COMPANY REGISTRATION NUMBER: SC491139

Frog Systems Limited

Filleted Unaudited Financial Statements

For the year ended

31 December 2021

Frog Systems Limited
Statement of Financial Position
31 December 2021

	Note	2021 £	2021 £	2020 £
Fixed assets				
Intangible assets	**5**		569,162	235,155
Tangible assets	**6**		22,130	7,392
			591,292	242,547
Current assets				
Debtors	**7**	194,478		88,567
Cash at bank and in hand		388,618		1,472
		583,096		90,039
Creditors: amounts falling due within one year	**8**	55,551		45,438
Net current assets			527,545	44,601
Total assets less current liabilities			1,118,837	287,148
Creditors: amounts falling due after more than one year	**9**		–	249,711
Net assets			1,118,837	37,437
Capital and reserves				
Called up share capital	**11**		13	9
Share premium account			3,134,091	1,727,151
Other reserves			7,905	–
Profit and loss account			(2,023,172)	(1,689,723)
Shareholders funds			1,118,837	37,437

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with Section 1A of FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

In accordance with section 444 of the Companies Act 2006, the statement of comprehensive income has not been delivered.

For the year ending 31 December 2021 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

Directors' responsibilities:

- The members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476 ;
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of financial statements .

These financial statements were approved by the board of directors and authorised for issue on 20 April 2022 , and are signed on behalf of the board by:

Nick Kuenssberg OBE

Director

Company registration number: SC491139

1. General information

The company is a private company limited by shares, registered in Scotland. The address of the registered office is Bellahouston Business Centre, 423 Paisley Road West, Glasgow, G51 1PZ.

2. Statement of compliance

These financial statements have been prepared in compliance with Section 1A of FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss. The financial statements are prepared in sterling, which is the functional currency of the entity. Going Concern The financial statements have been prepared on a going concern basis. The directors have assessed the Company's ability to continue as a going concern and have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

Revenue recognition

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.

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively. Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Any intangible assets carried at revalued amounts, are recorded at the fair value at the date of revaluation, as determined by reference to an active market, less any subsequent accumulated amortisation and subsequent accumulated impairment losses. Intangible assets acquired as part of a business combination are only recognised separately from goodwill when they arise from contractual or other legal rights, are separable, the expected future economic benefits are probable and the cost or value can be measured reliably.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Development costs	-	20% straight line

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Research and development

Research expenditure is written off in the period in which it is incurred. Development expenditure incurred is capitalised as an intangible asset only when all of the following criteria are met: - It is technically feasible to complete the intangible asset so that it will be available for use or sale; - There is the intention to complete the intangible asset and use or sell it; - There is the ability to use or sell the intangible asset; - The use or sale of the intangible asset will generate probable future economic benefits; - There are adequate technical, financial and other resources available to complete the development and to use or sell the intangible asset; and - The expenditure attributable to the intangible asset during its development can be measured reliably. Expenditure that does not meet the above criteria is expensed as incurred.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Fixtures and fittings	-	25% reducing balance
IT equipment	-	33% straight line

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date. For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

Government grants

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received. Government grants are recognised using the accrual model and the performance model. Under the accrual model, government grants relating to revenue are recognised on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in income in the period in which it becomes receivable. Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income and not deducted from the carrying amount of the asset. Under the performance model, where the grant does not impose specified future performance-related conditions on the recipient, it is recognised in income when the grant proceeds are received or receivable. Where the grant does impose specified future performance-related conditions on the recipient, it is recognised in income only when the performance-related conditions have been met. Where grants received are prior to satisfying the revenue recognition criteria, they are recognised as a liability.

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument. Basic financial assets, which include trade and other debtors and cash, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Basic financial liabilities, which include trade and other creditors, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. At each reporting date the company assesses whether there is objective evidence that any financial asset has been impaired. A provision for impairment is established when there is objective evidence that the company will not be able to collect all amounts due. The amount of the provision is recognised immediately in profit or loss.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund. When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Share-based payments

Equity-settled share-based payment transactions are measured at fair value at the date of grant. The fair value is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity. This is based upon the company's estimate of the shares or share options that will eventually vest which takes into account all vesting conditions and non-market performance conditions, with adjustments being made where new information indicates the number of shares or share options expected to vest differs from previous estimates. Fair value is determined using an appropriate pricing model. All market conditions and non-vesting conditions are taken into account when estimating the fair value of the shares or share options. As long as all other vesting conditions are satisfied, no adjustment is made irrespective of whether market or non-vesting conditions are met. Where the terms of an equity-settled transaction are modified, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the fair value of the transaction, as measured at the date of modification. Where an equity-settled transaction is cancelled or settled, it is treated as if it had vested on the date of cancellation or settlement, and any expense not yet recognised in profit or loss is expensed immediately. Cash-settled share-based payment transactions are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is re-measured at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

4. Employee numbers

The average number of persons employed by the company during the year amounted to 16 (2020: 6).

5. Intangible assets

	Development costs
	£
Cost	
At 1 January 2021	235,155
Additions	5,850
Additions from internal developments	470,448
At 31 December 2021	711,453
Amortisation	
Charge for the year	142,291
At 31 December 2021	142,291
Carrying amount	
At 31 December 2021	569,162
At 31 December 2020	235,155

6. Tangible assets

	Fixtures and fittings	Equipment	**Total**
	£	£	**£**
Cost			
At 1 January 2021	7,166	47,163	54,329
Additions	67	28,327	28,394
Disposals	(4,159)	(11,488)	(15,647)
At 31 December 2021	3,074	64,002	67,076
Depreciation			
At 1 January 2021	4,383	42,554	46,937
Charge for the year	714	11,846	12,560
Disposals	(3,063)	(11,488)	(14,551)
At 31 December 2021	2,034	42,912	44,946
Carrying amount			
At 31 December 2021	1,040	21,090	22,130
At 31 December 2020	2,783	4,609	7,392

7. Debtors

	2021	2020
	£	£
Trade debtors	10,158	10,650
Other debtors	184,320	77,917
	194,478	88,567

8. Creditors: amounts falling due within one year

	2021	2020
	£	£
Trade creditors	15,065	2,974
Social security and other taxes	19,055	32,372
Pensions	–	702
Other creditors	21,431	9,390

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55,551	45,438
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9. Creditors: amounts falling due after more than one year

	2021	2020
	£	£
Loan	–	50,601
Directors' loan	–	199,110
	–	249,711

Included in loans in the previous year was a loan of £50,601 from Aldridge Capital Limited. The director and shareholder Sir Rod Aldridge is also a director of Aldridge Capital Limited. Included in directors' loan in the prior year was a balance of £199,110 owed to the director, Nick Kuenssberg. This loan was unsecured and interest bearing at 1% per calendar month. The original fixed repayment terms of this loan were varied on 5 February 2021 such that Nick Kuenssberg would not seek repayment of the loan to the detriment of other creditors. Both of these loans are no longer outstanding as at 31 December 2021 as they were converted to equity during the year.

10. Share-based payments

The estimated fair value of each share option granted is as follows: Number Exercise price Fair value £ £ EMI (2020) 700,000 0.051 0.057 EMI (2021) 265,000 0.060 0.060 Unapproved (2020) 460,000 0.051 0.057 Unapproved (2021) 315,000 0.060 0.060

Details of the number and weighted average exercise prices (WAEP) of share options during the year are as follows:

	2021		2020	
	No.	**WAEP**	No.	WAEP
Outstanding at 1 January 2021	1,160,000	0.05	–	–
Granted during the year	580,000	0.06	1,160,000	0.05
Outstanding at 31 December 2021	1,740,000	0.05	1,160,000	0.05

The total expense recognised in profit or loss for the year is as follows:

	2021	2020
	£	£
Equity-settled share-based payments	7,905	–

The estimated fair values were calculated by applying the Black-Scholes option pricing model. The model inputs were: 2021: Share price at grant price - £0.060 Exercise price - £0.060 Expected volatility - 70% Expected life - 10 years Risk free interest rate - 0.7899% Dividend yield - 0%

11. Called up share capital

Issued, called up and fully paid

	2021		2020	
	No.	**£**	No.	£
Ordinary shares of £ 0.000001 each	13,025,557	13	8,862,774	9
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On 3 March 2021, the company issued 1,167,700 of £0.000001 Ordinary shares for a consideration of £0.32 per share. On 9 April 2021, the company issued 125,000 of £0.000001 Ordinary shares for a consideration of £0.32 per share. On 10 May 2021, the company issued 125,000 of £0.000001 Ordinary shares for a consideration of £0.32 per share. On 10 June 2021, the company issued 125,000 of £0.000001 Ordinary shares for a consideration of £0.32 per share. On 9 July 2021, the company issued 125,000 of £0.000001 Ordinary shares for a consideration of £0.32 per share. On 6 December 2021, the company issued 1,517,688 of £0.000001 Ordinary shares for a consideration of £0.35 per share. On 24 December 2021, the company issued 120,252 of £0.000001 Ordinary shares for a consideration of £0.35 per share. On 30 December 2021, the company issued 857,143 of £0.000001 Ordinary shares for a consideration of £0.35 per share.

12. Events after the end of the reporting period

In February 2022, the company issued 42,856 £0.000001 Ordinary shares for a consideration of £0.35 per share. This formed part of the wider funding round in which a total of 2,537,939 £0.000001 Ordinary shares for a consideration of £0.35 per share were issued.