



DEEPVERGE PLC

Annual Report
2021

Company Information

Directors:	Ross Andrews (Non-Executive Chairman) Gerard Brandon (Chief Executive Officer) Camillus Glover (Chief Financial Officer) Fionán Murray (Chief Operations Officer) Dr Nigel Burton (Non-Executive Director)
Company Secretary:	Fiona Joyce (Appointed 1 February 2021)
Registered office:	York Biotech Campus, Sand Hutton, York North Yorkshire, YO41 1LZ
Corporate office:	12 James's Terrace, Malahide, Dublin K36 N996, Ireland
Place of incorporation:	England and Wales (Company number – 10205396)
Auditors:	Jeffreys Henry LLP Finsgate 5 – 7 Cranwood Street London, EC1V 9EE
Nominated Adviser:	Spark Advisory Partners Limited 5 St. John's Lane London, EC1M 4BH
Brokers:	Turner Pope Investments (TPI) Limited 3rd Floor Fredericks Place London EC2R 8AB
Solicitors to the Company:	BPE Solicitors LLP St James' House St James' Square Cheltenham, GL50 3PR
Registrars:	Neville Registrars Limited Neville House, 18 Laurel Lane Halesowen, B63 3DA
Bankers:	Ulster Bank Victoria Square 11 – 16 Donegal Square East Belfast, BT1 5UB
Public relations:	Mo PR Advisory Mill Hill, Grange Road Tiptree CO5 0UL
Website:	www.DeepVerge.com

DeepVerge Plc

Chairman's Statement

For the year ended 31 December 2021

Dear Fellow Shareholder,

I have pleasure presenting the Company's report and results for the year ended 31 December 2021.

Our Business

DeepVerge Plc ("DeepVerge", "Group" or "the Company") was incorporated and registered in England and Wales on 28 May 2016 and was admitted to trading on the AIM market of London Stock Exchange plc on 5 April 2017. The current management team took control of the business in August 2018. The core Labskin health division was dramatically altered with the strategic acquisitions of artificial intelligence software company Rinocloud Limited, in 2019, and environmental equipment and services company Modern Water plc, in November 2020. The enlarged DeepVerge Group now comprises two distinct divisions, human health and environmental test services, each reliant on the use of artificial intelligence to inform new products, services and insights for customers and partners.

Labskin revenues have increased exponentially year on year, growing in excess of a multiple of 10 times since 2018. It now incorporates multiple routes to market validating skincare products and ingredients for skin care manufacturers and underwrites the recently launched Skin Trust Club consumer test services and smartphone app. This new personalised skin health tracking and skincare recommendations service democratises and personalises skin care for individual consumers and provides new personalised shopping experiences for partners' customers. The Labskin division's UK laboratory space has increased from 924 sq. ft in 2018 to 9,378 sq. ft in 2021. We have opened new laboratories in Fermoy, Cork, Ireland to serve the EU market. Additional laboratory space in New Castle, Delaware, USA is currently close to completion bringing a further 5,000 sq. ft in Q3 2022 for our Labskin B2B and Skin Trust Club Direct to Consumer (D2C) services.

Skin Trust Club is a disruptive lifestyle technology platform for personalised beauty, offering an entirely new marketplace for skin care manufacturers, who are Labskin test clients, to sell skin microbiome friendly products directly to Skin Trust Club members. It is also a B2B platform offering retailers a new personalised shopping and loyalty club enhancing experience for their customers. Operating in the healthcare wellness consumer sector, the combination of home test kit and smartphone app data technology platform creates new market opportunities using skin as a monitor. With the largest skin microbiome database in the world, built from 15 years of R&D Labskin heritage, Skin Trust Club offers a unique blend of skin science, AI/data science, informatics, and modern web technologies to personalise skin care for consumers to have scientifically tested products specifically recommended to match their own unique skin microbiome.

The Company's acquisition of Modern Water plc ("Modern Water") completed in November 2020 expanded DeepVerge's offering to include environmental data management, monitoring and analysis of water contamination using AI. The roll out of equipment and services across the environmental division has more than doubled revenues in the first year since completion of the acquisition and production capacity has been secured for the current demand, with excess capacity and service support available for accelerated growth as demand increases from external contract manufacturers and partners. Development continues on the miniaturisation of Microtox®PD units for wastewater detection of a range of pathogens, including SARS-CoV-2 and its variants. Further details are included in the CEO Report.

Results

Yet again, this year has been transformational for DeepVerge, attributable to enhancing an already successful business model and illustrated by better than expected first EBITDA profitable half-year in H2, 2021, before costs of Modern Water acquisition. In addition, orders exceeded £10m but supply chain delays and pandemic related issues pushed some equipment shipments and reagent supplies into Q1 2022. Increased demand required additional employees across all subsidiaries and expansion of laboratory space was maintained throughout 2021 and continues into 2022.

Financial Highlights:

- Total 2021 revenue up 107% to £9.3m (2020: £4.5m). Orders exceeded £10m but supply chain and COVID issues pushed some shipments into Q1 2022
- H2 2021 revenue growth tripled over the first half with strong sales of £6.0m leading to the Company's first EBITDA profitable half year (excluding exceptional costs)
- EBITDA losses before exceptional items fell by 98% to £0.017m (2020: £0.859m)

Chairman's Statement (continued)

For the year ended 31 December 2021

- Gross margin increased to 57% (2020: 41%)
- Administration costs increased by 91% to £8.7m (2020: £4.6m) with full year of Modern Water
- Operating loss increased by 8% to £2.897m (2020: £2.718m) includes intangible asset depreciation and amortisation of acquired businesses amounting to £3.2m (2021: £1.1m)
- Robust financial position following £10m Placing; £25m Mezzanine Loan facility

Operational Highlights (including post period events):

- Group 2022 Q1 Sales up 84% to £2.38m (Q1 2021: £1.29m)
- Labskin
 - Revenues increased exponentially year-on-year, growing in excess of 10 times 2018 revenues
 - Labskin laboratory expansion in US, UK and EU to support for Tier 1 skin care manufacturing clients
- Skin Trust Club
 - Largest skin microbiome database in the world with expanding range of applications
 - Over 20,000 members, 30,000 skin microbiota sampled and more than 50,000 consumer site visits per month
 - Intense interest post US Launch resulted in unprecedented demand for Skin Trust Club test kits
 - The marketplace service is expanding rapidly with more than 300 products available from leading skin care companies
 - Best New Disruptor Brand 2022 from the Pure Beauty Global Awards
- Modern Water
 - Production orders up 39% worth £5m for Modern Water equipment
 - £1.1m acquisition of Glanaco Engineering to reduce chain supply challenges
 - Expanding collaboration with Microsaic Systems plc with Manufacturing services framework
 - Engagement with multiple US cities for wastewater pathogen detection
 - First UK Deployments of Microtox®PD Pathogen Detection Systems in UK Wastewater
 - Modern Water sales to India £1.9m in 2021
 - Multiple consortium £1m+ installations bids for projects in the Middle East and South Asia
 - Framework agreement with Abingdon Health plc for Lateral Flow Tests to integrate with Modern Water optofluidic units to increase the volume of recurring consumable tests

Further information on our products, technologies and advances Post-Year-End can be found in the Chief Executive's Report.

Corporate governance

I believe that good corporate governance is important to support our future growth and the Board, which has extensive experience in publicly listed companies and running companies in the personal healthcare sector, is committed to the highest standards.

Outlook

If 2019 and 2020 were defined by acquisition growth and integration of tried and tested diverse technologies, 2021 has seen adaption and consolidation leading to the creation of multiple revenue streams that have expanded rapidly driving growth across all divisions. Laboratories have expanded on two continents and staff have increased to 81 to meet demand of new products and services. The outcome has once again resulted in an increase of new and core business from Labskin, Modern Water and the new Skin Trust Club consumer division. These include new products and services coming online throughout 2022.

The injection of capital from the £10m placing in June prepared the Group for an increase in staff, upgraded laboratories, and expansion of our offering of innovative products and services across all divisions. While we have seen supply chain issues effect external consortium partners, to date there has been minimal impact on Group sales. The Board expect growth in sales in 2022 to continue the Q1 momentum.

Ross Andrews

Chairman

23 June 2022

DeepVerge Plc

Chief Executive's Statement For the year ended 31 December 2021

Dear Fellow Shareholder,

DeepVerge

DeepVerge is an environmental and life science group of companies that develops and applies AI and web technology for the analysis and identification of bacteria, virus and toxins. Utilising artificial intelligent data analytics to scientifically prove the impact of skincare product claims on skin microbiome for most of the top 20 global cosmetic company clients and remotely detect and identify in real-time, dangerous pathogens, such as SARS-CoV-2 in wastewater treatment plants, drinking water, rivers, lakes and reservoirs.

High Bar for 2021:

The Board set a high bar in January 2021 with guidance on revenues to December 2021 hitting £10m.

- Orders exceeded £10 million. Supply chain delays pushed shipments of reagent supplies into 2022.
- Yet another triple digit percentage growth year, up 107% to £9.3 million from £4.5 million in 2020.
- EBITDA loss was only £0.017m (2020: £0.859m).
- EBITDA Margin loss of just 1.4% (2020: 19%).

Our core services:

- Labskin human skin equivalent platform to validate and verify the safety and impact on skincare companies' products for regulatory authority approval & Labskin test services for skin care product manufacturers.
- AI and microbiome platform to facilitate clinical trials for skincare companies.
- Regulated environmental toxicology services.
- Monitoring and data analytics platform for real-time detection and identification of pathogens in water and wastewater.

Our evolving services:

- Skin Trust Club Direct to Consumer (D2C) home test kit and consumer app.
- Skin Trust Club Business to Business (B2B) home test kit sales and data supplier for retail store loyalty programs.
- Skin Trust Club B2B home test kit services for medical (dermatology).
- Skin Trust Club test kit sales for R&D and Business to Government (B2G) - military programs.
- Anonymised data sales and services to pharma, medical, cosmetic, and industrial clients for R&D.

Labskin expansion in US

Labskin has successfully demonstrated its sales growth capabilities throughout 2021 and continues exhibiting new products and service developments at conferences in San Diego, San Francisco, London, and Paris. Major existing and several Tier 1 customers urged the Labskin division to expand laboratories in the USA for skin testing services. Part of the proceeds of the Placing in June 2021 provided for the expansion of the life science division for new business in the US market. Labskin unveiled new products and services including a new scalp model and has received demand for a very strong pipeline of new business across the hair care and shampoo sector.

Modern Water

Acquired in 2020, Modern Water continues to deliver as the Gold standard for heavy metals and toxicity pollution monitoring with its equipment and reagents now significantly upgraded. This includes the increasing use of AI to leverage data generated in water and wastewater, currently in beta testing on the predictive abilities of the old and new technologies. Demand for the Microtrace heavy metals and Microtox toxicity product ranges continue to grow strongly through an expanding network of local and international distributors.

New Generation

New Microtox®PD instruments came on stream this year using optofluidic technology to identify pathogens including the addition of mass spectroscopy to identify PFAS (Forever Chemicals) also in real time. Partnership with Microsaic Systems has helped redesign existing equipment and pioneer new instruments that deliver on-site and remote mass spectrometry-based monitoring of PFAS. The combined Microsaic micro-electronic engineering team and Modern Water scientists, engineers and technologists are currently working on the next generation – mobile, miniature, and rugged - designs of the Microtox®PD range for pathogen detection.

Chief Executive's Statement (continued)

For the year ended 31 December 2021

The integration of three levels of pollution detection – heavy metals/toxicity of pathogens, PFAS - now offers the 'last mile' of detection. The automation of integrated technologies can now fulfil the demand for point-of-need detection, into partner and customer solutions such as SCADA. This was achieved with Rinocloud software and machine learning aided by Acumen PTY, a specialist software collaborator in South Africa. Reference sites in the UK, US, EU, China and India have been deployed to show the total ecowaterOS solution in action and its benefits.

Membrane Business

Modern Water membrane division installed multiple water treatment reference sites showing the company's reverse and forward osmosis technology. Clients were secured in the garment industry, chemicals sector, oil and gas, and local authorities across China, the Middle East and India. The company also deployed a mobile membrane service that can be moved between landfill sites.

Expertise in Manufacturing

In March 2022, DeepVerge completed the acquisition of Cork-based manufacturing firm Glanaco Limited. Glanaco is a specialist engineering services company, originally providing solutions for the management of dirty water from municipal dumps and engineering/construction projects with a range of owned and partner equipment. The business has since expanded its facility to assemble and maintain equipment ranging from robotic extensions for large plants to biohazard wash systems and to Modern Water's All Membrane Brine Concentration (AMBC) systems. Glanaco extends Modern Water's engineering services to the design, production, maintenance, upgrading and shipping of instruments that were traditionally controlled by Modern Water's suppliers.

3-Step Strategic Plan Across All Divisions

The group has consolidated the acquisitions and leveraged consortium and collaboration partners to offer multiple products with multi uses, as in-demand needs, to clients and consumers. This has been achieved through well established multiple routes to markets, built on the heritage of 35 years of Modern Water and 15 years of Labskin's strategy leveraging its core platforms. It is also actively building Intellectual Property to create value during this process, also establishing further barriers to entry for future competition. We are also putting collaborations and partnerships at the core of our research and development.

1. Grow Profits Across Related Markets

We will continue to leverage existing blue-chip clients and collaboration partner relationships to secure additional high value product test service contract revenues, as well as creating new products and accessing cost effective routes to market with additional sales resources.

2. Product & Service Investment

In addition, AI and analysed data continues to be a key and growing enabling factor that delivers services across the Group. All divisions control the generation of their own data, generating results and delivering on learnings from that data. This data informs and helps create new products and services and provides new and invaluable insights for customers, clients and partners. The roll-out of physical and digital cloud-based reporting services, to keep our Life Science and Environmental Health offering competitive and relevant to our clients, is key to delivering more value to our clients and increasing revenue per client in return.

3. Collaboration & Acquisition

We actively pursue a broader portfolio of services through revenue shared collaboration and acquisitions targeting partnerships across science and technology, that expands our reach and ability to serve customers and markets. These areas have been previously mentioned in RNS announcements and include, but are not limited to, data analytics, software and biophysics integration services. All of these have lead to extending the scope and reach of all divisions. The key criteria in our collaboration and partner targets is to increase revenue per client and earnings from repurposed assets to enhance shareholder value.

Gerard Brandon
Chief Executive Officer
23 June 2022

The Board

Ross Andrews, Non-Executive Chairman

Ross was appointed Chairman on 21 May 2019, having been a non-executive director since April 2017. He is a corporate financier with over 30 years' experience, has a strong understanding of corporate governance regimes and is chairman and non-executive director of several UK listed companies. In 2018, he established Guild Financial Advisory, a corporate finance boutique focused on ambitious and fast-growing companies.

Gerard Brandon (Chief Executive Officer)

Gerard was appointed Director and CEO of DeepVerge in August 2018. Previously, he joined Cellulac Limited (Ireland) as its Chief Executive Officer in May 2012 and assumed the same role for Cellulac plc in October 2013. In 1996 he became founder and CEO of Alltracel Pharmaceuticals PLC, where he built a team that oversaw numerous patents granted on refined cellulose. Alltracel was admitted to trading on AIM in 2001. In 2004, he was appointed as a Managing Partner for Farmabrand Private Equity. In 2009, he was appointed as an Executive Consultant to Eplixo Limited. He is a Fellow of the Ryan Academy of Entrepreneurs in Dublin.

Camillus Glover (Chief Financial Officer)

Camillus was appointed Director and COO of DeepVerge on 8 August 2018. On 29 August 2018 he took over as Chief Financial Officer. Previously, he joined Cellulac Limited (Ireland) as Chief Financial Officer in May 2012 and assumed the same role for Cellulac plc in October 2013. He is a Fellow of the Institute of Chartered Accountants Ireland. In 2003, he joined Alltracel Pharmaceuticals plc as Commercial Director and was appointed Chief Operations Officer in 2005 until it was acquired in 2008 by Hemcon Medical Technologies ("Hemcon"). Between 2009 and 2012, he was VP of Global Business Development for Hemcon prior to joining Cellulac plc.

Fionán (Fin) Murray, (Chief Operations Officer)

Fin is the founder of Rinocloud Limited. He was appointed Sales Director of DeepVerge on 2 May 2019 following the acquisition of Rinocloud Ltd. On 26 February 2020 he was appointed COO of DeepVerge. He is a seasoned sales executive with more than 30 years' experience in worldwide distribution deals, selling complex software solutions into the multi-national corporate sectors in financial services, biotech, utilities and government departments. He is former CEO of LeT Systems Ltd and a senior executive at KBC Bank and Kindle Banking systems. He was appointed Chief Operations Officer on 26 February 2020.

Dr Nigel Burton (Non-Executive Director)

Nigel was appointed non-executive director of the Company on 10 November 2020 following the acquisition of Modern Water where Nigel was a non-executive director. Nigel worked for over 14 years as an investment banker at leading London City institutions including UBS Warburg and Deutsche Bank, including serving as a Managing Director responsible for the energy and utilities industries. Following these roles Nigel spent 15 years as Chief Financial Officer or Chief Executive Officer of a number of private and public companies and is a Non-Executive Director of a number of other listed companies including BlackRock Throgmorton Trust, eEnergy Group, Microsaic Systems and Location Sciences.

Review of the business

A comprehensive review of the year is given in the Chairman's and Chief Executive's Statements on pages 2 to 6.

Principal risks and uncertainties

The Directors continually identify, monitor and manage the risks and uncertainties of the Group. Risk is inherent in all businesses. Set out below are certain risk factors which could have an impact on the Group's long-term performance and mitigating factors adopted to alleviate these risks. This list does not purport to be an exhaustive summary of the risks affecting the Group.

Management and employees

The Group's future success will be dependent on key employees and their on-going relationships with customers. To maintain continuity of the customer relationship the Group encourages customer relationships to be maintained by more than one individual. Retention of key employees are incentivised through a mixture of competitive remuneration, share options and sales commission and recruitment of talent is encouraged using competitive packages and favourable working conditions. Board Directors are incentivised as detailed in the Directors' Remuneration Report.

Delay in product delivery

The Group has identified product and service development projects to take to market, some of which are dependent on consumer satisfaction with the end product and service. The Group launched Skin Trust Club in the UK and soft launched in the US and demand for home test kits for skin microbiome is growing exponentially. If the provision of test kits and delivery of reports to consumers takes longer than expected, this could damage consumer confidence in the brand. The Group is monitoring supplier performance on a continuous basis and actively looks for alternative suppliers to mitigate risk of dependency on any one supplier. The Group also has expansion plans underway at UK and US sites to address volume demand.

Potential funding requirement for products and services development

Ongoing development of products and service and any future acquisitions, partnership or joint venture expansion may require additional capital. The Group may seek to raise additional funds through equity or debt financings or from other sources. There can be no guarantee that the necessary funds will be available on a timely basis, on favourable terms, or at all, or that such funds if raised would be sufficient. The Group tries to reduce this risk by driving financial planning to improve the financial resiliency of the Group.

Competition risk

The Group's current and future potential competitors include, amongst others, major multinational healthcare and environmental health companies with substantially greater resources than those of the Group. There can be no assurance that competitors will not succeed in developing systems, products and services that are more effective or economic than any of those developed by the Group, which would render the Group's products obsolete or otherwise non-competitive. The Group seeks to reduce this risk by ensuring that a professional and high standard product and service is provided to its customers, maintaining confidentiality agreements and selecting leading businesses in their respective fields as collaboration and joint development partners capable of addressing significant competition, should it arise.

Currency exchange risk

The Company's financial statements are denominated in pounds sterling, its functional currency. The Group's global growth drives foreign exchange risk. The Group mitigates this risk by increased rigour in its financial planning and ongoing monitoring of the markets to protect the Group against this risk. The Group intends to develop a hedging policy and currently hedges organically by driving sales in local currency.

Data Breach

Some of the Group's activity involves processing personal customer data. Deliberate theft or loss of this personal data due to inadequate technical controls could cause significant reputational damage as well as regulatory penalties. Security controls and processes are updated regularly and the IT security team are constantly monitoring activity and providing updates to mitigate against risk of loss.

COVID-19 risk

While COVID-19 is no longer a principal risk its impact continues to be monitored within the relevant principal risks above.

Strategic Report (Continued)

For the year ended 31 December 2021

Financial risk management

The Group has instigated certain financial risk management policies and procedures which are set out in note 3 to the financial statements.

Companies Act S.172 Statement

The Directors are fully apprised of their responsibilities under section 172(1) of the Companies Act 2006 and are so advised and updated on a regular basis by the Company Secretary of DeepVerge plc.

Business

The Group's strategic plan was designed to have a long-term beneficial impact on the Group and our customers by delivering the range of products and services as the go-to brand for animal testing alternatives for human skin, within Labskin, the go-to brand for environmental health testing in water and wastewater in Modern Water. The Directors will continue to operate the business within tight budgetary control and in line with regulatory requirements.

Employees

The Group has increased employees because of increased demand as well as ahead of expected future demand for products and services. Management of HR is critical to the delivery of the Group's strategic plan. The Directors ensure that the Group complies with all employment laws in the respective jurisdictions of each subsidiary and have implemented appropriate standards and systems to monitor and to ensure the welfare of all employees. For more detail on how the Directors support the employees, see Corporate And Social Responsibility report in this Annual Report.

Stakeholder engagement

The Group has built and maintained relationships with shareholders, advisers and suppliers. The Directors have taken steps to develop and strengthen them through dialogue and engagement. These relationships are regularly monitored at Board level. The Chairman ensures that he is available to discuss issues with key shareholders outside of the shareholder meetings which are held. The Company complies with its disclosure obligations as set out in the AIM Rules for Companies, published by London Stock Exchange to ensure that shareholders are updated on key developments on a timely basis.

Governance

The Board recognises that good standards of corporate governance help the Group to achieve its strategic goals and is vital for the success of the Company. For more detail on the corporate governance of the Group, see Corporate Governance Report in this annual report.

Disclosure of information to the Auditors

The Directors who hold office at the date of approval of this report confirm that so far as they are each aware, there is no relevant audit information of which the Company'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 him aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Outlook

Key Performance Indicators (KPIs)

The key performance indicators currently used by the Group are revenue, adjusted EBITDA and cash resources. The Group intends to establish other key performance indicators in due course once the Group has matured sufficiently. The Group does not use and does not at present intend to use non-financial key performance indicators.

Review of strategy and business model

Labskin, originally developed as a research laboratory grown human skin equivalent that allows our clients in skincare, healthcare, pharmaceutical manufacturers and the cosmetic industry to test and validate their product claims on human-like skin in a real-world environment with full access to multiple state-of-the-art partner technologies. Adding the digital platform developed by Rinocloud, acquired in 2019 has contributed to an entirely new market place for our Labskin skincare clients and created a world first personalised skincare service that is revolutionising consumer skincare.

Strategic Report (Continued)

For the year ended 31 December 2021

Modern Water, the environmental health division, with its 35 year heritage of toxicity testing across 60 countries has been transformed into a real-time monitoring platform with external partners and consortia members in EcoWaterOS to deliver a new kind of monitoring for dangerous pathogens and infectious diseases, which includes but not restricted to SARS-CoV-2, the virus that causes COVID19. These new monitoring units, developed with origins from the Rinocloud acquisition in both engineering design and digital detection capabilities has the potential to transform global monitoring of future endemic and pandemic global health risks.

The data analytics and use of artificial intelligence to enhance the capabilities of existing equipment and services of both the life science and environmental health divisions remains core to our growth strategy to achieve our long term objectives. It continues to open opportunities to explore options of collaboration, partnership and acquisitive growth to achieve Company goals of meeting increased demands from our clients, regulatory compliance and enhance shareholder value.

Environment

The Directors consider that the nature of the Group's activities is not inherently detrimental to the environment.

Employees

The Group places value on the involvement of its employees and they are regularly briefed on the Group's activities. The Group closely monitors staff attrition rates which it seeks to maintain at current low levels and aims to structure staff compensation levels at competitive rates in order to attract and retain high calibre personnel.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the specific aptitudes of the applicant involved. It is the policy of the Group that the training, career development and promotion of disabled persons, as far as possible, be identical with that of other employees.

Social, community, and human rights

The Board recognises that the Group has a duty to be a good corporate citizen and to respect the laws, and where appropriate the customs and culture of the territories in which it operates. It contributes as far as is practicable to the local communities in which it operates and takes a responsible and positive approach to employment practices.

The Strategic Report was approved by the Board on 23 June 2022 and signed on its behalf by:

Gerard Brandon
Chief Executive Officer

DeepVerge Plc

Report of the Directors For the year ended 31 December 2021

The Directors have pleasure in submitting this report together with the audited financial statements of DeepVerge Plc for the year ended 31 December 2021.

Corporate details

DeepVerge Plc is incorporated in England and Wales with registration number 10205396. The registered office is York Biotech Campus, Sand Hutton, York, North Yorkshire, YO41 1LZ.

Directors

The Directors who held office during the year and as at the date of signing the financial statements were as follows:

Gerard Brandon
Camillus Glover
Ross Andrews
Fionán Murray
Nigel Burton

Principal activities

The Group is an environmental and life science group of companies that develops and applies AI and IoT technology to analytical instruments for the analysis and identification of bacteria, virus and toxins. Utilising artificial intelligent data analytics to scientifically prove the impact of skincare product claims on skin microbiome for most of the top 20 global cosmetic company clients and remotely detect and identify in real-time, dangerous pathogens in wastewater treatment plants, drinking water, rivers, lakes and reservoirs.

Specific information, including key risks and future developments, have not been included in the Directors' Report because they are shown in the Strategic Report, Chairman's Statement and CEO Statement as permitted by section 414C (11) of the Companies Act.

Our core services:

- Regulated environmental toxicology services;
- Human skin equivalent platform to validate and verify the safety and impact on client products for regulatory authority approval;
- AI and microbiome platform to facilitate clinical trials for skincare companies and remote test-kits for consumer skin;
- Monitoring and data analytics platform for real-time detection and identification of pathogens in water and wastewater.

Dividends

There were no dividends paid or proposed by the Company during the period (2020: none).

Going concern

The Directors have considered the applicability of the going concern basis in the preparation of these financial statements.

The Directors have prepared cash flow projections to determine funding requirements of the Group. The Directors have looked at the forecast for the next 12 months from the date of this report, expected growth in revenues, some of which is contracted, the cash at bank available, loan facilities and existing liabilities as at the date of approval of this report and are satisfied that the Group should be able to cover its working capital requirements.

During June 2021 the Company raised £10m by issuing new shares to fund accelerated sales opportunities and for general working capital purposes.

In March 2022 the Company secured a 3-year mezzanine loan facility of up to £25m with Riverfort Global Opportunities PCC Limited and YA II PN, Ltd available until March 2025.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt a going concern basis in preparing the annual report and consolidated financial statements.

DeepVerge Plc

Report of the Directors (continued) For the year ended 31 December 2021

Directors' interests

The interests of the Directors who served during the year and previous year in the share capital of the Company (all held beneficially) as at 31 December 2021 were as follows:

	% Holding	On 31 December 2021 Ordinary Shares of 0.1p each	On 1 January 2021 Ordinary Shares of 0.1p each
Gerard Brandon	3.81%	8,414,483 ¹	8,414,483 ¹
Camillus Glover	1.93%	4,250,670	4,250,670
Ross Andrews	0.22%	473,846	323,846
Fionán Murray	4.00%	8,786,758	8,786,758
Nigel Burton	0.86%	1,883,167	1,883,167

¹ Includes 194,942 shares held by family member

Details of share options issued to Directors are detailed in the Report of the Remuneration Committee on page 19.

Substantial shareholdings

At the date of signing of these financial statements, the following interests in 3% or more of the issued Ordinary Share capital had been notified to the Company:

Shareholder	Number of shares	Percentage of issued share capital
Fionán Murray	8,786,758	4.00%
Helium Rising Stars Fund	8,703,433	3.96%
Gerard Brandon	8,564,844 ¹	3.90%

¹ Includes 194,942 shares held by family member

Post balance sheet events

The following events have taken place since the year end:

Director Purchase of Ordinary Shares

On 17 March 2022 Gerard Brandon, Director, purchased 150,000 Ordinary Shares of 0.1p each on the open market at a price of 13.4p per share.

Acquisition of Glanaco Limited

On 16 March 2022 Rinocloud Ltd acquired 100% of the share capital of Irish registered engineering services company Glanaco Limited for consideration of £1.08 million comprising £0.65 million in equity and £0.43 million in cash.

Riverfort Loan Facility

Also on 16 March 2022 the Company secured a 3 year mezzanine loan facility of up to £25.0 million with Riverfort Global Opportunities PCC Limited and YA II PN, Ltd ("Lenders") available until March 2025.

Further details have been disclosed in note 35.

Report of the Directors (continued)

For the year ended 31 December 2021

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report 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 prepared the Group and Parent Company financial statements in accordance with UK adopted International Accounting Standards. 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 Parent Company and of the profit or loss of the Group and the Parent Company 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;
- state whether applicable UK adopted International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 Group and the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Parent 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 Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Parent Company's website (www.deepvergeplc.com). Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the annual report and the accounts, taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group and the Parent Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Report of the Directors confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Parent Company;
- the Parent Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Parent Company; and
- the Chairman's Statement and Chief Executive's Statement include a fair review of the development of the business and the position of the Group and the Parent Company, together with a description of the principal risks and uncertainties that it faces.

Directors' liability insurance

The Company maintains Directors and Officers liability insurance, which is reviewed annually and is considered to be adequate by the Company and its insurance advisers.

Independent auditors

Jeffreys Henry LLP were appointed during the year and have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Due to change in nature and structure of the Group in 2021, advantage has been taken of Section 3.15 of the 2016 Ethical Standards, allowing the audit engagement partner to continue in his role for the audit for the year ended 31 December 2021.

DeepVerge Plc

Report of the Directors (continued) For the year ended 31 December 2021

Disclosure of information to the Auditors

The Directors who hold office at the date of approval of this report confirm that so far as they are each aware, there is no relevant audit information of which the Company'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 him aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Annual General Meeting

A copy of the notice convening the Annual General Meeting will be sent out shortly under separate cover.

The Directors' report was approved by the Board on 23 June 2022 and signed on its behalf by:

Gerard Brandon
Chief Executive Officer

Corporate Governance Statement For the year ended 31 December 2021

Compliance

The Directors recognise the value of the principles of the Corporate Governance Code for Small and Mid-Size Quoted Companies issued by the Quoted Companies Alliance (QCA).

The following statement describes how the Group seeks to address the principles underlying the Code where practicable and appropriate for a company of this size.

Board composition and responsibility

The Board currently comprises five Directors. The Non-executive Chairman, three executive Directors and two non-executive Director. The Board has determined that the Non-executive Directors are independent in character and judgement and that there are no relationships or circumstances which could materially affect or interfere with the exercise of their independent judgement. The Board is satisfied with the balance between executive and non-executive Directors which allows it to exercise objectivity in decision making and proper control of the Group's business. The Board considers this composition is appropriate in view of the size and requirements of the Group's business and the need to maintain a practical balance between executives and non-executives.

All Directors are subject to election by shareholders at the first Annual General Meeting after their appointment and are subject to re-election at least every three years. The Board does not automatically re-nominate non-executive Directors for election by shareholders. The terms of appointment of the non-executive Directors can be obtained by request to the Company Secretary.

The Board's primary objective is to focus on adding value to the assets of the Group by identifying and assessing business opportunities and ensuring that potential risks are identified, monitored and controlled. Matters reserved for Board decisions include strategic long-term objectives and capital structure of major transactions. There is a division of responsibilities between the Non-Executive Chairman, who is responsible for the overall strategy of the Group, and the CEO, who is responsible for implementing the strategy and day to day running of the Group. He is assisted by the CFO and the COO.

Board meetings

21 Board meetings were held during the period. The Director's attendance record during the period is as follows:

Gerard Brandon	16
Camillus Glover	19
Ross Andrews	18
Fionán Murray	21
Nigel Burton	15

Audit and Risk Committee membership and activities

The Chair of the Audit Committee is Non-executive Director Ross Andrews. The Committee welcomed Dr Nigel Burton to the Board as a second Non-executive Director during the year and the third member of the Committee is Executive Director Fionán Murray. All three Directors possess the necessary depth of financial and commercial expertise to fulfil their role. Although not members of the Audit Committee, the CEO and CFO are also invited to attend meetings, unless they have a conflict of interest. Other senior members of the business are invited to attend meetings as appropriate. The Audit Committee met twice for scheduled meetings during the year.

Key activities during the year

- Reviewed the Annual Report and Accounts, including whether they were fair, balanced and understandable, the material judgements and estimates, going concern and viability statements.
- Considered the external auditor's report on the full- and half-year audits.
- Reviewed the full- and half-year results announcements.
- Appraised the effectiveness and performance of our external auditors, assessed their independence and objectivity, and recommended their reappointment.
- Considered the external audit fees and terms of engagement.
- Reviewed earnings releases.
- Reviewed the external audit fees and terms of engagement.
- Reviewed third party related transactions.
- Evaluated executive compensation.

Corporate Governance Statement (continued)

For the year ended 31 December 2021

Financial reporting

The Committee's primary responsibility in relation to the Group's financial reporting is to review, with management and the external auditor, the quality and appropriateness of the annual and half-yearly financial statements. The Committee focuses on the quality of accounting policies and practices, the appropriateness of underlying assumptions, judgements and estimates made by management, key audit matters identified by the external auditor, the clarity of the disclosures and compliance with financial reporting standards, an assessment of whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, and advising the Board on the form and basis underlying the three step strategic plan.

Nomination Committee membership and activities

The Chair of the Nomination Committee is Non-executive Director Ross Andrews. The Board welcomed Dr Nigel Burton to the Board as Non-executive Director during the year and Dr Burton joined the Nomination Committee as its second Non-executive Director. The third member of the Committee is executive Director Fionán Murray. All three Directors possess the necessary depth of management and commercial expertise to fulfil their role. Although not members of Nomination Committee, the CEO and CFO are also invited to attend meetings, unless they have a conflict of interest. Other senior members of the business are invited to attend meetings as appropriate. The Nomination Committee met twice for scheduled meetings during the year.

By appointing Dr Nigel Burton to the Board we are ensuring that we have the world-class experience, skills and expertise necessary to drive the Group forward through its three step strategic plan.

In the coming year, the Committee will turn its focus to ensuring the continued growth of the executive and senior management team.

Remuneration Committee membership and activities

The Chair of the Remuneration Committee is Non-executive Director Ross Andrews. Dr Nigel Burton joined the Committee as the second as Non-executive Director. The third member of the Committee is executive Director Fionán Murray. Appropriate members of the management team, as well as the Committee's advisers, are invited to attend meetings as appropriate, unless there's a potential conflict of interest. The remuneration of Non-executive Directors is determined by the Executive Directors. The Remuneration Committee met twice for scheduled meetings during the year.

During the year the Committee:

- Determined and recommended to the Board the Group's overall remuneration policy.
- Determined and recommended to the Board the remuneration of Executive Directors.
- Monitored, reviewed and approved the levels and structure of remuneration for other senior managers.

Internal control

The Directors are responsible for ensuring that the Group maintains a system of internal control to provide them with reasonable assurance regarding the reliability of financial information used within the business and for publication and that the assets are safeguarded. There are inherent limitations in any system of internal control and accordingly even the most effective system can provide only reasonable, but not absolute, assurance with respect to the preparation of financial reporting and the safeguarding of assets.

The Group, in administering its business has put in place strict authorisation, approval and control levels within which senior management operates. These controls reflect the Group's organisational structure and business objectives. The control system includes clear lines of accountability and covers all areas of the organisation. The Board operates procedures which include an appropriate control environment through the definition of the above organisation structure and authority levels and the identification of the major business risks.

Internal financial reporting

The Directors are responsible for establishing and maintaining the Group's system of internal reporting and as such have put in place a framework of controls to ensure that the on-going financial performance is measured in a timely and correct manner and that risks are identified as early as is practicably possible. There is a comprehensive budgeting system and monthly management accounts are prepared which compare actual results against both the budget and the previous year. They are reviewed and approved by the Board, and revised forecasts are prepared on a regular basis.

Corporate Governance Statement (continued)

For the year ended 31 December 2021

Relations with shareholders

The Company reports to shareholders twice a year. The Company dispatches the notice of its Annual General Meeting, together with a description of the items of special business, at least 21 days before the meeting. Each substantially separate issue is the subject of a separate resolution and all shareholders have the opportunity to put questions to the Board at the Annual General Meeting. The Chairman of the Audit and Remuneration Committees normally attend the Annual General Meeting and will answer questions which may be relevant to their work. The Chairman advises the meeting of the details of proxy votes cast on each of the individual resolutions after they have been voted on in the meeting.

The Chairman and the non-executive Directors intend to maintain a good and continuing understanding of the objectives and views of the shareholders.

Corporate social responsibility

The Board recognises that it has a duty to be a good corporate citizen and is conscious that its business processes minimise harm to the environment, contributes as far as is practicable to the local communities in which it operates and takes a responsible and positive approach to employment practices.

Report of the Remuneration Committee For the year ended 31 December 2021

Statement of compliance

This report does not constitute a Directors' Remuneration Report in accordance with the Directors Remuneration Regulations 2007 which do not apply to the Company as it is not fully listed. This report sets out the Group policy on Directors' remuneration, including emoluments, benefits and other share-based awards made to each Director.

Policy on Executive Directors' remuneration

Remuneration packages are designed to motivate and retain executive Directors to ensure the continued development of the Company and to reward them for enhancing value to shareholders. The main elements of the remuneration package for executive Directors are basic salary or fees, performance related bonuses, benefits and share option incentives.

Directors' remuneration

The remuneration of the Directors of the Company for the year ended 31 December 2021 and 2020 is shown below:

	Salary/Fee £'000	Accrued pay £'000	Pension £'000	2021 £'000	2020 £'000
Non-Executive Directors					
Ross Andrews	51	-	-	51	49
Nigel Burton	35	-	-	35	8
	86	-	-	86	57
Executive Directors					
Gerard Brandon ¹	186	26	8	220	173
Camillus Glover ¹	146	23	7	176	141
Fionán Murray	146	-	7	153	129
	478	49	22	549	443
Total fees and emoluments	564	49	22	635	500

¹On 26 November 2021 Directors Camillus Glover and Gerard Brandon settled for cash their salaries for which they had contracted for shares in lieu in respect of their employment from 8 August 2018 to 30 June 2019. Under the original 2018 shares in lieu of salary arrangement the Directors would have been allotted 2,384,724 Shares with the effect of diluting existing shareholders' holdings by 1.1%. Issuing these 2,384,724 shares would also have resulted in a charge to the profit and loss account of £684,592. The Directors instead waived their rights to the shares and were paid their salaries at a premium of 25% which was a cost to the Company of £243,438. An amount of £194,750 had been accrued to 30 June 2019 in the accounts resulting in an additional £49,688 charge in the current year.

Directors' share options

2017 Share Option Scheme

In April 2017, the Company awarded options to five officers of the Company over 6,720,000 ordinary shares of 1p each. These options were exercisable after two years provided that the holder of the options is still an employee of the Company.

Four of the officers have since left the Company, resulting in 6,081,600 of the options lapsing.

There have been a number of share reorganisations in the interim period and the remaining options under the scheme as at 31 December 2021 were as follows:

Director	Date granted	No. of ordinary shares under option	Exercise price	Exercise period
Ross Andrews	5 April 2017	63,840	50p-60p ¹	From 5 April 2017 to 5 April 2027

¹ 50% of the shares will vest at an exercise price of 50p and 50% at an exercise price of 60p 0.1p ordinary shares.

Report of the Remuneration Committee (Continued)

For the year ended 31 December 2021

2020 Employee Share Option Scheme

On 18 September 2020 the Company implemented a group wide share option scheme for staff. The scheme incorporated an EMI Share Option Scheme for UK employees, a Share Option Scheme for Irish employees and Non-Approved Scheme to recognise the work and to reward, retain and recognise their contribution to date and their importance to the Company going forward. The share option program will reward the innovation that has been delivered by all team associates, across the DeepVerge Group, and put in place, motivation for our most valuable assets to continue to deliver shareholder value over the next 3 years. The EMI share options will lapse on 18 September 2030 and the Irish Share Options will lapse on 17 September 2027.

On 19 November 2020 share options were awarded to the directors of Company:

	<i>Exercise Price</i>	<i>Vesting Date 1 Jan 2021</i>	<i>Vesting Date 1 Jan 2022</i>	<i>Vesting Date 1 Jan 2023</i>	<i>Exercise Period</i>	Share Option Scheme
Gerard Brandon	30p	240,000	280,000	280,000	10 years	EMI Share Option Scheme
Fionán Murray	30p	225,000	262,500	262,500	7 years	Ireland Share Option Scheme
Camillus Glover	30p	225,000	262,500	262,500	7 years	Ireland Share Option scheme
Ross Andrews	30p	60,000	70,000	70,000	10 years	Non-Approved Scheme
Nigel Burton	30p	50,000	58,333	58,334	10 years	Non-Approved Scheme

The fair value calculation of the share options has been calculated using the Black Scholes Model. The charge to the income statement in 2021 for the director share options is as follows:

	2021 £'000	2020 £'000
Director		
Gerard Brandon	3	9
Camillus Glover	2	8
Fionán Murray	2	8
Ros Andrews	1	2
Nigel Burton	1	2
Total	9	29

Full details of the Share Option Scheme are disclosed in Note 32.

Independent Auditor's Report to the Members of DeepVerge Plc For the year ended 31 December 2021

Opinion

We have audited the financial statements of DeepVerge Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of cash flows, the consolidated and company statements of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK-adopted International Accounting Standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards and as applied in accordance with the provisions of the Companies Act 2006; 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 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 director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included reviews of expected cash flows for a period of 12 months, to determine expected cash burn, which was compared to the liquid assets held in the entity and the loan facility available to draw down.

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 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Independent Auditor's Report to the Members of DeepVerge Plc For the year ended 31 December 2021

Key audit matter	How our audit addressed the key audit matter
<p>Impairment of intangible assets</p> <p>The group has intangible assets of £18,130,000 (2020: £18,241,000) at the yearend relating to intellectual property and development costs which are being amortised over a 10 year period.</p> <p>The risk is that the useful economic life of the intangible assets may be different to the management assumptions or technological advancements may render its market value below its carrying value.</p> <p>EBITDA, which is considered by management to be a key metric and is included as a KPI in the strategic report, is directly impacted by the amount of costs capitalised.</p>	<p>Intangibles are only assessed for impairment when indicators of impairment exist. We have considered the life cycle, public perception through the share price of the Company and the fair value of intangibles held by the Company.</p> <p>We have performed the following audit procedures:</p> <ul style="list-style-type: none"> • Obtained management's forecast for future value in use of the intangible assets; • Assessed the reliability of forecasts by agreeing to historical inputs; • Reviewed management and challenged management on their judgements of the forecasted sales and estimates useful life of the intangible assets; • assessed the appropriateness and applicability of discount rate applied to the current business performance; • Assessed the ongoing projects viability and ensured they met the criteria defined in the accounting standards for intangibles; and • Tested the clerical accuracy of management's forecast. • confirmed cost and useful life by reviewing the underlying contracts for purchase of the intangible assets, including those acquired on acquisition of subsidiary during the year; • reviewed the latest management accounts to assess post year end cashflows due to the technology and patents held; and • As all the capitalised intangibles relate to enhancing its product, no impairment is required. <p>Based on the audit work performed we are satisfied, that although there are inherent uncertainties associated with the forecast and estimation of useful economic life of intangible assets, the directors have made reasonable assumptions about the valuation and useful economic life of intangible assets, based on past experience and expected future revenues. We are also satisfied that all necessary disclosures have been made in the consolidated financial statements.</p>

Independent Auditor's Report to the Members of DeepVerge Plc For the year ended 31 December 2021

<p>Valuation of investments in and recoverability of amounts due from subsidiaries</p> <p>The parent company carried Investments in subsidiaries of £16,803,000 (2020: £15,603,000).</p> <p>The parent company also had amounts owed by subsidiary undertakings of £10,710,000 (2020: £2,934,000) at the year end.</p> <p>Management's assessment of the recoverable amounts from investments in and loans to subsidiaries requires estimation and judgement around assumptions used, including the cash flows to be generated from continuing operations. Changes to assumptions could lead to material changes in the estimated recoverable amount, impacting the value of investment in the subsidiary, amounts recoverable from the subsidiaries and resulting impairment charges.</p> <p>The directors have assessed the recoverability of intercompany balances and have concluded that they are recoverable.</p> <p>There is a risk that the subsidiaries may not be able to trade as expected in the future and therefore the investment and the amounts recoverable may be impaired.</p>	<p>We have performed the following audit procedures:</p> <ul style="list-style-type: none"> • reviewed management's assessment of future operating cashflows and indicators of impairment; • assessed the methodology used by management to estimate the future profitability of companies in the group and recoverable value of the investment, in conjunction with any intra-group balances, to ensure that the method used is appropriate; • assessed the reasonableness of the key assumptions used in management's estimates of recoverable value, in line with the economic and industry statistics relevant to the business; • confirmed that any adverse changes in key assumptions will not would not materially increase the impairment loss; • challenged cash inflows from revenue generating activities and the key assumptions applied in arriving at the expected revenues for the foreseeable future; • assessed the appropriateness and applicability of discount rate applied to the current business performance; • assessed the reasonability of cash outflows, including contracted costs, research expenditure and expected capital expenditure; • reviewed the latest management accounts for all entities in the group to confirm reasonability of assumption used in the cashflow forecast. <p>Based on the audit work performed we are satisfied that the management have made reasonable assumptions in arriving at the value of the companies in the group based on net present value of future cashflow and the amounts are disclosed in accordance with the reporting framework, and no further impairment loss should be recognised in the parent company financial statements.</p>
--	--

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Independent Auditor's Report to the Members of DeepVerge Plc For the year ended 31 December 2021

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£150,000 (2020: £243,000).	£150,000 (2020: £196,000).
How we determined it	Based on 5% of Net Loss (2020: 1% of Gross Assets).	Based on 1% of Gross Assets (2020: 1% of Gross Assets) limited to Group materiality.
Rationale for benchmark applied	We believe that results are now a primary measure used by shareholders in assessing the financial position of the group, and is a generally accepted auditing benchmark.	We believe that Gross Assets are a primary measure used by shareholders in assessing the financial position of the group, and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £5,000 and £67,000.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £7,500 (2020: £11,050) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group financial statements are a consolidation of eight reporting units, comprising the Group's operating businesses and holding companies.

We performed audits of the complete financial information for DeepVerge Plc, Innovenn UK Limited, Integumen Ireland Limited, Stoer Ireland Limited, Rinocloud Limited and Modern Water Plc, reporting units, which were individually financially significant and accounted for over 100% of the Group's revenue and over 99% of the Group's absolute loss before tax (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units).

The Group engagement team performed all audit procedures.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Independent Auditor's Report to the Members of DeepVerge Plc For the year ended 31 December 2021

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 parent company and its 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 12, 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 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

Independent Auditor's Report to the Members of DeepVerge Plc For the year ended 31 December 2021

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 auditor's report.

Use of this 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.

Sanjay Parmar (Senior Statutory Auditor)
For and on behalf of Jeffrey Henry LLP, Statutory Auditor
Finsgate
5-7 Cranwood Street
London EC1V 9EE
23 June 2022

DeepVerge Plc

Consolidated Statement of Comprehensive Income For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Continuing operations			
Revenues			
Sales of goods and services	5	8,975	4,483
Other Income	5	322	
Total Revenue		9,297	4,483
Costs of sales		(3,987)	(2,639)
Gross profit		5,310	1,844
Administrative Costs	6	(8,732)	(4,561)
Other Operating Income	5	162	-
Operating loss		(3,260)	(2,717)
Depreciation	6,16	272	172
Amortisation	6,14,15	2,944	941
Impairment of Investment	17	-	354
Exceptional items	6,7	27	391
EBITDA before exceptional items		(17)	(859)
Finance costs	11	(420)	(183)
Loss before income tax		(3,680)	(2,900)
Taxation	12	1,001	182
Loss for the year		(2,679)	(2,718)
Other comprehensive income			
Currency translation differences		(218)	33
Total comprehensive loss for the year		(2,897)	(2,685)
Loss per share from continuing and discontinued operations attributable to owners of the parent during the year			
Basic and diluted loss per 0.1p ordinary share*		Pence	Pence
From operations	13	1.3p	2.1p
From loss for the year	13	1.3p	2.1p

* On 16 September 2020 share consolidation of 0.01p ordinary share in 10: 1 conversion to 0.1p new ordinary share.

The notes on pages 29 to 66 are an integral part of these consolidated financial statements.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent Company income statement account.

The loss for the parent Company for the year was £1,494,000 (2020: £1,590,000).

DeepVerge Plc

Consolidated and Company's Statement of Financial Position

As at 31 December 2021

	Notes	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Assets					
Non-current assets					
Intangible assets	15	18,130	18,241	23	38
Property, plant and equipment	16	905	874	-	-
Right of use assets	14	1,569	569	-	-
Investments in subsidiaries	17	-	-	16,803	15,603
Loans to subsidiary undertakings	29	-	-	-	2,867
Other investments	17	354	354	354	354
Total non-current assets		20,958	20,038	17,180	18,862
Current assets					
Inventories	19	1,712	1,347	-	-
Trade and other receivables	20	6,786	1,448	362	179
Loans to subsidiary undertakings	29	-	-	10,710	67
Cash and cash equivalents	21	1,847	1,441	945	451
Total current assets		10,345	4,236	12,017	697
Total assets		31,303	24,274	29,197	19,559
Equity attributable to owners					
Share capital	25	2,429	2,380	2,429	2,380
Share premium account	27	36,886	25,069	36,886	25,069
Retained loss	26	(20,736)	(18,964)	(21,285)	(19,851)
Foreign currency reserve	27	(444)	(226)	-	-
Reverse acquisition reserve	27	(4,043)	(2,843)	-	-
Capital redemption reserve	27	9,519	9,519	9,519	9,519
Share based equity reserve	27	151	197	151	197
Sub total		23,762	15,132	27,700	17,314
Non-controlling interests	33	-	789	-	-
Total equity		23,762	15,921	27,700	17,314
Non-current liabilities					
Deferred tax liabilities	23	2,434	2,780	-	-
Deferred revenue	16	19	24	-	-
Lease liability	14	1,174	358	-	-
Borrowings	24	-	583	-	583
Total non-current liabilities		3,627	3,745	-	583
Current liabilities					
Trade and other payables	22	2,451	2,667	818	745
Deferred tax liabilities	23	356	328	-	-
Lease Liability	14	409	264	-	-
Borrowings	24	698	1,349	679	917
Total current liabilities		3,914	4,608	1,497	1,662
Total liabilities		7,541	8,353	1,497	2,245
Total equity and liabilities		31,303	24,274	29,197	19,559

The notes on pages 29 to 66 are an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 23 June 2022.

Camillus Glover
Chief Financial Officer

DeepVerge Plc
Registered no: 10205396

DeepVerge Plc

Consolidated and Company's Statement of Cash Flows For the year ended 31 December 2021

	Notes	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Cash Flow from operating activities					
Cash used in operations	28	(4,642)	(2,099)	(1,164)	(4,141)
Taxation	12	(35)	77	-	-
Net Interest (paid)/received	11	(420)	(183)	(371)	(90)
Net cash used in operating activities		(5,097)	(2,205)	(1,535)	(4,231)
Cash flow from investing activities					
Acquisition of subsidiary net of cash balance	33	-	739	-	739
Payments to acquire intangibles	15	(2,431)	(488)	-	-
Purchase of property, plant and equipment	16	(492)	(296)	-	-
Net cash (used)/generated by in investing activities		(2,923)	(45)	-	739
Cash flow from financing activities					
Proceeds from issuance of ordinary shares		11,315	1,328	11,315	1,328
Proceeds from new loans		-	1,500	-	1,500
Capital element of finance lease		(1,865)	(125)	-	-
Loans to subsidiaries		-	-	(8,466)	-
Repayments on borrowings		(1,234)	(205)	(820)	-
Net cash generated by financing activities		8,216	2,498	2,029	2,828
Net increase/ (decrease) in cash and cash equivalents		196	248	494	(664)
Cash and cash equivalents at beginning of year		1,441	1,193	451	1,115
Effects of exchange rate changes on cash and cash equivalents		210	-	-	-
Cash and cash equivalents at end of year	21	1,847	1,441	945	451

Consolidated Statement of Changes in Shareholders' Equity

Group	Share capital	Share premium	Retained earnings	Foreign currency reserve	Reverse acquisition reserve	Capital redemption reserve	Share based equity reserve	Non-controlling interests	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2020	2,322	11,743	(15,400)	(259)	(2,843)	9,519	6	-	5,088
Changes in equity for the year ended 31 December 2020									
Loss for the year	-	-	(2,718)	-	-	-	-	-	(2,718)
Non-controlling interests (note 33)	-	-	(846)	-	-	-	-	789	(57)
Currency translation differences	-	-	-	33	-	-	-	-	33
Total comprehensive loss for the year	-	-	(3,564)	33	-	-	-	789	(2,742)
Transactions with the owners									
Shares issued during the year	58	13,326	-	-	-	-	-	-	13,384
Share option-based charge	-	-	-	-	-	-	191	-	191
Total contributions by and distributions to owners	-	-	-	-	-	-	-	-	-
At 31 December 2020	2,380	25,069	(18,964)	(226)	(2,843)	9,519	197	789	15,921
Changes in equity for the year ended 31 December 2021									
Loss for the year	-	-	(2,679)	-	-	-	-	-	(2,679)
Non-controlling interests (note 33)	-	-	847	-	-	-	-	(789)	58
Currency translation differences	-	-	-	(218)	-	-	-	-	(218)
Total comprehensive loss for the year	-	-	(1,832)	(218)	-	-	-	(789)	(2,840)
Transactions with the owners									
Shares issued during the year	49	13,231	-	-	-	-	-	-	13,280
Costs of Share issue	-	(1,414)	-	-	-	-	-	-	(1,414)
Investment in subsidiary	-	-	-	-	(1,200)	-	-	-	(1,200)
Share option-based charge	-	-	-	-	-	-	14	-	14
Transfer from Share based equity reserve	-	-	60	-	-	-	(60)	-	-
Total contributions by and distributions to owners	49	11,817	60	-	(1,200)	-	(46)	-	10,680
At 31 December 2021	2,429	36,886	(20,736)	(444)	(4,043)	9,519	151	0	23,762

Company	Share capital	Share premium	Retained earnings	Capital redemption reserve	Share based equity reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2020	2,322	11,743	(15,076)	9,519	6	8,514
Changes in equity for the year ended 31 December 2020						
Loss for the year	-	-	(1,590)	-	-	(1,590)
Total comprehensive loss for the year	-	-	(1,590)	-	-	(1,590)
Transactions with the owners						
Shares issued during the year	58	13,326	-	-	-	13,384
Share option-based charge	-	-	-	-	191	191
Subsidiary loan forgiveness (note 17)	-	-	(3,185)	-	-	(3,185)
Total contributions by and distributions to owners	-	-	-	-	-	-
At 31 December 2020	2,380	25,069	(19,851)	9,519	197	17,314
Changes in equity for the year ended 31 December 2021						
Loss for the year	-	-	(1,494)	-	-	(1,494)
Total comprehensive loss for the year	-	-	(1,494)	-	-	(1,494)
Transactions with the owners						
Shares issued during the year	49	13,231	-	-	-	13,280
Costs of Share issue	-	(1,414)	-	-	-	(1,414)
Share option-based charge	-	-	-	-	14	14
Transfer from Share based equity reserve	-	-	60	-	(60)	-
Total contributions by and distributions to owners	49	11,817	60	-	(46)	11,880
At 31 December 2021	2,429	36,886	(21,285)	9,519	151	27,700

Notes to the Financial Statements

For the year ended 31 December 2021

1. General information

DeepVerge Plc is a company incorporated in England and Wales. The registered number of the Company is 10205396. At General Meeting of shareholders on 15 September 2020 the company changed its name from Integumen Plc to DeepVerge Plc.

The Company is a public limited company admitted to trading on the AIM market of the London Stock Exchange since 5 April 2017. The address of the registered office is York Biotech Campus, Sand Hutton, York, YO41 1LZ.

The Company is an environmental and life science group whose principal activities is the development and application of AI and IoT technology to analytical instruments for the analysis and identification of bacteria, virus and toxins. Utilising artificial intelligent data analytics to scientifically prove the impact of skincare product claims on skin microbiome and the remote detection and identification in real-time, dangerous pathogens, such as SARS-CoV-2 in wastewater treatment plants, drinking water, rivers, lakes and reservoirs.

Skin Trust Club is a direct to consumer addition to the business to business home test kits from Labskin and is becoming core to the growth of the Labskin Division. The Skin Trust Club gives every skin care product consumer the opportunity to understand their unique skin microbiome, track their skin health, follow personalised skincare routines, and to make informed decisions about skincare and cosmetic products. The platform has evolved from 15 years of R&D of laboratory growing skin testing, helping people find skincare routines that fit their lifestyles, focusing on driving innovation and empowering people with the knowledge to know their skin.

The financial statements are presented in pounds sterling, the currency of the primary economic environment in which the Group's trading companies operate. The Group comprises DeepVerge Plc and its subsidiary companies as set out in note 17.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. The policies have been consistently applied throughout the year, unless otherwise stated.

Basis of preparation

These are the first financial statements prepared under UK adopted international accounting standards. On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board. DeepVerge Plc transitioned to UK-adopted International Accounting Standards in its consolidated and parent company financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no change on recognition, measurement or disclosure in the financial year reported as a result of the change in framework.

The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Under Section 479A of the Companies Act 2006, exemptions from an audit of the accounts for the financial year ended 31 December 2021 have been taken all subsidiary companies of the Company as listed in Note 17 Investments. As required, the Company guarantees all outstanding liabilities to which the subsidiary companies listed are subject at the end of the financial year, until they are satisfied in full and the guarantee is enforceable against the parent undertaking by any person to whom the subsidiary companies listed above is liable in respect of those liabilities.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

Several amendments and interpretations have been applied for the first time in 2021.

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IFRS 16	COVID-19-Related Rent Concessions (Amendment to IFRS 16)	1 June 2020
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company in the 31 December 2021 financial statements.

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021. (Amendment to IFRS 16)	1 April 2021
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract. (Amendments to IAS 37)	1 January 2022
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use. (Amendments to IAS 16)	1 January 2022
IFRSs	Annual Improvements to IFRS Standards 2018–2020	1 January 2022
IFRS 3	Reference to the Conceptual Framework. (Amendments to IFRS 3)	1 January 2022
IAS 1	Classification of Liabilities as Current or Non-current. (Amendments to IAS 1)	1 January 2023
IFRS 17	IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023
IAS 1	Disclosure of Accounting Policies. (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction. (Amendments to IAS 12)	1 January 2023
IAS 8	Definition of Accounting Estimates. (Amendments to IAS 8)	1 January 2023

The Directors anticipate that the adoption of these standard and the interpretations in future period will have no material impact on the financial statements of the company.

Going concern

The financial statements have been prepared on the assumption that the company is a going concern. When assessing the foreseeable future, the Directors have looked at the forecast for the next 12 months from the date of this report, expected growth in revenues, some of which is contracted, the cash at bank available, loan facilities and existing liabilities as at the date of approval of this report and are satisfied that the Group should be able to cover its working capital requirements.

The Directors have considered the applicability of the going concern basis in the preparation of these financial statements. In March 2022 the Company secured a 3-year mezzanine loan facility of up to £25.0 million. See Note 36 for full details.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt a going concern basis in preparing the annual report and consolidated financial statements.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary and associated undertakings. Subsidiaries are all entities over which the Group has the power to govern their financial and operating policies generally accompanying a shareholding of more than fifty per cent of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in the comprehensive income with a corresponding adjustment in the carrying amount of the investment.

(a) Acquisition accounting

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments.

(b) Reverse acquisition accounting

The acquisition of Innovenn UK Limited and its subsidiary by DeepVerge Plc on 17 November 2016 has been accounted using the principles of reverse acquisition accounting. Although the Group financial statements have been prepared in the name of the legal parent, DeepVerge Plc, they are in substance a continuation of the consolidated financial statements of the legal subsidiary, Innovenn UK Limited. The following accounting treatment has been applied in respect of the reverse accounting:

The assets and liabilities of the legal subsidiary, Innovenn UK Limited are recognised and measured in the Group financial statements at the pre-combination carrying amounts, without restatement of fair value. The retained earnings and other equity balances recognised in the Group financial statements reflect the retained earnings and other equity balances of Innovenn UK Limited immediately before the business combination and the results of the period from 1 January 2014 to the date of the business combination are those of Innovenn UK Limited. However, the equity structure appearing in the Group financial statements reflects the equity structure of the legal parent, DeepVerge Plc, including the equity instruments issued in order to effect the business combination.

Foreign currency translation

(a) Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in sterling, which is the functional and presentational currency of the main operating entities.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions where items are re-measured. 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 within 'administrative expenses', except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentational currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors who make strategic decisions.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any provision for impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the asset and bringing the asset to its working condition for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only where it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset 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. Any borrowing costs associated with qualifying property plant and equipment are capitalised and depreciated at the rate applicable to that asset category.

Depreciation on assets is calculated using the straight-line method or reducing balances method to allocate their cost to its residual values over their estimated useful lives, as follows:

Fixtures and fittings	20% - 33%
Plant and machinery	16% - 20%

The assets' residual values and useful economic lives are reviewed regularly, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying value 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 the disposal of assets are determined by comparing the proceeds with the carrying amount and are recognised in administration expenses in the income statement.

Intangible assets

Intellectual property rights

Intellectual property rights relate to patents, and licences acquired by the Group. Amortisation is calculated using the straight-line method over the expected life of 5 - 10 years and is charged to administrative expenses in the income statement.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

Development costs

Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the product so that it will be available for use;
- management intends to complete the product and use or sell it;
- there is an ability to use or sell the project;
- it can be demonstrated how the products will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the product are available;
- the expenditure attributable to the product during its development can be reliably measured. Directly attributable costs that are capitalised as part of the product include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use using the straight-line method over the expected life of 5 - 10 years and is charged to administrative expenses in the income statement.

Know how acquired as part of business combinations is capitalised at fair value at the date of acquisition. Following the initial recognition, the carrying amount of the know how is its cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged on the basis of the estimated useful life on a straight-line basis and the expense is taken to the Statement of Comprehensive Income which management estimate to be ten years.

Impairment of non-financial assets

Assets that have an indefinite life such as goodwill are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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 carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's 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 the money and the risks specific to the asset which the estimates of future cash flows have not been adjusted.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit.

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 (cash-generating unit) in the prior period. A reversal of an impairment loss is recognised in the income statement immediately. If goodwill is impaired however, no reversal of the impairment is recognised in the financial statements.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is based on estimated selling price in the ordinary course of business, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities are initially classified as measured at amortised cost, fair value through other comprehensive income, or fair value through profit and loss when the group becomes a party to the contractual provisions of the instrument.

Financial assets at amortised cost

The group's financial assets at amortised cost comprise trade and other receivables. These represent debt instruments with fixed or determinable payments that represent principal or interest and where the intention is to hold to collect these contractual cash flows.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

They are initially recognised at fair value, included in current and non-current assets, depending on the nature of the transaction, and are subsequently measured at amortised cost using the effective interest method less any provision for impairment.

Financial liabilities at amortised cost

Financial liabilities at amortised cost comprise trade and other payables, and borrowings. They are classified as current and non-current liabilities depending on the nature of the transaction, are subsequently measured at amortised cost using the effective interest method.

Financial assets at fair value through other comprehensive income (FVOCI)

Financial assets at fair value through other comprehensive income are comprised of the investment in Cellulac plc. The election has been made to designate this asset as FVOCI. FVOCI assets are recognised and measured at fair value with gains and losses recognised in OCI.

The fair value measurement of the group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy').

Level 1 – Quoted prices in active markets

Level 2 – Observable direct or indirect inputs other than Level 1 inputs

Level 3 – Inputs that are not based on observable market data

The Group measures financial instruments relating to other investments at fair value using Level 3, as the investment is not listed, and has no readily available market price.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Impairment

In accordance with IFRS 9 an expected loss provisioning model is used to calculate an impairment provision. We have implemented the IFRS 9 simplified approach to measuring expected credit losses ('ECL') arising from trade and other receivables, being a lifetime expected credit loss. In the previous year the incurred loss model is used to calculate the impairment provision.

Research and development

Research expenditure is written off to the statement of comprehensive income in the year in which it is incurred. Development expenditure is written off in the same way unless the Directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

Trade and other receivables

Trade receivables are initially recognised at fair value, being the original invoice amount, and subsequently measured at amortised cost less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. Trade receivables that are less than three months past due date are not considered impaired unless there are specific financial or commercial reasons that lead management to conclude that the customer will default. Older debts are considered to be impaired unless there is sufficient evidence to the contrary that they will be settled. The amount of the provision is the difference between the asset's carrying value and the present value of the estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within administrative expenses. When a trade receivable is uncollectible it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of less than three months, reduced by overdrafts to the extent that there is a right of offset against other cash balances.

For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above net of outstanding bank overdrafts.

Share capital

Ordinary Shares and Deferred shares are classified as equity. Proceeds in excess of the nominal value of shares issued are allocated to the share premium account and are also classified as equity. Incremental costs directly attributable to the issue of new Ordinary Shares or options are deducted from the share premium account.

Trade payables

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 (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs are expensed in the consolidated Group income statement under the heading 'finance costs'. Arrangement and facility fees together with bank charges are charged to the income statement under the heading 'administrative costs'.

Current and deferred income tax

The tax expense 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 where the associated tax is also recognised in other comprehensive income.

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 Company and its subsidiaries operate and generate taxable income. Management evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised in respect of all temporary differences except where the deferred tax liability arises from the initial recognition of goodwill in business combinations.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and tax losses, to the extent that they are regarded as recoverable. They are regarded as recoverable where, on the basis of available evidence, there will be sufficient taxable profits against which the future reversal of the underlying temporary differences can be deducted.

The carrying value of the amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all, or part, of the tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been substantively enacted at the balance sheet date.

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 tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

Exceptional items

These are items of an unusual or non-recurring nature incurred by the Group and include transactional costs and one-off items relating to business combinations, such as acquisition expenses.

Leases

Right of use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets.

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below £5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Employee benefits

Pension obligations

Group companies operate a pension scheme with defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity with the pension cost charged to the income statement as incurred. The Group has no further obligations once the contributions have been paid.

Revenue recognition

(a) Revenue from sale of goods

Revenue represents the fair value of consideration received or receivable for goods delivered to customers in the normal course of business, net of trade discounts and VAT. Goods delivered to customers comprise of Skin Trust Club kits, which are used by customers to provide sample of their skin microbiome for sequencing, Bioinformatics and Artificial Intelligence analysis.

(b) Revenue from services to customers

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. Revenue represents the fees and commissions, net of discounts, derived from services provided to and invoiced to customers. Revenue is recognised in the period in which the service is performed, in accordance with contractual arrangements. Income billed in advance of the performance of service is deferred and income in respect of work carried out but not billed at the period end is accrued. Where the contract outcome cannot be measured reliably, revenue is recognised to the extent of the costs recognised that are recoverable.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

(c) Revenues recognised from recurring government grants

Recurring income, in the form of grants, received from various government bodies across the globe are recognised only when there is reasonable assurance that:

- (a) the entity will be able to complete the project and comply with any conditions attached to the award; and
- (b) the award will be received due to the nature of the project undertaken.

These awards are granted to the entities due to innovation projects undertaken and are not the same as government assistance. The awards are recognised as other income over the period necessary to match them with the related costs, for which they are intended to subsidise, in accordance with the matching concept.

(d) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(e) Royalty and licence income

Royalty and licence income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Dividend distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

3. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (foreign exchange risk and cash flow interest rate risk), credit risk, liquidity risk, capital risk and fair value risk. The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise the potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge risk exposures.

Risk management is carried out by the head office finance team. It evaluates and mitigates financial risks in close co-operation with the Group's operating units. The Board provides principles for overall risk management whilst the head office finance team provides specific policy guidance for the operating units in terms of managing foreign exchange risk, credit risk and cash and liquidity management.

(a) Market risk

Foreign exchange – cash flow risk

The Group's presentational currency is sterling although it operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily between GBP and both Dollars and Euro such that the Group's cash flows are affected by fluctuations in the rate of exchange between sterling and the aforementioned foreign currencies.

Management do not use derivative financial instruments to mitigate the impact of any residual foreign currency exposure not mitigated by the natural hedge within the business model. The Group does not speculate in foreign currencies and no operating Company is permitted to take unmatched positions in any foreign currency.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

Foreign exchange – Fair value risk

Translation exposures that arise on converting the results of overseas subsidiaries are not hedged. Net assets held in foreign currencies are hedged wherever practical by matching borrowings in the same currency. The principal exchange rates used by the Group in translating overseas profits and net assets into Euro are set out in the table below:

Compared to Sterling	Average rate 2021	Year end rate 2021	Average rate 2020	Year end rate 2020
Euro	0.86	0.84	0.89	0.90
US Dollar	0.73	0.74	0.78	0.73

A 5% strengthening of the foreign exchange rates as at 31 December 2021, and for the year then ended, would have increased the net liabilities by £52,000 (2020: £59,000). A 5% weakening would have had an equal and opposite effect.

Cash flow and fair value interest rate risk

The Group has assets in the form of cash and cash equivalents and limited interest-bearing liabilities which relate to long-term borrowing. Interest rates on cash and cash equivalents are currently zero whilst interest rates on bank borrowings are 4.25% over the banks Cost of Funds Rate and therefore expose the Group to fair value interest rate risk. The Group does not speculate on future changes in interest rates.

It is the Group's policy not to trade in derivative financial instruments. The Group does not use interest rate swaps.

(b) Credit risk

Credit risk is managed on a Group basis, except for credit risk relating to accounts receivable balances. Each local subsidiary and operating business unit is responsible for managing and analysing the credit risk for each of their new customers before standard payment and delivery terms and conditions are offered. Credit risk is managed at the operating business unit level and monitored at the Group level to ensure adherence to Group policies. If there is no independent rating, local management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

Credit risk also arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers.

(c) Liquidity risk

Cash flow forecasting is performed in the individual operating entities of the Group and is aggregated by Group finance. Group finance monitors cash and cash flow forecasts and it is the Group's liquidity risk management policy to maintain sufficient cash and available funding through an adequate amount of cash and cash equivalents and committed credit facilities from its bankers. Due to the dynamic nature of the underlying businesses, the head office finance team aims to maintain flexibility in funding by keeping sufficient cash and cash equivalents available to fund the requirements of the Group.

The Group's policy in relation to the finance of its overseas operations requires that sufficient liquid funds be maintained in each of its subsidiaries to support short and medium-term operational plans. Where necessary, short-term funding is provided by the parent Company. Typically, excess funds are placed as short-term deposits, to provide a balance between interest earnings and flexibility.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Notes	Less than one year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	More than 5 years £'000	Total £'000
At 31 December 2021:					
Borrowings	24	698	-	-	698
Trade and other payables	22	2,468	-	-	2,468
At 31 December 2020:					
Borrowings	24	1,349	583	-	1,932
Trade and other payables	22	2,667	-	-	2,667

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is the sum of net debt plus equity.

4. Critical accounting estimates and judgements

In the process of applying the Group's accounting policies, management has made accounting judgements in the determination of the carrying value of certain assets and liabilities. Due to the inherent uncertainty involved in making assumptions and estimates, actual outcomes will differ from those assumptions and estimates. The following judgements have the most significant effect on the amounts recognised in the financial statements.

(a) Impairment of cost of intangibles and investments

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates as set out in note 15. In addition, the Company has also considered the impairment of the investments in and loans to subsidiary undertakings.

(b) Intangible assets (including capitalised development costs and know how)

The assessment of the future economic benefits generated by these separately identifiable intangible assets and the determination of its amortisation profile involve a significant degree of judgement based on management estimation of future potential revenue and profit and the useful life of the assets. Reviews are performed regularly to ensure the recoverability of these intangible assets. Should the intangible asset be deemed irrecoverable it will be impaired in the period.

5. Segmental analysis

(a) Reportable segments

Management has determined the Group's operating segments based on the monthly management reports presented to the Chief Operating Decision Maker ('CODM'). The CODM is the Executive Directors and the monthly management reports are used by the Group to make strategic decisions and allocate resources. With the Company gaining control of Modern Water on 9 November 2020 for management reporting purposes the group is organised into three operating segments of (i) Life Science, (ii) Data AI and (iii) Monitoring.

Administrative expenses which are directly attributable to the three main operating Divisions (comprised of business development, sales, operations and technical expenditure) are reported as expenditure in the respective Division. However, a significant proportion of the Group's expenditure (legal, marketing, finance, facilities and directors' expenditure) is managed and reported centrally. A proportion of these charges have been recharged to subsidiary companies. As the commercial activities of the Group continue to develop, this financial information is expected to evolve further.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

Currently the key operating performance measures used by the CODM are revenue, EBITDA and cash resources.

	2021					2020				
	Life Science	Data AI	Monitor-ing	Central	Total	Life Science	Data AI	Monitor-ing	Central	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Revenue	2,805	2,006	4,164	-	8,975	2,443	919	1,121	-	4,483
Other Income	-	322	-	-	322	-	-	-	-	-
Cost of Sales	(940)	(1,207)	(1,840)	-	(3,987)	(1,483)	(421)	(735)	-	(2,639)
Gross Profit	1,865	1,121	2,324	-	5,310	960	498	386	-	1,844
Admin expenses *	(1,574)	(1,134)	(1,604)	(1,176)	(5,489)	(1,213)	(477)	(283)	(730)	(2,703)
Other Operating Income	-	-	162	-	162	-	-	-	-	-
EBITDA	292	(13)	882	(1,177)	(17)	(253)	21	103	(730)	(859)
Depreciation**	(237)	(5)	(27)	(3)	(272)	(147)	(1)	(23)	(1)	(172)
Amortization	(291)	(147)	(569)	(1,937)	(2,944)	(114)	(141)	(64)	(622)	(941)
Impairment	-	-	-	-	-	-	-	-	(354)	(354)
Exceptional items	-	-	-	(27)	(27)	-	-	-	(391)	(391)
Operational (Loss)/Profit	(237)	(165)	286	(3,144)	(3,260)	(514)	(121)	16	(2,098)	(2,717)
Finance Costs	(7)	-	(41)	(372)	(420)	(34)	-	(3)	(146)	(183)
(Loss)/Profit before tax	(244)	(165)	245	(3,516)	(3,680)	(548)	(121)	13	(2,244)	(2,900)
Taxation	711	(2)	(40)	332	1,001	77	-	-	105	182
(Loss)/Profit for the Year	467	(167)	205	(3,184)	(2,679)	(471)	(121)	13	(2,139)	(2,718)

*Admin expenses excludes Depreciation, Amortisation, Impairment and Exceptional Costs

**Depreciation includes Capital Grant amortisation of £5k (2021:£1k)

DeepVerge Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2021

(b) Geographical information

Disclosure of group revenue by geographical location is follows:

	2021	2020
	£'000	£'000
United Kingdom	2,236	612
Europe	1,562	264
United States of America	823	2,680
Rest of World	4,676	927
Total revenue	9,297	4,483

Revenues of £1,927,000 (2020: £2,639,000) are derived from 1 (2020: 3) customer representing more than 10% of the group revenue.

6. Expenses – analysis by nature

	2021	2020
	£'000	£'000
Employee benefit expense (note 9)	3,465	1,415
Depreciation (note 16)	277	173
Capital Grants amortization (note 16)	(5)	(1)
Amortisation right of use asset (note 14)	436	144
Amortisation (note 15)	2,508	797
Impairment of investment (note 17b)	-	354
Exceptional items (note 7)	27	391
Auditors' remuneration – audit of the parent company and consolidation	25	20
Auditors' remuneration – other services	30	30
Foreign exchange differences	(95)	50
Share option-based charge	14	191
Other expenses	2,050	997
Total administrative costs	8,732	4,561

7. Exceptional items

Included within administrative expenses are exceptional items as shown below:

	2021	2020
	£'000	£'000
Exceptional items include:		
– Transaction costs and DTR advice	27	391
Total exceptional items	27	391

Majority of the above costs relate to advice obtained by the Company in relation to the Disclosure Guidance and Transparency Rules (DTR) applicable to the Company. As the Company is listed on AIM, only DTR 5 rules apply.

DeepVerge Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2021

8. Directors' remuneration

The remuneration of the Directors in DeepVerge Plc who held office during the year ended 31 December 2021 was as follows:

	2021 £'000	2020 £'000
Aggregate emoluments	587	471
Share option-based charge (note 32)	9	29
Total Directors' remuneration	596	500

A breakdown of Directors' remuneration has been provided on page 17.

9. Employee benefit expense

	2021 £'000	2020 £'000
Wages and salaries	3,084	1,387
Social security costs	305	113
Pension Costs	102	25
Other Benefits	130	9
Capitalised salaries during the Year to Intangible Assets	(176)	(119)
Total employee benefit expense	3,445	1,415
Share option-based charge (note 32)	14	191

10. Average number of people employed

	2021 No	2020 No
Average number of people (including Executive Directors) employed was:		
Administration	16	13
Operations and research	46	18
Sales and marketing	3	6
Total average number of people employed	65	37

The total number of employees at 31 December 2021 was 73 (2020: 43)

11. Finance costs

	2021 £'000	2020 £'000
Interest expense:		
– Bank borrowings	148	93
– Other finance costs	210	25
– Interest on right of use asset leases	18	25
– Other interest	44	40
Finance costs	420	183

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

12. Income tax expense

	2021	2020
Group	£'000	£'000
Current tax:		
Current tax for the year	42	-
Research and development tax credit	(711)	(77)
Total current tax (credit)	(669)	(77)
Deferred tax (note 23):		
Origination and reversal of temporary differences	(332)	(105)
Total deferred tax	(332)	(105)
Income tax (credit)	(1,001)	(182)

The tax on the Group's results before tax differs from the theoretical amount that would arise using the standard tax rate applicable to the profits of the consolidated entities as follows:

	2021	2020
	£'000	£'000
Loss before tax	(3,680)	(2,900)
Tax calculated at domestic tax rates applicable to UK standard rate of tax of 19% (2020 – 19%)	(699)	(551)
Tax effects of:		
– Impact of actual tax rates	128	11
– Expenses not deductible for tax purposes	135	140
– Research and development tax credit	(711)	(77)
– Losses carried forward	146	295
Tax (credit)	(1,001)	(182)

There are no tax effects on the items in the statement of comprehensive income. The effect of losses is discussed in note 23.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

13. Loss per share

At a General Meeting of the Company on 15 September 2020 a share consolidation was approved. With effect from 16 September 2020 all ordinary shares of 0.01 pence each were consolidated into new ordinary shares of 0.1 pence each, on a 10 for 1 basis.

The following table when detailing the comparative basic loss for 2020 converts a 10:1 consolidation for all 0.01 pence ordinary shares in issue pre-15 September 2020 to 0.1 pence new ordinary shares.

(28) Basic

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2021	2020
Loss from continuing operations	£2,679,000	£2,718,000
Loss attributable to owners of the parent	£2,679,000	£2,718,000
Weighted average number of 0.1p Ordinary Shares in issue	196,932,854	128,715,344
Basic loss per ordinary share		
From continuing operations	1.3p	2.1p
From loss for the year	1.3p	2.1p

(28) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The options and warrants are anti-dilutive in view of the losses in the year. Details of warrants outstanding are given in note 25.

14. Right of use of assets and lease liabilities

Right of use assets	2021	2020
Leasehold Property	£'000	£'000
As at 1 January	569	503
On acquisition of subsidiary (note 33)	-	159
Additions	1,804	48
Disposals	(360)	-
Amortisation	(436)	(144)
Foreign Exchange Movements	(8)	3
As at 31 December	1,569	569
Lease Liabilities	2021	2020
	£'000	£'000
As at 1 January	622	504
On acquisition of subsidiary (note 33)	-	191
Additions	1,752	44
Disposals	(368)	-
Interest expense	19	25
Lease Payments	(420)	(150)
Foreign Exchange Movements	(22)	8
As at 31 December	1,583	622
Current	409	264
Non-current	1,174	358

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

15. Intangible fixed assets

Group	Development Costs and Intellectual Property Rights £'000	Total £'000
Cost		
At 1 January 2020	5,545	5,545
On acquisition of subsidiary (note 33)	14,882	14,882
Additions	488	488
Exchange differences	60	60
At 31 December 2020	20,975	20,975
Amortisation		
At 1 January 2020	1,891	1,891
Charge for the year – continuing operations	-	-
Impairment – continuing operations	797	797
Exchange differences	46	46
At 31 December 2020	2,734	2,734
Net book value		
At 31 December 2020	18,241	18,241
Cost		
At 1 January 2021	20,975	20,975
On acquisition of subsidiary (note 33)	-	-
Additions	2,431	2,431
Exchange differences	(78)	(78)
At 31 December 2021	23,328	23,328
Amortisation		
At 1 January 2021	2,734	2,734
Charge for the year – continuing operations	2,508	2,508
Exchange differences	(44)	(44)
At 31 December 2021	5,198	5,198
Net book value		
At 31 December 2021	18,130	18,130

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

Company	Development Costs and Intellectual Property Rights £'000	Total £'000
Cost		
At 1 January 2020	75	75
Additions	-	-
At 31 December 2020	75	75
Amortisation		
At 1 January 2020	22	22
Charge for the year	15	15
At 31 December 2020	37	37
Net book value		
At 31 December 2020	38	38
Cost		
At 1 January 2021	75	75
Additions	-	-
At 31 December 2021	75	75
Amortisation		
At 1 January 2021	37	37
Charge for the year	15	15
At 31 December 2021	52	52
Net book value		
At 31 December 2021	23	23

At 31 December 2021, the Group had intangible assets arising from intellectual property recognised on acquisitions, development costs on certain research and development and licence agreements.

Management performed an impairment analysis to determine the fair value of the intangible assets. In assessing fair value, the estimated future cash flows of each underlying business unit were discounted to their present value that reflects management's current market assessments of the time value of the money and were adjusted for risks specific to each business segment.

For the purpose of impairment testing, other intangible assets are allocated to the operating segments to which they relate as set out below and is compared to their recoverable value.

The recoverable amounts were determined using the higher of the Cash Generating Units (CGU) fair value less costs of disposal (FV) and value in use (VIU) calculations. The fair value less costs of disposal method calculates the fair value of each CGU based on the Company's share price and the selling prices of comparable businesses. The VIU method requires the estimation of future cash flows before tax and the selection of a suitable discount rate in order to calculate the net present value (NPV) of these cash flows.

The discount rates applied to each CGU for the value in use projections were between 8% and 12% and all assumptions were reviewed at the end of the year and revised where necessary.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

The key assumptions for the Labskin, Data AI and Monitoring divisions fair value in use calculations are sales (volume, new product and services delivery, geographic growth) and gross margin. Management's forecasts are based on the current five-year business plan and assume the Division delivers, on average, double digit revenue growth and maintains stable profit margins, based on past experience in this market. A discount rate of 10% and a terminal growth rate of 2% were used to calculate the NPV.

The estimate of recoverable amount is particularly sensitive to the revenue growth rate and the assumption of a terminal value. This was stress tested by reducing revenue growth by 10% and removing the terminal value entirely which show that no impairment would be recognised.

Management is not currently aware of any other reasonably possible changes to key assumptions that would cause a unit's carrying amount to exceed its recoverable amount.

The remaining intangible asset value is predominantly our actively managed patent portfolio, which is continually reviewed for impairment in the normal course of business and the individual patents are also amortised on an annual basis over their lives.

As a result of the impairment analysis, the Directors have decided that the current value represents fair value so no impairment of intangible asset for the year 2021: £Nil (2020: £241,000).

DeepVerge Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2021

16. Property, plant and equipment

a) Fixed Assets

Group	Fixtures and fittings £'000	Total £'000
Cost		
At 1 January 2020	697	697
Additions	320	320
On acquisition of subsidiary (note 33)	273	273
Exchange differences	3	3
At 31 December 2020	1,293	1,293
Depreciation		
At 1 January 2020	226	226
On acquisition of subsidiary (note 33)	-	-
Charge for the year – continuing operations	173	187
Exchange differences	20	6
At 31 December 2020	419	419
Net book value		
At 31 December 2020	874	874
Cost		
At 1 January 2021	1,293	1,293
Additions	492	492
Disposals	(208)	(208)
Exchange differences	-	-
At 31 December 2021	1,577	1,577
Depreciation		
At 1 January 2021	419	419
Charge for the year	277	277
Disposals	(24)	(24)
Exchange differences	-	-
At 31 December 2021	672	672
Net book value		
At 31 December 2021	905	905

The Company had no property, plant and equipment.

Notes to the Financial Statements (continued) For the year ended 31 December 2021

b) Capital Grants

Group	2021 £'000	2020 £'000
Cost		
At 1 January	25	-
Additions	-	25
At 31 December	25	25
Amortisation		
At 1 January	(1)	-
Charge for the year	(5)	(1)
At 31 December	(6)	(1)
Net book value		
At 31 December	19	24

Capital grants relating to assets are presented as deferred income.

17. Investments

(a) Investments in subsidiaries

Company	Investments £'000	Loan to Subsidiaries £'000
At 1 January 2020	3,488	3,259
Acquisition during the year (note 33b)	12,115	-
Loans advanced	-	(325)
At 31 December 2020	15,603	2,934
At 1 January 2021	15,603	2,934
Acquisition during the year (note 33a)	1,200	-
Loans advanced	-	7,236
At 31 December 2021	16,803	10,170

Investments in subsidiaries are recorded at cost, which is the fair value of the consideration paid, less impairments.

On 15 January 2021 the Company acquired the remaining 6.53% of the share capital of Modern Water plc at a value of £1.2m. This represented the compulsory acquisition of the remaining shareholding having acquired 93.47% of the share capital of Modern Water Plc, on 23 November 2020, at a value of £12.1m. Total consideration paid for entire acquisition amounted to £13.3m.

Amounts owing from subsidiary companies less than one year have been classified as current assets in the financial statements. The total amount owing at 31 December 2021 is £10,710,000 (2020: £67,000).

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

Amounts owing from subsidiary companies greater than one year have been classified as non-current assets in the financial statements. The total amount owing at 31 December 2021 is £Nil (2020: £2,867,000).

Management performed an impairment analysis to determine the fair value of the investments in, and loans to, subsidiaries. In assessing fair value, the estimated future cash flows of each investment were discounted to their present value that reflects management's current market assessments of the time value of the money and were adjusted for risks specific to each investment.

The result of the impairment analysis supported the fair value of £16,803,000 (2020: £15,603,000) for the Company's investments at the balance sheet date. Impairment of £Nil (2020: £Nil) was recognised in the financial statements for the year. During the year, the Directors considered it reasonable for the Company to forgive loans due to its subsidiaries of £Nil (2020: £3.185m). The loan forgiven during 2020 reflected historical expenditure incurred by Innovenn UK Limited on behalf of the Group, from which the entire Group has benefitted.

Impairment of investments and loans to subsidiaries

Management have considered various indicators that may suggest that the carrying amount of the investments and loans to subsidiaries, may be impaired. The recoverable amount of the investments has been determined to be the value in use based on the cash flows generated from the continuing operations of the entities. In performing this assessment, management has applied the following assumptions and estimates:

- cash flows have been projected over a period of 5 years from 1 January 2022, which management considers appropriate due to the nature of the market and related return period. This duration is a generally accepted industry practice and is allowed under IAS 36;
- cash inflow projections reflect the following key assumptions:
 - revenues in the short to medium term are based on actual sales, current orders received awaiting completion, high probability pipeline from current discussions, manufacturing and production currently undertaken and completion of R&D projects for new technology over the next 12 months;
 - the growth rate for revenue is projected to be 5% (compared to 107% during 2021) from January 2024 to December 2026.
 - gross margin range is expected to be 77% to 45% (based on the revenue stream) from June 2022 to December 2026.

The pre-tax discount rate used to calculate at the discounted cash flows was 10%.

The subsidiaries of DeepVerge Plc are as follows:

Name of Company	Proportion Held	Class of Shareholding	Country of Incorporation
Innovenn UK Limited	100% (direct)	Ordinary	United Kingdom
DeepVerge Ireland Limited ¹	100% (indirect)	Ordinary	Ireland
Lifesciencehub UK Limited	100% (direct)	Ordinary	United Kingdom
Lifesciencehub Ireland Limited	100% (indirect)	Ordinary	Ireland
Rinocloud Limited	100% (direct)	Ordinary	Ireland
STOER Ireland Limited	100% (direct)	Ordinary	Ireland
Integumen Limited	100% (direct)	Ordinary	United Kingdom
Modern Water plc ²	100% (direct)	Ordinary	United Kingdom
Modern Water Holdings Limited	100% (direct)	Ordinary	United Kingdom
Modern Water Technology (Shanghai) Co Limited	100% (indirect)	Ordinary	China
Aguacure Limited	100% (indirect)	Ordinary	United Kingdom
Surrey Aquatechnology Limited	100% (indirect)	Ordinary	United Kingdom
MW Monitoring Limited	100% (indirect)	Ordinary	United Kingdom
Cymtox Limited	100% (indirect)	Ordinary	United Kingdom
Modern Water INC	100% (indirect)	Ordinary	USA
MW Monitoring IP Limited	100% (indirect)	Ordinary	United Kingdom

DeepVerge Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2021

MW Monitoring Limited	100% (indirect)	Ordinary	United Kingdom
Modern Water Nominees Limited	100% (indirect)	Ordinary	United Kingdom
Modern Water Technologies LCC	70% (indirect)	Ordinary	Oman
Poseidon Water Limited	51% (indirect)	Ordinary	United Kingdom
Encylco Water Technology (Zhejiang) Co. Ltd	49% (indirect)	Ordinary	China

¹ On 9 August 2021 Integumen Ireland Ltd changed name to DeepVerge Ireland Ltd

² On 7 June 2022 Modern Water plc was re-registered as a private company

28) Other investments

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Carrying amount:				
At 1 January	354	708	354	708
Impairment during the year	-	(354)	-	(354)
End of the year	354	354	354	354

In August 2018, the Company acquired 9.35% of the ordinary shares of Cellulac plc for a consideration of £708,000 through the issue of 82,844,388 ordinary shares of 0.01p each.

COVID-19 travel restrictions has impacted in the short term on large scale applications of the Cellulac energy reduction and water processing projects which resulted impairment provision in 2020. The long-term value of the technology has not changed the Directors have taken the view that no further reduction in the carrying value of the asset is required: £Nil (2020: £354,000)

18. Financial instruments by category

(a) Assets

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
31 December				
Assets as per balance sheet				
Trade and other receivables excluding prepayments and corporation tax	5,807	1,288	10,930	237
Cash and cash equivalents	1,847	1,441	945	451
Total	7,654	2,729	11,875	688

(b) Liabilities

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
31 December				
Liabilities as per balance sheet				
Borrowings	698	1,932	679	1,500
Lease Liabilities	1,583	622	-	-
Trade and other payables	2,470	2,691	818	745
Total	4,751	5,245	1,497	2,245

Liabilities in the analysis above are all categorised as 'other financial liabilities at amortised cost' for the Group and Company.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

(c) Credit quality of financial assets

The Group is exposed to credit risk from its operating activities (primarily for trade receivables and other receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables

The credit quality of trade receivables that are neither past due date nor impaired have been assessed based on historical information about the counterparty default rate. The Group does not hold any other receivable balances with customers, whose past default has resulted in the non-recovery of the receivables balances.

Cash at bank

The credit quality of cash has been assessed by reference to external credit ratings, based on reputable credit agencies' long-term issuer ratings:

	2021	2020
Rating	£'000	£'000
A – AAA	1,887	1,441
Total	1,887	1,441

19. Inventories

	Group	Group
	2021	2020
	£'000	£'000
Raw materials and finished goods	1,712	1,347
Inventory	1,712	1,347

There are no inventories in the Company. The Directors consider that the carrying amount of inventory approximates to their fair value. During the year, the Group expensed £3.8m (2020: £2.5m) of inventory.

20. Trade and other receivables

	Group	Group	Company	Company
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Trade receivables	4,727	1,061	-	-
Less: provision for impairment of trade receivables	(132)	(53)	-	-
Trade receivables – net	4,595	1,008	-	-
Prepayments and accrued income	553	160	43	10
Taxation	425	177	99	68
Other receivables	1,213	103	220	101
	6,786	1,448	362	179

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

The carrying amounts of the Group's trade and other receivables denominated in foreign currencies were as follows:

	Group	Group	Company	Company
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Sterling	3,179	697	-	-
US Dollars	260	537	-	-
Euro	367	163	-	-
	3,806	1,397	-	-

21. Cash and cash equivalents

	Group	Group	Company	Company
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Cash at bank and on hand	1,847	1,441	945	451
Cash and cash equivalents	1,847	1,441	945	451

The Group's cash and cash equivalents are held in non-interest-bearing accounts. The Directors consider that the carrying amount of cash and cash equivalents approximates to their fair value.

22. Trade and other payables

	Group	Group	Company	Company
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Trade payables	1,375	1,714	269	271
Social security and other taxes	294	181	69	2
Accrued expenses and deferred income	735	652	434	352
Other creditors	46	120	46	120
	2,450	2,667	818	745

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

23. Deferred income tax

Deferred tax liabilities

Deferred tax balances were as follows:

	Group 2021 £'000	Group 2020 £'000
Deferred tax liability to be recovered after more than one year	2,434	2,780
Deferred tax liability to be recovered within one year	356	328
	2,790	3,107

Deferred tax liabilities were made up as follows:

Accelerated tax depreciation	2,790	3,107
	2,790	3,107

The movement on the deferred tax income tax account is as follows:

	Group 2021 £'000	Group 2020 £'000
At 1 January	3,107	561
On acquisition of subsidiary	-	2,651
Income statement movement – continuing operations (note 12)	(317)	(105)
At 31 December	2,790	3,107

There were no deferred tax liabilities in the Company.

Deferred tax assets

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately £1,617,238 (2020: £1,566,000) mainly in respect of tax losses amounting to approximately £8,853,274 (2020: £8,684,000) that can be carried forward against future taxable income. An average tax rate of 18% (2020: 18%) has been used.

There was no deferred tax asset recognised for the Company.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

24. Borrowings

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Non-current				
Bank borrowings	-	583	-	583
Other borrowings	-	-	-	-
Total Non-current	-	583	-	583
Current				
Bank borrowings	698	1,187	679	917
Other borrowings	-	162	-	-
Total Current	698	1,349	679	917

The maturity profile of bank borrowings was as follows:

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Amounts falling due				
Within 1 year	698	1,349	679	917
Between 1 and 2 years	-	583	-	583
Between 2 and 5 years	-	-	-	-
Total borrowings	698	1,932	679	1,500

Security on bank borrowings

On 29 July 2020 the Company signed a £3,000,000 loan facility with Riverfort Global Opportunities PCC Limited and YA II PN, Ltd with a 3-year term. On the date of signing the Company drew down £1,500,000, 50% of the facility, as a 24-month loan with the first six months interest only. The interest applicable to outstanding drawdown amounts is 1.05% per month with a repayment fee of 8% payable on the date the principal sums are repaid. The amount of the loan outstanding at 31 December 2021 was £679,000 (2020: £1,500,000). The loan is secured by a cross-company guarantee.

As at 31 December 2021 loan balance of £Nil (2020: £139,000) was owing to Ulster Bank Ireland. The 5-year term loan matured in August 2021. The loan was secured with a floating charge against the assets of Innovenn UK Limited and the charge was satisfied in full on 6 September 2021.

As at 31 December 2021 loan balance of £Nil (2020: £131,000) was owing to Barclays Bank by Modern Water plc. The loan was secured by a fixed and floating charge over the assets of Modern Water plc and all subsidiary companies through a cross guarantee. The loan was fully repaid in March 2021 and a statement of satisfaction releasing the security was registered with Companies House on 7 May 2021.

The Company has been compliant with its banking covenants throughout the year. The bank borrowings are repayable by monthly instalments. The Company is not exposed to interest rate changes or contractual re-pricing dates at the end of the reporting period, as the borrowings are fixed in nature.

The fair value of both current and non-current borrowings equals their carrying amount, as the impact of discounting is not significant.

Notes to the Financial Statements (continued) For the year ended 31 December 2021

25. Share capital

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
215,156,378 0.1p Ordinary shares (2020: 165,877,296)	215	166	215	166
223,685,232 Deferred shares of 0.99p (2020: 223,685,232)	2,214	2,214	2,214	2,214
Total	2,429	2,380	2,429	2,380

Shares issued for cash consideration in 2021:

Date	Transaction	No of shares	Exercise price	Consideration
18 January	Share Options	25,860	0.1p	£ 26
25 January	Placing Warrants	535,714	20p	£ 107,143
1 February	Placing Warrants	178,570	20p	£ 35,714
26 February	Placing Warrants	1,230,708	20p	£ 246,148
26 February	Broker Warrants	557,999	15p	£ 83,700
26 February	Broker Warrants	814,285	14p	£ 114,000
5 March	Placing Warrants	17,857	20p	£ 3,571
16 March	Placing Warrants	188,071	20p	£ 37,614
23 March	Placing Warrants	35,714	20p	£ 7,143
24 March	Placing Warrants	78,570	20p	£ 15,714
7 April	Share Options	18,102	0.1p	£ 18
13 April	Placing Warrants	10,714	20p	£ 2,143
21 April	Placing Warrants	221,285	20p	£ 44,257
21 April	Broker Warrants	7,050,000	5p	£ 352,500
29 April	Placing Warrants	942,857	20p	£ 188,571
30 April	Placing Warrants	384,425	20p	£ 76,885
11 June	Share Placing	21,086,888	30p	£ 6,326,066
25 June	Share Placing	12,246,446	30p	£ 3,673,934
7 July	Share Placing	18,102	0.1p	£ 18
Sub Total		45,642,167		£ 11,315,165

Shares issued for Modern Water plc share offer agreement in 2021:

Date granted	Number of shares	Price at Date of Listing	Consideration
15 January	3,636,915	33p	£ 1,200,182

On 19 November 2020 the Company having obtained control obtained the acceptances of 93.47% of Modern Water plc shareholders to the offer to acquire the company.

On 15 January 2021 the Company allotted 3,636,915 ordinary 0.1p shares in respect of the compulsory acquisition of all the remaining Modern Water plc shares. The £1.2m consideration took the total cost of the 100% acquisition of shares to £13.3m.

DeepVerge Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2021

Share Capital Movement

	Ordinary Share 0.1p
As 1 January	165,877,296
Modern Water plc acquisition	3,636,915
Exercise of Warrants	12,246,769
Exercise of Staff Options	62,064
Placing 11 June 2021	21,086,888
Placing 25 June 2021	12,246,446
Shares in Issue at 31 December	215,156,378

As at 31 December 2021, the Company had an issued share capital of 215,156,378 ordinary shares of 0.1p each and 223,685,232 deferred shares of 0.99p each.

Share Warrant Movement

Warrant holder	Year of Grant	Exercise Price	Expiry Date	No of shares 1 Jan 2021	Exercised	Issued	No of shares 31 Dec 2021
Turner Pope Investments (TPI) Ltd	2017	62.5p	05-Apr-23	180,000			180,000
Placing subscribers	2018	15p	05-Jan-23	173,334	-		173,334
Hybridan LLP	2018	15p	05-Jan-23	100,000			100,000
Turner Pope Investments (TPI) Ltd	2018	15p	05-Jan-23	30,000	30,000		-
Placing subscribers	2019	20p	02-May-21	4,274,501 ¹	4,274,501		-
Turner Pope Investments (TPI) Ltd	2019	14p	02-May-21	814,285	814,285		-
Turner Pope Investments (TPI) Ltd	2019	15p	16-Dec-22	527,999	527,999		-
Riverfort Global Opportunities PCC	2020	25.7868p	15-Sep-24	945,251			945,251
YA II PN, Ltd	2020	25.7868p	15-Sep-24	945,251			945,251
Turner Pope Investments (TPI) Ltd	2020	5p	16-Feb-23	7,050,000	7,050,000		-
Turner Pope Investments (TPI) Ltd	2021	30p	24-Jun-24			2,520,000	2,520,000
				15,040,621	12,696,785	2,520,000	4,863,836

Note 1: 3,824,485 exercised and 450,016 expired, total 4,274,501

DeepVerge Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2021

26. Retained earnings

	Group £'000	Company £'000
At 1 January 2020	(15,400)	(15,076)
Loss for the year	(2,718)	(1,590)
Subsidiary loan forgiveness	-	(3,185)
Premium on acquisition of Non-Controlling Interest	(846)	-
At 31 December 2020	(18,964)	(19,851)
At 1 January 2021	(18,964)	(19,851)
Loss for the year	(2,679)	(1,494)
Subsidiary loan forgiveness	-	-
Premium on acquisition of Non-Controlling Interest	847	-
Transfer from share-based payment reserve	60	60
At 31 December 2021	(20,736)	(21,285)

27. Other reserves

Group

	Share premium £'000	Foreign currency reserve £'000	Reverse acquisition reserve £'000	Capital Redemption reserve £'000	Share based equity reserve £'000
At 1 January 2020	11,743	(259)	(2,843)	9,519	6
Issue of ordinary shares (note 25)	13,326	-	-	-	-
Currency translation differences	-	33	-	-	-
Share option-based charge (note 32)	-	-	-	-	191
At 31 December 2020	25,069	(226)	(2,843)	9,519	197
At 1 January 2021	25,069	(226)	(2,843)	9,519	197
Issue of ordinary shares (note 25)	13,231	-	-	-	-
Costs of Share Issue	(1,414)	-	-	-	-
Currency translation differences	-	(218)	-	-	-
Investment in subsidiary	-	-	(1,200)	-	-
Share option-based charge (note 32)	-	-	-	-	14
Transfer from share-based payment reserve	-	-	-	-	(60)
At 31 December 2021	36,886	(444)	(4,043)	9,519	151

The reverse acquisition reserve brought forward arose as result of the reverse acquisition of Innovenn UK Limited and its subsidiary by DeepVerge Plc. The reverse acquisition reserve for the year arose due to additional investment in Modern Water Plc and its subsidiaries during January 2021.

Currency translation differences arose from the translation of the net investment in foreign subsidiaries.

DeepVerge Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2021

Company

	Share premium £'000	Capital Redemption reserve £'000	Share based equity reserve £'000
At 1 January 2020	11,743	9,519	6
Issue of ordinary shares (note 25)	13,326	-	-
Costs of Share issue	-	-	-
Transfer to retained earnings (note 32)	-	-	-
Share option-based charge (note 32)	-	-	191
At 31 December 2020	25,069	9,519	197
At 1 January 2021	25,069	9,519	197
Issue of ordinary shares (note 25)	13,231	-	-
Costs of Share issue	(1,414)	-	-
Transfer to retained earnings (note 32)	-	-	-
Share option-based charge (note 32)	-	-	14
Transfer from share-based payment reserve	-	-	(60)
At 31 December 2021	36,886	9,519	151

28. Cash used in operations

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Loss for the year from continuing activities	(2,679)	(2,718)	(1,495)	(1,590)
<u>Adjustments for:</u>				
– Depreciation and amortisation	3,216	1,113	15	15
– Impairment of intangible assets	-	-	-	-
– Impairment of investments	-	354	-	354
– Foreign currency translation of net assets	95	36	2	59
– Exceptional Items	-	-	-	-
– Net finance costs	420	303	371	210
– Taxation	(1,001)	(182)	-	-
– Share option-based charge	-	191	55	191
Changes in working capital				
– Inventories	(363)	344	-	-
– Trade and other receivables	(5,070)	(513)	(184)	(3,151)
– Trade and other payables	740	(1,026)	72	(229)
Net cash generated/(used) in operations	(4,642)	2,098	(1,164)	(4,141)

DeepVerge Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2021

29. Related Party Disclosures

Amounts due to connected parties

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Microsaic Systems plc	247	-	-	-
Cellulac Ltd	11	-	-	-
	258	-	-	-

Amounts due from connected parties

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Drive4Growth Company Limited	36	36	-	-
Microsaic Systems plc	66	-	-	-
	102	36	-	-

Gerard Brandon and Nigel Burton were appointed directors of Microsaic Systems plc on 5 February 2021. On 24 March 2021 the Company signed a 3 year Technology and Framework Agreement with Microsaic Systems plc under which Microsaic supplies its equipment and services to the Company on a non-exclusive basis. On 11 April 2022 the Company signed a Manufacturing Services Framework Agreement with Microsaic Systems plc for Microsaic to improve and manufacture Company equipment based on the Company's approved specifications.

The Company owns 9.35% of Cellulac plc (note 17). Gerard Brandon and Camillus Glover are directors of Cellulac Ltd and Cellulac plc.

Fionán Murray is a director of Drive4Growth Company Limited which held a sales agency agreement with Rinocloud Ltd until 31 October 2019.

During the year, the Company paid £25,800 (2020: £27,000) to Dagmara Brandon, close family member of the director Gerard Brandon, for professional services provided to the Company.

The Company

Amounts due from group companies

	Company 2021 £'000	Company 2020 £'000
Innovenn UK Limited	5,398	1,188
Lifesciencehub UK Limited	233	217
Rinocloud Limited	2,565	1,095
Deepverge Ireland Limited	575	316
STOER Ireland Limited	127	51
Modern Water Plc	995	67
Modern Water Inc	817	-
	10,710	2,934
Non-Current Assets	-	2,867
Current Assets	10,710	67

DeepVerge Plc

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

As part of the review of the recoverability of subsidiary indebtedness to the Company, during the year ended 31 December 2020, the Directors considered the position of Innovenn UK in the group since listing in April 2017 and in particular the contribution the subsidiary has made to the overall group. It was considered reasonable that £3,185,000 of monies owing by Innovenn UK to the Company be forgiven and that the ultimate cost of this would be borne by the Company, resulting in the amount owing from Innovenn UK falling to £1,188,000. During the year ended 31 December 2021, the loan forgiveness amounted to £Nil.

During the year, the Company charged management charges of £241,000 (2020: £105,000) to Innovenn UK Limited, £466,000 to Rinocloud Limited (2020: £84,000), £86,000 to Stoer Ireland Ltd (2020: £25,000) and £16,000 (2020: £8,000) to Lifesciencehub UK Limited.

Rinocloud Limited charged sales and management charges to Innovenn UK Limited of £303,000 (2020: £215,000), to Modern Water Holdings £ 51,000 (2020: £ Nil).

Innovenn UK Limited charged to Rinocloud Limited £ 90,000 (2020: £ Nil) to DeepVerge Plc £ 171,000 (2020: £ Nil) and to Modern Water Holdings £ 118,000 (2020: £ Nil).

During the year, the Company was recharged costs by Deepverge Ireland Limited of £ 679,000 (2020: £280,000).

Key management compensation has been disclosed in note 8. There only key management personnel are the Directors of the Company.

30. Capital commitments

The Group had no capital commitments at 31 December 2021.

31. Financial commitments

The Group had no financial leases.

32. Share options

The Company has achieved multiple positive milestones since 2018 and shareholder value has improved substantially in that time. Team members across the Group have been entirely responsibly for achieving the returns by as much as 500% from the lows of 2018. Therefore, it is only right and fitting that future growth is incentivised for all Team members who contribute to increased returns for shareholders. That is why management have implemented only recently a Share Options Scheme to deliver on this objective.

Management and Staff options

The Company introduced an EMI approved share option scheme for employees in the UK, a Share Options Scheme for employees and in Ireland and an unapproved share options scheme as a means to act as motivation to staff to deliver overall shareholder.

Options were granted to management and staff for 5,609,650 ordinary shares of 0.1p each at an exercise price of 30p, and 492,790 ordinary shares of 0.1p each at an exercise price of 35.5p, each vesting over a period of 3 years. Further options for 465,670 ordinary shares of 0.1p each were granted to staff at an exercise price of 0.1p, each vesting over a period of 9 months. The options are conditional upon a number of performance conditions and options lapse if the employee leaves the Company.

Share Options Issued and as at 31 December 2021 are as follows:

<i>Date</i>	<i>Number of Shares</i>	<i>Exercise Price</i>	<i>Vesting Date 30%</i>	<i>Vesting Date 35%</i>	<i>Vesting Date 35%</i>
18 September 2020	220,397	0.1p	31 December 2020	31 March 2021	30 June 2021
18 September 2020	916,680	30p	1 January 2021	1 January 2022	1 January 2023
19 November 2020	98,000	0.1p	31 December 2020	31 March 2021	30 June 2021
19 November 2020	4,476,305	30p	1 January 2021	1 January 2022	1 January 2023
4 November 2021	1,100,000	30p	1 January 2022	1 January 2023	1 January 2024
	6,811,382				

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

The estimated fair values of the share options is calculated by applying the Black Scholes Model. The period of exercise of the options is 10 years for the EMI approved and unapproved scheme and 7 years for the Irish Share Options Scheme. Due to the volatility in the share price for the period since listing in April 2017 to March 2022, management consider a volatility coefficient of 45% to be representative of expected future volatility. The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of monthly share prices over the last three years.

Of the total number of options outstanding at 31 December 2021, 2,376,721 (2020: 465,671) had vested and were exercisable.

<i>Date</i>	<i>Number of Shares</i>	<i>Exercise Price</i>	<i>Vesting Date 31 Dec 2020</i>	<i>Fair Value Share Price</i>	<i>Vesting Date 31 Mar 2021</i>	<i>Fair Value Share Price</i>	<i>Vesting Date 30 Jun 2021</i>	<i>Fair Value Share Price</i>
18 Sept 2020	220,397	0.1p	54,051	28.7p	83,173	28.7p	83,173	28.7p
19 Nov 2020	98,000	0.1p	29,400	17.2p	34,300	17.2p	34,300	17.2p
			<i>Vesting Date 1 Jan 2021</i>		<i>Vesting Date 1 Jan 2022</i>		<i>Vesting Date 1 Jan 2023</i>	
18 Sept 2020	916,680	30p	275,004	9.7p	320,838	9.7p	320,838	9.7p
19 Nov 2020	4,476,305	30p	1,335,669	3.0p	1,570,318	3.0p	1,570,318	3.0p
			<i>Vesting Date 1 Jan 2022</i>		<i>Vesting Date 1 Jan 2023</i>		<i>Vesting Date 1 Jan 2024</i>	
04 Nov 2021	1,100,000	30p	366,667	6.1p	366,667	6.1p	366,666	6.1p

2017 Management Options

In 2017, the Company had awarded options to key management over 6,720,000 ordinary shares of 1p each. These options were exercisable after two years provided that the holder of the options is still an employee of the Company. Of these, 3,360,000 have an exercise price of 5p and 3,360,000 have an exercise price of 6p each.

During the 2019 options over 963,200 ordinary shares of 1p each lapsed when option holders left the employment of the Company. An amount of £9,010 in 2019 was transferred from the share option-based reserve to retained earnings with respect to these lapsed options. The cumulation of lapsed options since 2017 has meant that options over only 638,400 ordinary shares of 1p each remain.

Following the share consolidation on 15 September 2020, when every 10 ordinary existing shares of 0.01p was consolidated into one ordinary share of 0.1p, the outstanding options granted were as follows at 31 December 2020:

Director	Date granted	No. of 0.1p ordinary shares under option	Exercise price	Exercise period
Ross Andrews	5 April 2017	63,840	50p-60p	From 5 April 2017 to 5 April 2027

The market vesting condition was factored into the valuation of the options by applying an appropriate discount due to the size of the company and the exercise conditions. During the year, management amended the estimated discount factor applied to the share option valuation, after a review of the exercise conditions over the last 3 years. Due to the sub-optimal exercise conditions, the discount factor applied to the fair value was increased from 10% to 50%.

The share option-based charge with respect to all share options for the year was £14,000 (2020: £191,000).

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

33. Business combinations

On 13 October 2020 the Company issued an Offer Document to the shareholders of Modern Water plc to acquire the full share capital of the company. This all share offer was based on the issue of 1 DeepVerge ordinary 0.1p share for every 10 Modern Water plc 0.25p ordinary shares. The purchase consideration was paid by the Company through the issue of 55,669,222 ordinary shares of 0.1p each at an average market price of 23.92 per share, valuing the acquisition at £13,315,114.

33. (a) Acquisition of Modern Water plc

Date acceptance	No. of MW ordinary shares	% acceptance cumulative	Issued DV shares	Closing Share Price on listing date	Valuation Cumulative
3 November 2020	406,775,279	77.23%	40,677,491	23.00p	£9,355,823
9 November 2020	17,418,730	80.85%	1,741,870	22.50p	£9,747,744
17 November 2020	96,129,677	93.47%	9,612,946	24.625p	£12,114,932
15 January 2021	36,369,528	100.00%	3,636,915	33.00p	£13,315,114

As at 9 November 2020 based on 80.85% acceptances of the offer to Modern Water plc shareholders the Company gained control of Modern Water plc as the offer become unconditional.

Fair Value Calculation

As at 31 December 2020 the Company had acquired 93.47% of Modern Water plc shares for a consideration of £12,114,932. Modern Water has a 30-year legacy and global footprint across industries that monitor for toxicity. The Directors believe the acquisition will provide the Company with:

- Access to Modern Water distributors and customers across 60 countries and 5 continents
- Access to a brand that is the gold standard for water monitoring and in many countries is the regulatory standard
- Immediate presence in North America and China extending the Company's reach and expertise with laboratories and trading entities to expand business in these territories
- Access to a range of equipment and membrane to add to the group's EcoWaterOS vision of a total water monitoring and mitigation solution that will be enhanced by the group's software and Ai capabilities
- Equipment and expertise to allow the rapid development of the Company's COVID-19 and pandemic surveillance system
- Generation of recurring revenue opportunities with a range of leading reagents sold with all equipment

The following table summarises the consideration paid, and the amounts of the assets acquired, the fair value of these assets and liabilities assumed at the acquisition date of Modern Water plc.

Modern Water plc	31 December 2020
	£'000
Fair value consideration	
Initial Consideration	9,748
Non Controlling Interest at fair value	2,309
Total fair value consideration	12,057
Net Asset Acquired	
Intangible Asset arising on Acquisition	13,960
Tangible fixed assets (note 16a)	273
Intangible assets	922
Right of use of asset (note 14)	159
Inventory	1,606

DeepVerge Plc

Notes to the Financial Statements (continued) For the year ended 31 December 2021

Trade and other receivables	371
Bank and cash	739
Trade and other payables	(2,811)
Lease Liability	(191)
Bank Loans	(319)
Deferred tax liabilities (note 23)	(2,652)
Total fair value of identifiable net assets	12,057
Excess of net assets over consideration	-

During the year, the Company issued a further 3,636,915 shares to the shareholders of Modern Water Plc to acquire the remaining 6.53% of the entire shareholding of Modern Water Plc. Modern Water Plc is now a wholly owned subsidiary of the Company.

At 31 December 2021 the Non Controlling Interest (NCI) balance was £Nil (2020: £789k).

The directors have reviewed the book value of the assets acquired is the same as the fair value as the value attributed on acquisition.

The fair value of acquired trade and other receivables is £371,000. The gross contractual amount for trade and other receivables due is £237,000, all of which is expected to be collectible. The fair value of Inventory is £1,606,000 as of which is valued at the lower of cost and net resaleable value.

33. (b)

Non-controlling interests

Minority Interest arising from the acquisition of Modern Water plc arising from the dates on which share acceptance from Modern Water shareholders for the share for share consideration.

		2020
Non-controlling interests reserve	% NCI	£'000
Opening balance 1 January 2020		-
Upon control on acquisition on 9 November 2020	19.15%	2,309
Acquisition of non-controlling interest on 19 November 2020	-12.62%	(1,520)
Closing Balance 31 December 2020	6.53%	789
Acquisition of non-controlling interest on 15 January 2021	6.53%	(789)
Closing Balance 31 December 2021	0.00%	-

Notes to the Financial Statements (continued) For the year ended 31 December 2021

	2020 £'000
Premium on Acquisition of non-controlling interests	
Acquisition fair value at 9 November 2020 if 100% ownership	12,057
Value of non-controlling interests at 9 November 2020 19.15%	2,309
Fair value of non-controlling interest at 23 November 2020 19.15%	2,367
Acquired value of non-controlling interest at 19 November 2020 12.61%	<u>(1,520)</u>
Equity movement in retained profits	847
Fair value on 9 November 2020 of remaining NCI of 6.53%	789
Acquired value of non-controlling interest at 15 January 2021 6.53%	<u>(789)</u>
Fair value on 15 January 2021 of remaining NCI of 0.00%	-

34. Ultimate controlling party

There is no one controlling party.

35. Post balance sheet events

Acquisition of Glanaco Limited

On 16 March 2022 Rinocloud Ltd acquired 100% of the share capital of Irish registered engineering services company Glanaco Limited for consideration of £1.08 million comprising £0.65 million in equity and £0.43 million in cash. The equity issue consists of 4,550,000 DeepVerge plc ordinary shares of 0.1 pence issued at a price of 14.25p (being the closing mid-market price at close of business on 14

Riverfort Loan Facility

Also on 16 March 2022 the Company secured a 3 year mezzanine loan facility of up to £25.0 million with Riverfort Global Opportunities PCC Limited and YA II PN, Ltd ("Lenders") available until March 2025. The facility is in the form of 12-month mezzanine loan with the in the initial drawdown of £4.0 million advance on the same day.

Each drawdown must be repaid in full by the first anniversary of each drawdown and any outstanding amounts a monthly interest rate of 1.0% applies, payable quarterly in arrears. For each drawdown amount a 5% implementation fee applies.

The Lenders may elect at their discretion to convert any unpaid balance into DeepVerge plc ordinary shares of 0.1p at a fixed subscription price representing a 40% premium to the average daily volume weighted average price ("VWAP") for the previous 5 days' trading prior to the drawdown of the relevant amount ("the Reference Price"). For the initial drawdown of £4.0m the fixed subscription price has been set at 20.0p per 0.1p ordinary share, representing a 40.8 per cent premium to the Reference Price.

The Lenders will receive warrants of 40% of the value of each drawdown with the number of warrants to be issued being calculated by dividing the drawdown amount by the Reference Price. For the initial drawdown 11,265,622 warrants will be issued with an exercise price of 20.0p.

In relation to share conversion authorities the initial drawdown the Company has reserved (non- pre-emption share) authorities in respect of 25,170,180 Ordinary Shares as available to the Lenders solely in respect of their conversion rights.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

In relations to conversion authorities for warrants to be issued for the initial drawdown the Company will convene a general meeting before 31 July 2022, at which a resolution will be put to shareholders to grant the requisite authorities to issue the warrants in respect of the initial drawdown, multiplied by a factor of 1.5.

The loan is secured by a composite guarantee across the group companies.

The initial drawdown is to be repaid by the payment of £500,000 on the 16th day of each month for five months commencing from 16th October 2022, with the balance of £1,500,000 being repaid on 16th March 2023.

Director Purchase of Ordinary Shares

On 17 March 2022 Gerard Brandon, Director, purchased 150,000 Ordinary Shares of 0.1p each on the open market at a price of 13.4p per share.