INSIG AI Plc
INTERIM REPORT AND CONDENSED FINANCIAL STATEMENTS

Six months ended 30 September 2021

21 December 2021

Chairman's Statement

The period under review includes the new strategic focus on artificial intelligence and machine learning, culminating with the acquisition on 10 May 2021 of the entire issued share capital of Insight Capital Partners Limited ("Insight").

Since becoming interim Chairman in mid-August, my immediate task was to take stock of the business and to objectively assess its strengths, opportunities, weaknesses, and threats. Very quickly, a key priority emerged: to better commercialise the business. Insig AI has a clear focus in terms of technology: data science and machine learning. Its technology is strong and impressive. This is a necessary condition for commercial success. However, without good commercial structure and discipline, it is not a sufficient condition. That is why the appointment in November of Colm McVeigh as Chief Commercial Officer is so important. The business is already benefiting from his experience, structure, and professionalism.

Recently, Insig AI has demonstrated the quality of its client base with important business wins including from global alternative investment manager CarVal Investors L.P. ("CarVal") and Royal London Asset Management. I believe that some context is important. Insig AI is a relatively small team: the data science machine learning is a team of just 32, with 23 focussed on product delivery. Last year's pivot from consulting to developing product led solutions with a robust technical infrastructure was essential. The priority has now switched to converting this data infrastructure into scalable revenues.

Since May, the business has been very largely focused on delivering ESG scoring tools to support CarVal's risk scoring methodology. Significant resources were deployed to ensure delivery was achieved on time. CarVal's Clean Collateralised Loan Obligation Product Line is a ground-breaking product. Insig AI can be proud that it has a client of the calibre of CarVal.

Since the end of September, there have been further customer wins. Last month, the business signed a proof-of-concept exercise with a European asset manager with assets under management ("AUM") of several billion Euros. Insig AI is using its machine learning data and expertise to analyse and categorise the client's portfolio. The objective is to use a combination of linear and non-linear analysis methods to surface and understand relationships within the client's investment datasets comprising approximately 2,000 companies.

Earlier this month, the business secured a five year "software as a service" ("SaaS") agreement with 4BIO Partners LLP ("4BIO"), a leading international venture capital fund targeting advanced disease therapies. Using Insig AI's proprietary machine learning classifiers, and its deep domain expertise, 4BIO will be able to quickly analyse up to 32 million medical publications that contain disease research to identify patterns and trends to inform future investment decisions and venture creation. This contract win demonstrates the scalability of our AI data solutions beyond the asset management industry. The business is currently in discussions with another vertical, which it is hoped will lead to a contract win prior to our March year end.

I'm also pleased to report that recently, Insig AI has successfully added further capability and data to assist Royal London Asset Management, which has resulted in an expansion of our hosted financial analysis solution with associated recurring revenues.

Whilst it is widely accepted that contract wins of significant size are rarely quick, it was apparent that in order to accelerate that cycle, eliminating the wait to obtain a potential client's portfolio associated data needed to be addressed. That is why the FDB Systems Limited ("FDB") acquisition is important. FDB specialises in structuring data, which is the process of transforming raw data so that it can be more easily and effectively used as an input to machine learning, data science and AI processes. Combining FDB's technology with our machine learning and analysis tools creates a world-leading aggregator of ESG information. Providing prospective customers with ESG tagged structured data makes it more attractive and valuable, which we believe will result in accelerated sales. With a fast-growing client list, as well as cross-selling opportunities, we're excited that FDB is now part of Insig AI. The integration of both the business and the team is proceeding well.

Richard Bernstein
21 December 2021

Chief Executive's Review

During the period under review, we invested heavily in our data infrastructure and product platform. This was to enable us to produce and sell quality, scalable software solutions aimed at the asset management industry. This was the basis of the reverse takeover back in May and was consistent with our long-term strategy to shift away from undertaking only high value technology solution consulting engagements so that we could pivot to become a product focussed business.

Historically, the business delivered strong and growing consulting revenues. When clients buy consultancy services, they are effectively buying into the people delivering the solution. Software as a Service (SaaS) product sales however have a completely different sales process. We have been building the different skill sets and processes within the business which are required to secure this stickier and more valuable revenue. These include customer workshops, pre-proposals and proposals. Having scalable offerings enables us to accelerate sales growth. This is the right approach to build shareholder value.

The transition from providing pure technology consulting solutions to becoming a SaaS product business model required a strong technical infrastructure and sticky product offering to underpin our future sales growth. As expected, this impacted short term revenues, with during the period, core machine learning business generating revenues of £0.2 million. Since the start of our second half, in line with management expectations, we have already seen much improved revenue, with the emphasis on SaaS product sales. Securing SaaS contracts can take time, for a host of reasons, but given tangible progress on several pipeline contracts in recent weeks, I am confident that these will be secured early in the New Year, as we see increasing interest in our ESG scoring and data screening capabilities.

I am pleased to report that our projections for the coming quarter and beyond, see a significant ramp up in revenues. Recognising that our shareholders would like greater clarity on Insig's penetration of and growth trajectory in our target markets, as soon as the Company has secured some of these near-term opportunities and has as expected, increased its base of run-rate revenues and demonstrated a track record in converting opportunities from initial conversations, through trials to initial commercial agreements, we will be in a position to communicate the size and value of our near term and longer term pipeline as well as other related financial KPIs.

It is the Board's intention to release a year-end trading update in April 2022 outlining what we believe to be the relevant KPIs for Insig AI and how we aim to address each of them.

Including our Sport in Schools business, Group revenue was £0.9 million and the operating loss for the period before exceptional items which related to the cost of the reverse takeover was £0.3 million. Whilst our core focus is on the machine learning business, it is encouraging to note the resilience of the Sports in Schools business and its operating profitability.

At 30 September 2021, net cash was £2.3 million. This excluded a receipt of £0.7 million in relation to our R&D tax credit. This was received after the period end.

It is rare for a business to be in the right place at the right time. We are at the intersection of ESG and the AI market. The demand for data driven tools has been further amplified by the global focus on ESG investing and regulation.

As a tech company, we are well set up to enable our team to work remotely. When Covid hit and lockdown was enforced, the transition to home working appeared seamless. Whilst our machine learning tools do not require personal interaction, when it comes to creativity, we all benefit from not being confined to a virtual means of communication. Whilst this is of course beyond our control, I hope that 2022 will see a return to normality.

Having the necessary skills to take advantage of what the market opportunity has to offer is essential. I am therefore delighted that Colm is now our Chief Commercial Officer. He has already demonstrated his worth, using techniques to better showcase our technology, but crucially, other steps to both accelerate as well as improve the likelihood of moving from product trials to contracted revenues.

I am proud of the work that we have delivered to CarVal and I'm hugely excited about supporting its business in 2022. This is a huge and important opportunity for Insig AI. Whilst CarVal is clearly a market leader, when it comes to ESG, the US market lacks the appetite that we have seen in the UK, France and Germany. Therefore, for 2022, these markets will be our geographical focus.

In terms of personnel, we have a rich source of talent. However, at 32, numerically, our team is small. In recent months, much work has been done to focus our team and allocate our resources efficiently. We have been putting the tools and people in place to do so. I fully expect further hires will be required in due course but will be muted in the second half of the year, whilst we focus on converting the current pipeline. However, by the summer, we will likely continue to expand assuming the business case supports this.

Our objective and focus is clear. Revenue that is scalable, repeatable, and growing aggressively. We are now well positioned to deliver on this objective.

Current trading and outlook

Each month continues to be busier than the last and I fully expect this to continue. Since 1 October, we have released Insig Portfolio 2, delivered our ESG scoring solution to Carval, appointed Colm McVeigh as Chief Commercial Officer, completed the acquisition of FDB and closed three new contract wins, two of which we have already announced.

I am pleased to report that both in the coming quarter and beyond, I expect this momentum to build very significantly. We have multiple opportunities: within the asset management industry, most notably for our ESG data scoring, bespoke ESG solutions, corporate sales and our data sourcing and machine learning analytics. Our Portfolio Insights tool can now be incorporated into our ESG solutions. We are also excited to progress our partnership revenue share opportunities, where the scale of revenue streams can be a multiple of a SaaS sale. Beyond the asset management industry, the 4Bio contract win has shown that we are able to apply our machine learning capabilities to other sectors. In the New Year, I hope to be able to provide further evidence of our ability to sell to another vertical. The coming quarter and 2022 should demonstrate our ability to secure multiple contract wins, as we successfully leverage our machine learning technology and exploit it, so it fuels fast growing and increasingly higher margin revenues. I look forward to a very exciting 2022.

Steven Cracknell
21 December 2021

Consolidated statement of comprehensive income for the 6 months ended 30 September 2021

	Unaudited 6 months ended 30 September 2021	Unaudited 6 months ended 30 September 2020
	£000	**£000**
Revenues from trading activity	896	196
Cost of revenues	(477)	(281)
	419	(85)
Administrative expenses	(2,215)	(567)
Amortisation of intangible assets	(204)	-
Other operating income:		
Realised gain on share investment	1,436	-
Coronavirus Job Retention Scheme and local government grants	106	364
Operating loss from continuing activities	(458)	(288)
Finance income	4	1
Finance costs	(15)	-
Loss before exceptional item	(469)	(287)
Exceptional items – non- recurring costs	(375)	-
Loss before taxation	(844)	(287)
Taxation	194	-
Loss after taxation from continuing activities	(650)	(287)
Other comprehensive income	-	-
Total comprehensive loss	(650)	(287)
Attributable to:		
Owners of the company	(663)	(277)
Non-controlling interests	13	(10)
	(650)	(287)
Loss per share (basic and diluted)		
Loss per share from continuing activities	(0.0074)p	(0.0069)p

Consolidated statement of financial position as at 30 September 2021

	Unaudited At 30 September 2021	Audited At 31 March 2021
	£000	**£000**
Non- current assets		
Unlisted investments	-	1,500
Goodwill and patents	26,677	60
Development costs	5,035	-
Property, plant and equipment	347	54
Total non-current assets	32,059	1,614
Current assets		
Trade and other receivables	1,595	397
Cash and cash equivalents	2,274	935
Total current assets	3,869	1,332
Total assets	**35,928**	**2,946**
Current liabilities – due within 12 months		
Trade and other payables	524	566
Leasing commitments	8	8
Convertible unsecured loan notes	-	414
Bank loan – (unsecured)	36	36
Total current liabilities	568	1,024
Non-current liabilities – due after 12 months		
Leasing commitments	296	38
Bank loan – (unsecured)	195	204
Deferred taxation	617	-
Total non-current liabilities	1,108	242
Total liabilities	**1,676**	**1,266**
NET ASSETS	**34,252**	**1,680**
Equity		
Share capital	3,040	2,480
Share premium	35,154	3,040
Merger reserve	976	326
Other reserves	-	102
Retained earnings	(4,865)	(4,202)
Equity attributable to owners of the company	**34,305**	**1,746**
Non-controlling interest	(53)	(66)
TOTAL EQUITY	**34,252**	**1,680**

Consolidated statement of changes in equity for the 6 months ended 30 September 2021

	Unaudited 6 months ended 30 September 2021 £000	Audited 15- month period ended 31 March 2021 £000
Total equity at the beginning of the period	**1,680**	**554**
Issue of shares	33,131	2,063
Share issue costs	(435)	(22)
Share based payments	-	23
Merger reserve on acquisition of Insig Partners Limited	650	-
Equity component of convertible loan notes	(124)	124
Loss for the period	(650)	(1,062)
Total equity at end of the period	**34,252**	**1,680**

Consolidated statement of cash flows for the 6 months ended 30 September 2021

	Unaudited 6 months ended 30 September 2021 £000	Unaudited 6 months ended 30 September 2020 £000
Operating cash flow		
Loss from continuing activities	(844)	(287)
Adjustments for:		
Finance income	(4)	(1)
Finance expense	15	-
Share based payments	-	
Depreciation and amortisation	1,178	3
Working capital on susidiary acquisition	(410)	-
Realised gain on share investment	(1,436)	-
Operating cash flow before working capital movements	**(1,501)**	**(285)**
Increase in receivables	(105)	(31)
Decrease in payables	(42)	(21)
Net cash absorbed by operations	**(1,648)**	**(337)**
Cash flow from investing activities		
Development expenditure	(1,182)	-
Property, plant and equipment acquired	(6)	-
Finance income	4	1
Net cash used in investing activities	**(1,184)**	**1**
Financing activities		
Funds from share issues	6,145	-
Cash consideration to shareholders of the acquired company	(1,442)	-
Share issue costs paid	(435)	-
Funds from bank loan	-	240
Finance expense	(10)	-
Repayment of leasing liabilities and bank borrowings	(87)	-
Net cash from financing activities	**4,171**	**240**
Net increase/(decrease) in cash and cash equivalents	**1,339**	**(96)**
Cash and cash equivalents at the beginning of the period	935	461
Cash and cash equivalents at the end of the year	**2,274**	**365**

Notes to the financial statements for the 6 months ended 30 September 2021

1. General information

Insig AI Plc (the "Company") is a company domiciled in England and its registered office address is 30 City Road, London EC1Y 2AB. The condensed consolidated interim financial statements of the Company for the 6 months ended 30 September 2021 comprise the Company and its subsidiaries (together referred to as the "Group").

The condensed consolidated interim financial statements do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006.

The consolidated financial position at 31 March 2021 has been extracted from the statutory accounts and the auditors' report on those statutory accounts was unqualified. A copy of those accounts has been filed with the Registrar of Companies.

The Group has presented its results in accordance with the measurement principles set out in International Financial Reporting Standards as adopted by the EU ("IFRS") using the same accounting policies and methods of computation as were used in the annual financial statements for the 15 months ended 31 March 2021 with exception of the application of new accounting standards. As permitted, the interim report has been prepared in accordance with the AIM rules for companies but is not compliant in all respects with IAS34 'Interim Financial Statements'.

The condensed consolidated interim financial statements do not include all the information required for full annual financial statements and therefore cannot be construed to be in full compliance with IFRS.

The condensed consolidated interim financial statements were approved by the board and authorised for issue on 21 December 2021.

2. Acquisition of Insig Partners Limited (formerly Insight Capital Limited)

On 10 May 2021, the Company acquired the balance of shares in Insig Partners Limited's not already owned and obtained control.

To facilitate the acquisition of Insig Partners Limited, in May 2021 the Group raised £6.1 million (before expenses) via a placing of 9,172,375 new ordinary shares of 1 pence each of the Company ("Ordinary Shares") at 67 pence per share, a 14 per cent. premium to the closing share price of the Ordinary Shares which was 59 pence per share on 3 September 2020, being the last business day before the Ordinary Shares were suspended from trading.

The funds were used to pay the cash element of the consideration paid to acquire the Insig Partners Limited shares of £1,442,000, to settle in cash professional costs relating to the acquisition and issue of the shares of £1,006,000 of which £670,000 was incurred in the six month period ended 30 September 2021 and for general working capital purposes, namely investing in the enlarged Group's team of developers, engineers and sales and marketing employees to accelerate product growth and business development activities.

In addition to the cash consideration, 44,819,161 new Ordinary Shares were issued at 59 pence per share, the closing middle market price of 59 pence per Ordinary Share on 3 September 2020 (being the last business day before the Ordinary Shares were suspended) as consideration shares to the former owners of Insig Partners Limited.

The convertible loan notes issued by the Company were converted in May 2021 into 2,000,000 new Ordinary Shares issued at 25 pence per share.

The following number of Ordinary Shares were admitted to trading on AIM on 10 May 2021:

	No.
Placing Shares	9,172,375
Consideration Shares	44,819,161
Convertible Loan Note Shares	2,000,000

Following the issue of the new Ordinary Shares, the Company has 98,653,174 Ordinary Shares in issue with full voting rights.

Total transaction costs are summarised below as follows:

Transaction costs	**Charged against comprehensive income**	**Share premium issue costs**	**Total costs**
	£000	**£000**	**£000**
Costs recognised to 31 March 2021	314	22	**336**
Costs incurred and paid to 30 September	235	435	**670**
Total	549	457	**1,006**

The acquisition was classified as a reverse takeover under the AIM rules. The directors have given consideration to the method of accounting to be applied and concluded that it meets the definition of a business combination under IFRS 3 and Insig AI Plc has been identified as the accounting acquirer for these purposes. The Group has accounted for the acquisition by applying the acquisition method of accounting, rather than applying reverse accounting under IFRS 3.

The investment in Insig Partners Limited will be recognised at the fair value of the consideration given:

	£000
Consideration shares issued - 44,819,161 shares	30,029
Cash consideration	1,442
Total consideration	**31,471**
Fair value of net assets on acquisition (see below)	(4,650)
Goodwill recognised on acquisition	**26,821**

The value of the consideration shares has been determined in accordance with IFRS 3 applying the acquisition-date fair values of the equity interests issued by the acquirer. The fair value on the acquisition date is considered to be 67 pence per share, being the price at which the placing shares were issued on the same day.

Goodwill referred to above forms part of the total goodwill included in non- current assets before amortisation.

As the Company held an interest in Insig Partners Limited prior to the acquisition in May 2021, the fair value of which amounted to £2,936,000, the Group has therefore recognised a gain of £1,436,000 over the original cost of investment because of measuring at fair value its 9.4 per cent. equity interest in Insig Partners Limited held before the business combination. This gain has been included in other income in the Company's statement of comprehensive income.

The identifiable assets and liabilities on acquisition comprised:

	£000
Cash	180
Financial assets	1,084
Property, plant and equipment	345
Identifiable Intangibles	4,749
Financial liabilities	(1,708)
Total consideration	4,650

No fair value adjustments are considered necessary at the date of these financial statements other than in relation to identifiable intangible assets as referred to below.

Goodwill of £26,821,000 from this acquisition is based on the book values of Insig Partners Limited as set out above and arises largely from the expected growth in the AI and machine learning industry and collective expertise of the workforce in developing and delivering the business's product range. The allocation between amounts recognised as goodwill includes the fair value on acquisition of customer lists of £5,200,000 which is subject to amortisation over 10 years. The amortisation recognised in these financial statements is £204,000. The remaining goodwill on acquisition of £21,621,000 representing the valuation of intellectual property has not yet been assessed for any fair value adjustments and will be subject to an annual impairment review at the Group's year end 31 March 2022.

3. Basic and diluted loss per share

Comprehensive loss per share for the six months ended 30 September 2021 has been calculated on the comprehensive loss attributable to owners of the Company of £663,000 and on the weighted average number of shares in issue during the period of 89,182,000.

Comprehensive loss per share for the 6 months ended 30 September 2020 has been calculated on the comprehensive loss attributable to owners of the Company of £277,000 and on the weighted average number of shares in issue during the period of 39,702,000.

In view of Group losses for all periods, share options and warrants to subscribe for ordinary shares in the Company are anti-dilutive and therefore diluted earnings per share information is not presented.

4. Impact of the Covid-19 pandemic

As indicated in our most recent annual report for the 15 months ended 31 March 2021, Sport in Schools (SSL) have continued their recovery and have returned to trading profitably following cost cutting and other operating efficiencies implemented during the periods of lockdown in 2020 as well as having taken full advantage of the Government's extended Covid-19 business support schemes which continued into 2021 and mitigated the adverse financial impact of renewed school closures earlier in 2021.

With schools having re-opened and many activities continuing at broadly pre-pandemic levels, the directors are hopeful that SSL revenue and profitability will continue. However, as we have seen previously, the ongoing impact of the global pandemic continues to evolve and it is difficult for the directors to predict with certainty whether there will be further restrictions to school operations and sporting activities that would once again affect SSL operations.

The pandemic has had little financial impact on the Group's machine learning activities following its acquisition of Insig Partners Limited in May 2021.

5. Business segment analysis

	Machine learning Technolog y £000	Sports & Leisure £000	Total £000
Turnover	217	679	896
Costs attributable to segment	(1,440)	(578)	(2,018)
Segmental operating profit/(loss)	(1,223)	101	(1,122)
Group operating expenses			(568)
Amortisation of goodwill			(204)
Gain on rebasing 9.4% initial investment to fair value			1,436
Operating loss			(458)
Non- recurring costs – see note below		(375)	
Finance income		4	
Finance costs		(15)	
			(386)
Loss before tax from all activities			(844)
Taxation credit			194
Loss after tax from all activities			(650)

- Non-recurring costs of £375,000 comprise fees paid following the acquisition of Insig Partners Limited of £235,000 and share transaction stamp duty of £140,000 taken to the comprehensive income statement.

- The loss in the six months to 30 September 2020 set out in the Consolidated Statement of Comprehensive Income arose from the Group's sports and leisure activities.

6. Related party transactions.

The following related party transactions were recognised in the six-month period to 30 September 2021:

On 20 April 2021 the Company entered into an acquisition agreement with Steve Cracknell, Warren Pearson, Anna Mann and Nikhil Srinivasa (the "Principal Insight Sellers") to acquire their shareholdings in Insight Partners Limited. The consideration paid by the Company to the Principal Insight Sellers was, in aggregate, 28,405,979 consideration shares at a price of 59 pence per Ordinary Share and an aggregate cash payment of £812,329.

On 20 April 2021 the Company also entered into a minority acquisition agreement with each of the other shareholders of Insight Partners Limited (the "Minority Insight Sellers"). The consideration paid by the Company to the Minority Insight Sellers was, in aggregate, 9,783,431 consideration shares at a price of 59 pence per Ordinary Share and an aggregate cash payment of £339,727.

Richard Bernstein

Following the completion of the Company’s acquisition of Insig Partners Limited in May 2021 and prior to his appointment as a director in August 2021, a payment of £352,629 (including vat) was paid to Mr Bernstein in accordance with an introduction agreement made between himself and the Company in February 2018 in which he as introducer would become entitled to a fee of 1% of the value from this first acquisition by the Company.