Seeber
Mr E Huddleston
Mr S Gaon

Other changes in directors holding office are as follows:

Mr P Thune was appointed as a director after 31 December 2022 but prior to the date of this report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

ON BEHALF OF THE BOARD:

Mr P Thune - Director

31 May 2023

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ADTHENA LIMITED

Opinion

We have audited the financial statements of Adthema Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the Consolidated Income Statement, Consolidated Other 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 Consolidated Statement of Cash Flows, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company affairs as at 31 December 2022 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group 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 and 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 directors are responsible for the other information. The other information comprises the information in the Group Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify 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 Group Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ADTHENA LIMITED

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 its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Report of the Directors.

We have nothing to report in respect of the following matters where 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 Statement of Directors' Responsibilities set out on page four, 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 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.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory framework applicable to both the group and the parent company itself and the industry in which it operates. We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the directors and other management. The most significant were identified as the Companies Act 2006, UK GAAP (FRS102) and relevant tax legislation.

We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statements. Our audit procedures included:

- making enquires of directors and management as to where they consider there to be a susceptibility to fraud and whether they have any knowledge or suspicion of fraud;
- obtaining an understanding of the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- assessing the design effectiveness of the controls in place to prevent and detect fraud;
- assessing the risk of management override including identifying and testing journal entries; and
- challenging the assumptions and judgements made by management in its significant accounting estimates.

Despite the audit being planned and conducted in accordance with ISAs (UK) there remains an unavoidable risk that material misstatements in the financial statements may not be detected owing to inherent limitations of the audit, and that by their very nature, any such instances of fraud or irregularity likely involve collusion, forgery, intentional misrepresentations, or the override of internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
ADTHENA LIMITED**

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 a Report of the Auditors 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.

Martin Gurney FCA (Senior Statutory Auditor)
for and on behalf of Haines Watts
Chartered Accountants & Statutory Auditors
Old Station House
Station Approach
Swindon
Wiltshire
SN1 3DU

31 May 2023

ADTHENA LIMITED (REGISTERED NUMBER: 08171866)

CONSOLIDATED
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	31/12/22 £	31/12/21 £
TURNOVER	3	12,958,521	10,657,646
Cost of sales		<u>3,728,980</u>	<u>3,842,926</u>
GROSS PROFIT		9,229,541	6,814,720
Administrative expenses		<u>15,608,924</u> (6,379,383)	<u>13,454,565</u> (6,639,845)
Other operating income		<u>7,118</u>	<u>34,898</u>
OPERATING LOSS	5	(6,372,265)	(6,604,947)
Interest receivable and similar income		<u>271</u> (6,371,994)	<u>457</u> (6,604,490)
Interest payable and similar expenses	6	<u>1,121,855</u> (7,493,849)	<u>237,806</u> (6,842,296)
LOSS BEFORE TAXATION			
Tax on loss	7	<u>(1,196,328)</u>	<u>(882,750)</u>
LOSS FOR THE FINANCIAL YEAR		<u>(6,297,521)</u>	<u>(5,959,546)</u>
Loss attributable to:			
Owners of the parent		<u>(6,297,521)</u>	<u>(5,959,546)</u>

The notes form part of these financial statements

**CONSOLIDATED
OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

Notes	31/12/22 £	31/12/21 £
LOSS FOR THE YEAR	(6,297,521)	(5,959,546)
OTHER COMPREHENSIVE LOSS		
Foreign exchange gains/(losses)	(178,794)	(26,292)
Income tax relating to other comprehensive loss	<u>-</u>	<u>-</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX	<u>(178,794)</u>	<u>(26,292)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(6,476,315)</u>	<u>(5,985,838)</u>
Total comprehensive income attributable to: Owners of the parent	<u>(6,476,315)</u>	<u>(5,985,838)</u>

The notes form part of these financial statements

ADTHENA LIMITED (REGISTERED NUMBER: 08171866)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2022

	Notes	31/12/22 £	£	31/12/21 £	£
FIXED ASSETS					
Intangible assets	9		228,945		426,982
Tangible assets	10		171,904		165,769
Investments	11		-		-
			<u>400,849</u>		<u>592,751</u>
CURRENT ASSETS					
Debtors	12	3,471,303		2,983,793	
Cash at bank		<u>1,707,845</u>		<u>304,004</u>	
		5,179,148		3,287,797	
CREDITORS					
Amounts falling due within one year	13	<u>11,625,092</u>		<u>8,536,469</u>	
NET CURRENT LIABILITIES			<u>(6,445,944)</u>		<u>(5,248,672)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			(6,045,095)		(4,655,921)
CREDITORS					
Amounts falling due after more than one year	14		<u>9,164,076</u>		<u>4,410,405</u>
NET LIABILITIES			<u>(15,209,171)</u>		<u>(9,066,326)</u>
CAPITAL AND RESERVES					
Called up share capital	18		206,657		204,922
Share premium	19		15,088,300		14,963,532
Other reserves	19		(336,344)		(157,550)
Retained earnings	19		<u>(30,167,784)</u>		<u>(24,077,230)</u>
SHAREHOLDERS' FUNDS			<u>(15,209,171)</u>		<u>(9,066,326)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 31 May 2023 and were signed on its behalf by:

Mr P Thune - Director

COMPANY STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2022

	Notes	31/12/22 £	£	31/12/21 £	£
FIXED ASSETS					
Intangible assets	9		228,945		426,982
Tangible assets	10		83,618		84,958
Investments	11		80		80
			<u>312,643</u>		<u>512,020</u>
CURRENT ASSETS					
Debtors	12	2,325,944		2,132,014	
Cash at bank		<u>1,403,605</u>		<u>190,293</u>	
		3,729,549		2,322,307	
CREDITORS					
Amounts falling due within one year	13	<u>7,492,177</u>		<u>5,427,518</u>	
NET CURRENT LIABILITIES			<u>(3,762,628)</u>		<u>(3,105,211)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			(3,449,985)		(2,593,191)
CREDITORS					
Amounts falling due after more than one year	14		<u>9,164,076</u>		<u>4,410,405</u>
NET LIABILITIES			<u>(12,614,061)</u>		<u>(7,003,596)</u>
CAPITAL AND RESERVES					
Called up share capital	18		206,657		204,922
Share premium			15,088,300		14,963,532
Retained earnings			<u>(27,909,018)</u>		<u>(22,172,050)</u>
SHAREHOLDERS' FUNDS			<u>(12,614,061)</u>		<u>(7,003,596)</u>
Company's loss for the financial year			<u>(5,943,935)</u>		<u>(4,199,798)</u>

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

The financial statements were approved by the Board of Directors and authorised for issue on 31 May 2023 and were signed on its behalf by:

Mr P Thune - Director

ADTHENA LIMITED (REGISTERED NUMBER: 08171866)

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

	Called up share capital £	Retained earnings £	Share premium £	Other reserves £	Total equity £
Balance at 1 January 2021	204,922	(18,386,132)	14,963,532	(131,258)	(3,348,936)
Changes in equity					
Total comprehensive loss	-	(5,959,546)	-	(26,292)	(5,985,838)
Share-based payments	-	268,448	-	-	268,448
Balance at 31 December 2021	<u>204,922</u>	<u>(24,077,230)</u>	<u>14,963,532</u>	<u>(157,550)</u>	<u>(9,066,326)</u>
Changes in equity					
Issue of share capital	1,735	-	124,768	-	126,503
Total comprehensive loss	-	(6,297,521)	-	(178,794)	(6,476,315)
Share-based payments	-	206,967	-	-	206,967
Balance at 31 December 2022	<u>206,657</u>	<u>(30,167,784)</u>	<u>15,088,300</u>	<u>(336,344)</u>	<u>(15,209,171)</u>

The notes form part of these financial statements

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

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
Balance at 1 January 2021	204,922	(18,240,700)	14,963,532	(3,072,246)
Changes in equity				
Total comprehensive loss	-	(4,199,798)	-	(4,199,798)
Share-based payments	-	268,448	-	268,448
Balance at 31 December 2021	<u>204,922</u>	<u>(22,172,050)</u>	<u>14,963,532</u>	<u>(7,003,596)</u>
Changes in equity				
Issue of share capital	1,735	-	124,768	126,503
Total comprehensive loss	-	(5,943,935)	-	(5,943,935)
Share-based payments	-	206,967	-	206,967
Balance at 31 December 2022	<u><u>206,657</u></u>	<u><u>(27,909,018)</u></u>	<u><u>15,088,300</u></u>	<u><u>(12,614,061)</u></u>

The notes form part of these financial statements

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

	Notes	31/12/22 £	31/12/21 £
Cash flows from operating activities			
Cash generated from operations	1	(4,065,882)	(3,950,854)
Finance costs paid		(1,121,855)	(237,806)
Tax paid		787,743	966,952
Net cash from operating activities		<u>(4,399,994)</u>	<u>(3,221,708)</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(18,778)	(541,549)
Purchase of tangible fixed assets		(85,654)	(93,518)
Sale of tangible fixed assets		(351)	-
Interest received		271	457
Net cash from investing activities		<u>(104,512)</u>	<u>(634,610)</u>
Cash flows from financing activities			
New loans in year		5,753,671	2,011,174
Share issue		126,503	-
Share-based payments		206,967	268,448
Net cash from financing activities		<u>6,087,141</u>	<u>2,279,622</u>
Increase/(decrease) in cash and cash equivalents		<u>1,582,635</u>	<u>(1,576,696)</u>
Cash and cash equivalents at beginning of year	2	304,004	1,906,992
Effect of foreign exchange rate changes		<u>(178,794)</u>	<u>(26,292)</u>
Cash and cash equivalents at end of year	2	<u>1,707,845</u>	<u>304,004</u>

The notes form part of these financial statements

**NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. RECONCILIATION OF LOSS BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	31/12/22	31/12/21
	£	£
Loss before taxation	(7,493,849)	(6,842,296)
Depreciation charges	284,816	292,083
Loss on disposal of fixed assets	11,869	42,950
Finance costs	1,121,855	237,806
Finance income	(271)	(457)
	<u>(6,075,580)</u>	<u>(6,269,914)</u>
Increase in trade and other debtors	(173,932)	(265,800)
Increase in trade and other creditors	2,183,630	2,584,860
Cash generated from operations	<u><u>(4,065,882)</u></u>	<u><u>(3,950,854)</u></u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 December 2022

	31/12/22	1/1/22
	£	£
Cash and cash equivalents	<u>1,707,845</u>	<u>304,004</u>

Year ended 31 December 2021

	31/12/21	1/1/21
	£	£
Cash and cash equivalents	<u>304,004</u>	<u>1,906,992</u>

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1/1/22	Cash flow	At 31/12/22
	£	£	£
Net cash			
Cash at bank	<u>304,004</u>	<u>1,403,841</u>	<u>1,707,845</u>
	<u>304,004</u>	<u>1,403,841</u>	<u>1,707,845</u>
Debt			
Debts falling due within 1 year	(1,500,000)	(1,000,000)	(2,500,000)
Debts falling due after 1 year	<u>(4,410,405)</u>	<u>(4,753,671)</u>	<u>(9,164,076)</u>
	<u>(5,910,405)</u>	<u>(5,753,671)</u>	<u>(11,664,076)</u>
Total	<u><u>(5,606,401)</u></u>	<u><u>(4,349,830)</u></u>	<u><u>(9,956,231)</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. **STATUTORY INFORMATION**

Adthena Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

2. **ACCOUNTING POLICIES**

Basis of preparing the financial statements

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

The company's functional and presentational currency is GBP. The group financial statements are presented in GBP and rounded to the nearest thousand unless otherwise stated.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group and company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the notes to these financial statements.

Basis of consolidation

The group consolidated financial statements include the financial statements of the company and all of its subsidiary undertakings made up to 31 December.

Where a subsidiary has different accounting policies to the group, adjustments are made to those subsidiary financial statements to apply the group's accounting policies when preparing the consolidated financial statements.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Going concern

The accounts have been prepared on a going concern basis. While the Group continues to operate at a loss and has negative net assets, the business is in a stable operating position, and sales growth is expected to be sufficient to reach breakeven. While the Group's net current assets are negative, the business has raised capital post year end, and has a line of credit that is more than sufficient to cover any short term losses until the business is profitable. As a result, the Directors resolved that the going concern basis is appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

2. ACCOUNTING POLICIES - continued

Turnover

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer (usually on despatch of the goods); the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity; and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract.

Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Patents and licences are being amortised evenly over their estimated useful life of three years.

Website costs is being amortised evenly over its estimated useful life of three years.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Tangible fixed assets

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

Fixtures & Fittings	- 50% straight line
Computer Equipment	- 25% straight line

Adthema APAC PTY Limited:	
Fixtures & Fittings	- 10% straight line
Computer Equipment	- 25% straight line

Adthema Inc	
Fixtures & Fittings	- 14% straight line
Computer Equipment	- 25% straight line

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

2. ACCOUNTING POLICIES - continued

Financial instruments

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

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

Taxation

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

Current or deferred taxation assets and liabilities are not discounted.

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

Deferred tax

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

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

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

Hire purchase and leasing commitments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

2. ACCOUNTING POLICIES - continued**Pension costs and other post-retirement benefits**

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

Related party transactions

The group discloses transactions with related parties which are not wholly owned within the same group.

Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the group financial statements.

3. TURNOVER

The turnover and loss before taxation are attributable to the one principal activity of the group.

An analysis of turnover by geographical market is given below:

	31/12/22	31/12/21
	£	£
United Kingdom	5,356,555	5,113,573
United States of America	6,003,366	4,234,494
Australia	1,598,600	1,309,579
	<u>12,958,521</u>	<u>10,657,646</u>

4. EMPLOYEES AND DIRECTORS

	31/12/22	31/12/21
	£	£
Wages and salaries	7,703,866	6,740,679
Social security costs	1,466,959	441,561
Other pension costs	139,085	100,310
	<u>9,309,910</u>	<u>7,282,550</u>

The average number of employees during the year was as follows:

	31/12/22	31/12/21
Staff	<u>111</u>	<u>107</u>

The average number of employees by undertakings that were proportionately consolidated during the year was 46 (2021 - 41) .

The amount of remuneration attributable to the highest paid director was £235k (2021:£202k).

During the year there were no directors that exercised any share options and there were no shares received or receivable by directors in respect of services under a long term incentive scheme.

The company operates a defined contribution pension scheme to which two directors are enrolled. Directors' pension costs totalled £463 (2021: £516).

There are no schemes or incentives available to directors in respect of their interests in Adthema Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

5. OPERATING LOSS

The operating loss is stated after charging:

	31/12/22	31/12/21
	£	£
Other operating leases	520,940	415,152
Depreciation - owned assets	76,651	79,578
Loss on disposal of fixed assets	10,447	42,769
Patents and licences amortisation	201,897	201,897
Website costs amortisation	14,918	10,410
Auditors' remuneration	9,125	9,373
Foreign exchange differences	<u>17,467</u>	<u>51,351</u>

The total cost of other services provided by the auditors was £2,670 (2021: £2,525)

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	31/12/22	31/12/21
	£	£
Interest payable	<u>1,121,855</u>	<u>237,806</u>

7. TAXATION**Analysis of the tax credit**

The tax credit on the loss for the year was as follows:

	31/12/22	31/12/21
	£	£
Current tax:		
UK corporation tax	<u>(1,196,328)</u>	<u>(882,750)</u>
Tax on loss	<u>(1,196,328)</u>	<u>(882,750)</u>

Tax effects relating to effects of other comprehensive income

	31/12/22		
	Gross	Tax	Net
	£	£	£
Foreign exchange gains/(losses)	<u>(178,794)</u>	<u>-</u>	<u>(178,794)</u>

	31/12/21		
	Gross	Tax	Net
	£	£	£
Foreign exchange gains/(losses)	<u>(26,292)</u>	<u>-</u>	<u>(26,292)</u>

8. INDIVIDUAL INCOME STATEMENT

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

9. INTANGIBLE FIXED ASSETS

Group

	Patents and licences £	Website costs £	Totals £
COST			
At 1 January 2022	605,690	65,505	671,195
Additions	-	18,778	18,778
At 31 December 2022	<u>605,690</u>	<u>84,283</u>	<u>689,973</u>
AMORTISATION			
At 1 January 2022	201,897	42,316	244,213
Amortisation for year	201,897	14,918	216,815
At 31 December 2022	<u>403,794</u>	<u>57,234</u>	<u>461,028</u>
NET BOOK VALUE			
At 31 December 2022	<u>201,896</u>	<u>27,049</u>	<u>228,945</u>
At 31 December 2021	<u>403,793</u>	<u>23,189</u>	<u>426,982</u>

Company

	Patents and licences £	Website costs £	Totals £
COST			
At 1 January 2022	605,690	65,505	671,195
Additions	-	18,778	18,778
At 31 December 2022	<u>605,690</u>	<u>84,283</u>	<u>689,973</u>
AMORTISATION			
At 1 January 2022	201,897	42,316	244,213
Amortisation for year	201,897	14,918	216,815
At 31 December 2022	<u>403,794</u>	<u>57,234</u>	<u>461,028</u>
NET BOOK VALUE			
At 31 December 2022	<u>201,896</u>	<u>27,049</u>	<u>228,945</u>
At 31 December 2021	<u>403,793</u>	<u>23,189</u>	<u>426,982</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

10. TANGIBLE FIXED ASSETS

Group

	Fixtures and fittings £	Computer equipment £	Totals £
COST			
At 1 January 2022	225,111	378,261	603,372
Additions	9,974	75,680	85,654
Disposals	(188,043)	(207,573)	(395,616)
Exchange differences	2,460	10,446	12,906
At 31 December 2022	<u>49,502</u>	<u>256,814</u>	<u>306,316</u>
DEPRECIATION			
At 1 January 2022	206,345	231,258	437,603
Charge for year	4,694	71,957	76,651
Eliminated on disposal	(187,780)	(196,318)	(384,098)
Exchange differences	765	3,491	4,256
At 31 December 2022	<u>24,024</u>	<u>110,388</u>	<u>134,412</u>
NET BOOK VALUE			
At 31 December 2022	<u>25,478</u>	<u>146,426</u>	<u>171,904</u>
At 31 December 2021	<u>18,766</u>	<u>147,003</u>	<u>165,769</u>

Company

	Fixtures and fittings £	Computer equipment £	Totals £
COST			
At 1 January 2022	196,468	283,866	480,334
Additions	1,494	42,307	43,801
Disposals	(187,486)	(175,428)	(362,914)
At 31 December 2022	<u>10,476</u>	<u>150,745</u>	<u>161,221</u>
DEPRECIATION			
At 1 January 2022	196,468	198,908	395,376
Charge for year	174	41,685	41,859
Eliminated on disposal	(187,486)	(172,146)	(359,632)
At 31 December 2022	<u>9,156</u>	<u>68,447</u>	<u>77,603</u>
NET BOOK VALUE			
At 31 December 2022	<u>1,320</u>	<u>82,298</u>	<u>83,618</u>
At 31 December 2021	<u>-</u>	<u>84,958</u>	<u>84,958</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

11. FIXED ASSET INVESTMENTS

Company

	Shares in group undertaking £
COST	
At 1 January 2022 and 31 December 2022	<u>80</u>
NET BOOK VALUE	
At 31 December 2022	<u>80</u>
At 31 December 2021	<u>80</u>

The company holds 100% of the issued share capital of Adthema Inc, a company incorporated in the USA and Adthema APAC PTY Limited, a company incorporated in Australia.

Both subsidiaries are included in the consolidation.

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31/12/22	31/12/21	31/12/22	31/12/21
	£	£	£	£
Trade debtors	1,694,713	1,542,161	697,893	892,409
Other debtors	219,249	154,406	177,220	51,832
Tax	1,196,328	882,750	1,196,328	882,750
Prepayments and accrued income	361,013	404,476	254,503	305,023
	<u>3,471,303</u>	<u>2,983,793</u>	<u>2,325,944</u>	<u>2,132,014</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31/12/22	31/12/21	31/12/22	31/12/21
	£	£	£	£
Other loans (see note 15)	2,500,000	1,500,000	2,500,000	1,500,000
Trade creditors	855,760	972,048	760,061	845,846
Tax	-	95,007	-	-
Social security and other taxes	646,982	376,843	578,300	324,603
VAT	330,681	186,635	205,719	113,393
Other creditors	288,460	240,561	120,210	197,378
Accruals and deferred income	7,003,209	5,165,375	3,327,887	2,446,298
	<u>11,625,092</u>	<u>8,536,469</u>	<u>7,492,177</u>	<u>5,427,518</u>

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	31/12/22	31/12/21	31/12/22	31/12/21
	£	£	£	£
Other loans (see note 15)	<u>9,164,076</u>	<u>4,410,405</u>	<u>9,164,076</u>	<u>4,410,405</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

15. LOANS

An analysis of the maturity of loans is given below:

	Group		Company	
	31/12/22	31/12/21	31/12/22	31/12/21
	£	£	£	£
Amounts falling due within one year or on demand:				
Other loans	<u>2,500,000</u>	<u>1,500,000</u>	<u>2,500,000</u>	<u>1,500,000</u>
Amounts falling due between one and two years:				
Other loans - 1-2 years	<u>9,164,076</u>	<u>4,410,405</u>	<u>9,164,076</u>	<u>4,410,405</u>

Defaults and breaches on loans payable

The Company has identified a breach of a loan covenant for the month of December 2022. The loan covenant requires the Company to meet a 20% year-on-year revenue growth threshold. The breach was in respect of a £2.5m loan facility with CIBC.

The Company subsequently entered into a forbearance agreement with the lender, where it agreed to repay the facility in full by 30 June 2023. The Company also raised additional \$3m / £2.4m of funds from its existing investors, Updata, at the start of Q2 2023 which may be used for a repayment of CIBC debt.

Management therefore does not consider the loan covenant breach to have a material impact on the Company's operations nor its ability to continue as a going concern.

16. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

Group

	Non-cancellable	operating leases
	31/12/22	31/12/21
	£	£
Within one year	289,897	250,134
Between one and five years	<u>274,171</u>	<u>505,425</u>
	<u>564,068</u>	<u>755,559</u>

17. SECURED DEBTS

The following secured debts are included within creditors:

	Group	
	31/12/22	31/12/21
	£	£
Other loans	<u>11,664,076</u>	<u>5,910,405</u>

The loans are secured by way of fixed and floating charges over the assets held by the parent company (Adthena Limited).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

18. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	31/12/22 £	31/12/21 £
10,332,874	Ordinary	0.02	<u>206,657</u>	<u>204,922</u>

86,776 Ordinary shares of 0.02 each were allotted as fully paid at a premium of 1.4178284 per share during the year.

19. RESERVES**Group**

	Retained earnings £	Share premium £	Other reserves £	Totals £
At 1 January 2022	(24,077,230)	14,963,532	(157,550)	(9,271,248)
Deficit for the year	(6,297,521)			(6,297,521)
Cash share issue	-	124,768	-	124,768
Consolidation foreign exchange	-	-	(178,794)	(178,794)
Share-based payments	206,967	-	-	206,967
At 31 December 2022	<u>(30,167,784)</u>	<u>15,088,300</u>	<u>(336,344)</u>	<u>(15,415,828)</u>

20. ULTIMATE PARENT COMPANY

The company is owned by a number of private shareholders and companies, none of whom own more than 30% of the issued share capital of the company.

Accordingly there is no parent entity nor ultimate controlling party.

21. DEFERRED TAX

At the year end the parent company (Adthema Limited) had tax losses carried forwards of £5.2m and an inter-company provision of £13.5m. The company has not provided for the £4.7m deferred tax asset that results from these.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

22. SHARE-BASED PAYMENT

	Non-EMI		EMI	
	2022	2021	2022	2021
Bought Forward	426,698	582,129	680,850	556,200
Granted	418,002	285,182	131,000	241,150
Exercised	-	-	-	-
Lapsed	167,000	440,613	105,000	116,500
Total	677,700	426,698	706,850	680,850
Exercisable at year end	-	-	-	-

The company has established an Enterprise Management Incentive (EMI) share option scheme and an ordinary share option scheme, with exercise prices ranging from £0.02 - £3.21 per share.

* Most options vest over a 4 year period. None vest within the first 12 months of employment.

* The vested options are exercisable if there is a change in control. In addition, the Group's US employees may exercise vested options upon termination of their employment.

Vested EMI options can be exercised up to 10 years from the date of the grant. No charge was recognised historically as the Directors considered that the likelihood of an exercise event was remote.

Following a change of accounting estimate, a charge of £268,448 was recognised in the prior year, and a charge of £206,967 for the current year, in relation to share options which have time-based vesting conditions or performance-based vesting conditions.

The fair value of the options used for accounting purposes in this calculation has been calculated using a Black-Scholes options pricing model.

Options lapse if the employee leaves the company before the options vest.

Details of the number of EMI share options and weighted average exercise price (WAEP) outstanding during the period are as follows:

Exercise price £	Net number of shares issued	Dec-2022	Dec-2021
		£	£
0.044	-	-	-
0.80	49,500	39,600	39,600
1.65	27,000	44,550	-
1.60	88,000	140,800	140,800
1.79	30,500	54,595	56,385
2.10	25,000	52,500	59,850
3.21	4,500	14,445	22,470
0.02	123,000	2,460	2,190
2.07	240,700	498,249	566,559
1.61	118,650	191,027	149,972
	706,850	1,038,226	1,037,826
	WAEP	£1.47	£1.52

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