UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): March 3, 2022

Innovid Corp.

(Exact name of registrant as specified in its charter)

Delaware	001-40048	87-3769599
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

30 Irving Place, 12th Floor

New York, NY 10003

(Address of principal executive offices) (Zip Code)

(212) 966-7555

(Registrant's telephone number, include area code)

N/A
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.0001 per share	CTV	New York Stock Exchange
Warrants to purchase one share of common stock, each at an exercise price of $11.50 per share	CTVWS	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

As previously reported in a Current Report on Form 8-K on March 3, 2021 (the “Original Filing”), Innovid Corp. (the “Company”) completed its acquisition (the “Acquisition”) of TV Squared Limited, a private company limited by shares incorporated under the laws of Scotland (“TV Squared”) pursuant to a Stock Purchase Agreement (the “SPA”) with TV Squared, the stockholders of TV Squared set forth on Annex I of the SPA (collectively, the “Sellers”) and Shareholder Representative Services LLC, a Colorado limited liability company, solely in its capacity as security holders representative.

This Current Report on Form 8-K/A amends the Original Filing to include the financial statements and pro forma information required by Item 9.01.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired

The audited consolidated financial statements of TV Squared and its subsidiaries as of and for the year ended December 31, 2021 and the related notes thereto are filed herewith as Exhibit 99.1. The consent of TV Squared's independent accountant is filed as Exhibit 23.1 to this Form 8-K/A and is incorporated herein by reference.

(b) Pro Forma Financial Information

The unaudited pro forma condensed combined financial information for the year ended December 31, 2021 and the notes to the unaudited pro forma condensed combined financial information, all giving effect to the Acquisition, are filed herewith as Exhibit 99.2

(d) Exhibits

Exhibit No	Description
23.1	Consent of Independent Accountant Ernst & Young LLP
99.1	Audited Consolidated Financial Statements of TV Squared as of and for the year ended December 31, 2021
99.2	Innovid Corp. Unaudited Pro Forma Condensed Combined Financial Information
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

	INNOVID CORP.	
Date: May 9, 2022	By:	/s/ Tanya Andreev-Kaspin
	Name:	Tanya Andreev-Kaspin
	Title:	Chief Financial Officer

Exhibit 23.1

Consent of Independent Auditor

We consent to the incorporation by reference in Registration Statement (Form S-1 No. 333-251784), Registration Statement (Form S-1 No. 333- 264324) and Registration Statement (Form S-8 No. 333-262537) of our report dated May 09, 2022, relating to the consolidated financial statements of TV Squared Limited (the "Company") as of and for the year ended December 31, 2021 appearing in this Amended Current Report on Form 8-K of Innovid Corp.

/s/ Ernst & Young LLP

Edinburgh, Scotland

May 09, 2022

REPORT OF INDEPENDENT AUDITOR

Qualified Opinion

We have audited the consolidated financial statements of TV Squared Limited (the Company), which comprise the Group Statements of Financial Position as of December 31, 2021, and the related Group Income Statement, Group Statement of Comprehensive Loss, Group Statement of Changes in Equity and Group Statement of Cash Flows for the year then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, except for the omission of the information described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021, and the results of its operations and its cash flows for the years then ended in accordance with United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK" (United Kingdom Generally Accepted Accounting Practice).

Basis for Qualified Opinion

As discussed in Note 1, the accompanying consolidated financial statements of TV Squared Limited are presented solely to comply with Rule 3-05 of Regulation S-X and do not include comparative financial information as required by United Kingdom Accounting Standards under section 3,14 of FRS 102 "The Financial Reporting Standard applicable in the UK" (United Kingdom Generally Accepted Accounting Practice).

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice., and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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 of 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 absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

REPORT OF INDEPENDENT AUDITOR (continued)

In performing an audit in accordance with GAAS, we:

a. Exercise professional judgment and maintain professional skepticism throughout the audit.
b. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks.
c. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
d. 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. Accordingly, no such opinion is expressed.
e. Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
f. Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

/s/ Ernst & Young LLP

Edinburgh, Scotland

May 09, 2022

Group Income Statement

for the year ended 31 December 2021

	Note	2021 $
Revenue	4	21,985,812
Cost of sales		(3,465,354)
Gross profit		18,520,458
Research & development expenses		(5,734,448)
Sales & marketing expenses		(12,390,052)
Administration expenses		(8,941,203)
Total operating expenses	5,6	(27,065,703)
Operating loss		(8,545,245)
Interest earned		42
Interest paid		(1,173,846)
Loan forgiveness		624,627
Gain or loss on disposal of assets		(119)
Loss before taxation		(9,094,541)
Corporation tax	8	466,788
Loss for the financial year		(8,627,753)

Group Statement of Comprehensive Loss

for the year ended 31 December 2021

	2021 $
Loss for the financial year	(8,627,753)
Exchange differences on retranslation of foreign operations	(51,340)
Total other comprehensive loss	**(51,340)**
Total comprehensive loss for the year	**(8,679,093)**

The notes on pages 7 to 23 form part of these financial statements.

Group Statement of Financial Position

at 31 December 2021

	Notes	2021 $
Non-current assets		
Intangible assets	9	94,384
Tangible assets	10	148,637
		243,021
Current Assets		
Debtors: within one year	11	4,385,177
Cash at bank and in hand		4,460,841
		8,846,018
Current Liabilities		
Creditors: amounts falling due within one year	12	(7,833,611)
Net current assets		1,012,407
Non-current liabilities		
Creditors: amounts falling due after more than one year	13	(1,415,000)
Net liabilities		(159,572)
Capital and Reserves		
Called up share capital	16	88,606
Share premium account		29,956,048
Profit and loss account		(30,204,226)
Equity Shareholders' Funds		(159,572)

The notes on pages 7 to 23 form part of these financial statements.

Group Statement of Changes in Equity

for the year ended 31 December 2021

	Share capital	Share premium	Retained earnings	Total equity
	$	$	$	$
Balance at 31 December 2020	85,234	26,595,742	(26,762,943)	(81,967)
Share issue during the year	4,600	3,780,983	—	3,785,583
Share based payment	—	—	4,815,905	4,815,905
Translation reserves	(1,228)	(420,677)	421,905	—
Loss for the year	—	—	(8,627,753)	(8,627,753)
Other comprehensive loss	—	—	(51,340)	(51,340)
Balance at 31 December 2021	**88,606**	**29,956,048**	**(30,204,226)**	**(159,572)**

The notes on pages 7 to 23 form part of these financial statements.

Group Statement of Cash Flows

for the year ended 31 December 2021

	2021
	$
Loss for the year	**(8,627,753)**
Adjustments for non cash expenses and working capital movements:	
Depreciation	73,798
Amortization	118,359
Employee share option expense	4,815,905
Unrealized currency translation gain / (loss)	(2,973)
Loan forgiveness	(624,627)
Interest income and expense	1,173,846
Increase in trade debtors & prepayments	(1,141,533)
Increase in trade creditors & accruals	1,128,253
Net cash outflow from operating activities:	(3,080,545)
Capital expenditure	(131,834)
Proceeds from disposal of asset	(491)
Net cash outflow from investing activities	(132,325)
New long-term loans	2,800,000
Interest paid	(278,775)
Finance lease	(1,632)
Net cash inflow from financing activities	2,549,601
Net decrease in cash in period	(693,269)
Opening cash	5,172,086
Net decrease in cash in period	(693,269)
Effect of currency translation on opening cash held	(17,976)
Closing cash	4,460,841

The notes on pages 7 to 23 form part of these financial statements.

Notes to the financial statements
for the year ended 31 December 2021

1. Company Information

Statement of compliance
TV Squared Limited is a private company limited by shares incorporated in Scotland. The Registered Office is WeWork 80 George Street, Edinburgh, EH2 3BU. The Group's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Group for the year 31 December 2021.

These consolidated financial statements of TV Squared Limited are presented solely to comply with Rule 3-05 of Regulation S-X and do not include comparative financial information as required by FRS102.3.14. These consolidated financial statements are not the statutory financial statements of TV Squared Limited. The statutory financial statements of TV Squared Limited have been submitted to the registrar and the audit report thereon is unqualified.

The principal accounting policies adopted in the preparation of the financial statements are set out below and have been consistently applied within the same accounts. The Group financial statements are prepared in United States dollars which is considered the reporting currency of the Group and are considered with rounding to the nearest Dollar.

2. Critical Accounting judgements and key sources of estimation uncertainty
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognized in the financial statements.

Going concern
The Group has incurred a net loss for the year of $8.6m, and was financed by the external lending via the convertible loan notes and bank term loan. In October 2021, the Group received an additional $2.8m investment by way of issuance of convertible loan notes from existing investors. As outlined in note 22, the Group was acquired by Innovid post year end, at which point all external funding obligations were repaid in full.

The financial statements have been prepared on a going concern basis which assumes that the Group will continue in operational existence for the foreseeable future and meet its liabilities as they fall due. Management's assessment on going concern has been based on Innovid confirming through the provision of a letter of support that it will provide access to sufficient funding as necessary to enable the Group to settle its liabilities as they fall due through the going concern period (to 30 June 2023).

Innovid has prepared financial projections through 30 June 2023 which are based on Innovid's business plan and considers the prospects of the wider Innovid group for that period for the purposes of a going concern assessment. As part of this process, there have been sensitivity analyses performed. The most severe adverse scenario forecasted shows that the Group will retain sufficient cash to meet its financial obligations through 30 June 2023, without the need for additional funding.

Income and other taxes
The Group has generated tax losses. Based on the Group's business plans, it is not anticipated that the tax losses will be recoverable in the near term and therefore a deferred tax asset has not been recognized on the balance sheet.

In determining the research and development tax credit recoverable for the financial year, the Group makes estimates and assumptions on the value of projects undertaken which have sought an advance in the Group's technology services and had an uncertain outcome prior to a full tax computation being undertaken.

Notes to the financial statements (continued)
for the year ended 31 December 2021

2. Critical Accounting judgements and key sources of estimation uncertainty (continued)
Share-based payments
The Group issued equity-settled share options to certain employees of the Company and its 100% owned subsidiaries (collectively "the Group").

The cost of employee services received (compensation expenses) in exchange for awards of equity instruments are recognized based upon the grant date fair value of stock options. The grant date fair value of stock options is estimated using a Black-Scholes option valuation model. This Black-Scholes option valuation model requires the use of assumptions, including expected stock price volatility, the estimated life of each award and the estimated dividend yield. The risk-free interest rate used in the model is determined, based on the zero-coupon UK Government bonds with a redemption period in line with the expected term of the option.

The total gross amount of recognized expenses associated with share-based payments was 2021: $4,815,905.

The current share-based payment plans do not provide for cash settlement of options and have thus been accounted for on an equity-settled basis.

Revenue Recognition
Revenue is recognized to the extent that the Group obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. Revenue is recognized through the provision of services; the recognition criteria depends upon the type of service provided and is therefore recognized differently across separate services in a contract.

Flat rate fees
For customers invoiced on a flat rate basis, fees are spread evenly across the contract term from the contract start date to the contract end date.

Usage fees
For customers invoiced on a usage basis, estimated usage is calculated monthly using historical rates and/or customer estimates until actual usage is known. Any adjustments are recorded in the month actual usage is finalized.

One-off fees
Setup or other one-time fees are recognized when the service, as determined by the contract with each customer, has been provided. Milestones are used to determine revenue where detailed by the contract.

Development fees
Where customers are charged fees to develop additions or amendments to the software, a percentage of completion is calculated based on developer time.

Notes to the financial statements (continued)
for the year ended 31 December 2021

2. Critical Accounting judgements and key sources of estimation uncertainty (continued)
Accrued and deferred revenue
Where revenue on a contract is recognized in advance of invoicing, the asset is presented as accrued income. Where amounts invoiced exceed the revenue recognized on a contract, the liability is presented as deferred revenue.

3. Accounting policies

Basis of consolidation
The Group financial statements consolidate the financial statements of TV Squared Limited and all its subsidiary undertakings drawn up to 31 December of each year.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities.

The Group income statement and statement of cash flows also include the results and cash flows of TVSquared Inc. and TV Squared GmbH for the year ended 31 December 2021.

Financial Instruments
The Group initially recognizes financial assets at their transaction price. Financial Instruments that are payable within one year are measured at the undiscounted amount of cash expected to be paid. Financial Instruments that are payable greater than one year are measured at amortized cost using the effective interest method.

Notes to the financial statements (continued)
for the year ended 31 December 2021

3. Accounting policies (continued)

Intangible Assets
Intangible assets acquired separately from a business are capitalized at cost. Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortization and accumulated impairment. Intangible assets are amortized on a straight-line basis over their estimated useful life. The carrying value of intangible assets is reviewed for impairment annually or if events or changes in circumstances indicate the carrying value may not be recoverable.

The useful economic lives of intangible assets are as follows:

Software	- over 5 years

A period of 5 years was chosen to reflect the quick changing nature of software within Advertising measurement industry.

If there are indicators that the residual value or useful life of an intangible asset has changed since the most recent annual reporting period previous estimates shall be reviewed and, if current expectations differ the residual value, amortization method or useful life shall be amended.

Tangible fixed assets and depreciation
Tangible fixed assets are stated at cost less accumulated depreciation and impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over their expected useful lives as follows:

Computer equipment	- over 3 years
Fixtures & fittings	- over 3 years
Cycle Scheme	- over 1 year

The carrying values of tangible fixed assets are reviewed for indicators of impairment on an annual basis or when events or changes in circumstances indicate the carrying value may not be recoverable.

Research and development
In accordance with FRS 102 18.8B, the Group cannot distinguish the research phase from the development phase of internal research and development projects to create an intangible asset, and therefore all research and development costs are expensed directly through the income statement as and when incurred.

Investments
Investments are initially measured at cost plus any transaction costs. At each year-end, these are considered for any impairment based upon future cash flows and financial performance.

Provision for liabilities
A provision is recognized when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Foreign currencies
The presentation currency of the Group is United States Dollars. Income and expenses for each overseas subsidiary are translated at average exchange rate for the month.

Exchange differences arising on translation of the net assets in overseas subsidiaries at the beginning of the year, together with those differences resulting from the restatement of profits and losses from average to year end rates, are taken to the currency translation reserve through other comprehensive income. Reserves denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All resulting exchange differences are recognized in other comprehensive income, in retained earnings.

Notes to the financial statements (continued)
for the year ended 31 December 2021

3. Accounting policies (continued)

Cash and cash equivalents
Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity date of three months or less. For the purpose of the consolidated cash
flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Short-term debtors and creditors
Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at the transaction price. Any losses arising from impairment are recognized in the income statement in other operating expenses.

Finance costs
All costs relating to raising of debt finance are recognized as an expense through the Income Statement at the time that the finance is arranged. All costs relating to equity finance including issue of new equity are capitalized as a cost of raising capital with share premium.

Leasing and hire purchase commitments
Tangible fixed assets acquired under hire purchase contracts and finance leases are included in the balance sheet at their equivalent capital value and are depreciated over the shorter of the lease term and their useful lives. The corresponding liabilities are recorded as a creditor and the interest element of the finance lease rentals is charged to the income statement on an annuity basis.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Pensions
The Company operates a defined contribution pension scheme, open to all UK members of staff. Contributions to the defined contribution scheme are recognized in the profit and loss accounting the period in which they become payable.

4. Revenue

Revenue represents the amounts derived from the provision of services which fall within the Group’s ordinary activities, stated net of sales or value added taxes.

The Group operates across multiple geographical markets including, but not exclusively, the United Kingdom, the United States, the rest of Europe and Australia.

Revenue is analyzed as follows:
Group revenue

	2021
	$
United States of America	16,372,667
United Kingdom	2,973,442
Rest of Europe	1,921,908
Rest of World	717,795
Total	**21,985,812**

Notes to the financial statements (continued)
for the year ended 31 December 2021

5. Group operating loss

The operating loss is stated after charging:	**2021**
	$
Depreciation of owned assets	73,802
Depreciation of assets held under finance leases and hire purchase contracts	151
Share option charge	4,815,905
Amortization of intangible assets	118,359
Foreign exchange differences	33,999

6. Auditor's remuneration

The remuneration of the auditor or its associates for 2021 was $202,500. The fee included the Group audit and all its associates.

There were no further services provided by the auditor or its associates in 2021.

7. Staff costs

Staff costs were as follows:	**2021**
	$
Wages and salaries	15,200,696
Social Security costs	1,946,326
Other pension costs	307,682
	17,454,704

Included within Group wages and salaries is a total expense of share-based payments of $4,815,905 of which $4,815,905 arises from transactions accounted for as equity-settled share-based payment transactions.

Included within Group other pension costs are $307,682 in respect of the defined contribution scheme.

Group

	2021
	No.
Sales and Marketing	57
Development	44
Administration	12
	113

Directors' remuneration

	2021
	$
Aggregate remuneration in respect of qualifying services	911,238
Aggregate amounts receivable under long term incentive schemes	—

Notes to the financial statements (continued)

for the year ended 31 December 2021
7. Staff costs (continued)

	2021 No.
Number of directors who received shares in respect of qualifying services	—
Number of directors who exercised share options	—
Number of directors accruing benefits under defined benefit schemes	—

	2021
In respect of the highest paid director:	$
Aggregate remuneration	401,856
Accrued pension at the end of the year	—
Accrued lump sum at the end of the year	—

Notes to the financial statements (continued)

for the year ended 31 December 2021

8. Tax

(a) Tax on loss on ordinary activities

The tax charge is made up as follows:

	2021
	$
Current tax:	
UK corporation tax at 19%	(479,393)
Foreign tax	12,605
Total current tax	**(466,788)**

(b) Factors affecting the total tax charge

The tax assessed on the loss on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19%. The differences are reconciled below:

	2021
	$
Loss on ordinary activities before tax	(9,094,541)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	(1,727,963)
Operating losses earned outwith UK by Group companies	352,137
Expenses not deductible for tax purposes	220,112
Capital allowances	(19,270)
Losses arising in the year not achievable against current tax	1,174,984
R&D expenditure credits	(479,393)
Taxes on operating losses earned outwith UK by Group companies	12,605
Tax on loss on ordinary activities	**(466,788)**

(c) Factors that may affect future tax charges

The Group has tax losses arising in the UK of £12,305,234 that are available indefinitely for offset against future taxable profits of TV Squared Limited, the Parent Company. Deferred tax losses have been not recognized in respect of these losses in the current year as there in uncertainty over whether Group is forecast to become profitable in the next 12 months.

The standard rate of UK corporation tax for 2021 was 19% and is expected to rise to 25% for companies with profits over £250,000 with effect from 1 April 2023.

Notes to the financial statements (continued)
for the year ended 31 December 2021

9. Intangible fixed assets

	Computer Software	Total
	$	$
Cost:		
At 1 January 2021	610,200	610,200
Exchange adjustment	(43,900)	(43,900)
At 31 December 2021	**566,300**	**566,300**
Amortization:		
At 1 January 2021	386,460	386,460
Charge for year	118,359	118,356
Exchange adjustment	(32,903)	(32,903)
At 31 December 2021	**471,916**	**471,916**
Net book value:		
At 31 December 2020	223,740	223,740
At 31 December 2021	**94,384**	**94,384**

Notes to the financial statements (continued)
for the year ended 31 December 2021

10. Tangible Assets

	Computer equipment	Fixtures & fittings	Cycle Scheme	Total
	$	$	$	$
Cost:				
At 1 January 2021	279,593	54,007	8,953	342,553
Additions	127,490	—	4,344	131,834
Exchange adjustment	(5,409)	(1,478)	(255)	(7,112)
Disposals	(12,814)	(58)	—	(12,872)
At 31 December 2021	**388,860**	**52,471**	**13,072**	**454,403**
Depreciation:				
At 1 January 2021	194,217	46,808	7,993	249,018
Charge for year	66,134	3,930	3,734	73,798
Exchange adjustment	(3,551)	(1,199)	(204)	(4,954)
Eliminated on disposals	(12,096)	—	—	(12,096)
At 31 December 2021	**244,704**	**49,539**	**11,523**	**305,766**
Net book value:				
At 31 December 2020	85,376	7,199	960	93,535
At 31 December 2021	**144,156**	**2,932**	**1,549**	**148,637**

Included in the amounts for fixtures and fittings above are the following amounts relating to leased assets and assets acquired under hire purchase contracts:

Group 2021	Total $
Cost:	
At 1 January 2021	8,619
Exchange adjustment	(117)
At 31 December 2021	**8,502**
Depreciation:	
At 1 January 2021	8,466
Charge for year	151
Exchange adjustment	(115)
At 31 December 2021	**8,502**
Net book value	
At 31 December 2021	—

Notes to the financial statements (continued)
for the year ended 31 December 2021

11. Debtors: amounts owed within one year

	2021
	$
Trade debtors	2,595,767
Other debtors	623,213
Prepayments and accrued income	1,166,196
	4,385,177

12. Creditors: amounts falling due within one year

	2021
	$
Trade creditors	515,372
Other taxes and social security costs	261,458
Other creditors and accruals	1,862,308
Deferred income	334,981
Obligations under purchase agreements	968
Convertible loan note	3,443,524
Loans (note 14)	1,415,000
	7,833,611

13. Creditors: amounts falling after more than one year

	2021
	$
Loans (note 14)	1,415,000
	1,415,000

Notes to the financial statements (continued)
for the year ended 31 December 2021

14. Loans

Loans repayable, included with creditors, are analyzed as follows:

	2021
	$
Payable within one year	1,415,000
Payable between two to five years	1,415,000
	2,830,000

The loan balance is in relation to a term loan entered into with Royal Bank of Scotland in December 2020 for $2.83m with a 3 year maturity. The loan is secured against a fixed and floating charge on all assets. This loan was repaid in full following the purchase of TV Squared Limited by Innovid as set out in the Post Balance Sheet Events note.

15. Obligations under leases and hire purchase contracts

The Group uses finance leases and hire purchase contracts to acquire fixtures and fittings. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the lessee.

Future minimum lease payments due under finance leases and hire purchase contracts:

Group

	2021
	$
Amounts payable:	
Within one year	1,228
In two to five years	—
	1,228
less: finance charges allocated to future periods	(259)
	969

The amount in relation to lease obligations recognized as an expense in the Group Income Statement is $434.

16. Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial assets and financial liabilities are measure at amortized cost

	2021
	$
Financial liabilities that are debt instruments measured at amortized cost	
Loan notes	3,443,524
Total Interest expense for financial liabilities not measured at FVTPL	643,524

Notes to the financial statements (continued)
for the year ended 31 December 2021

16. Allotted and Issued Share Capital

Allotted, called-up and fully-paid

	2021
	$
Ordinary shares of £0.10 each	48,210
A Series shares of £0.10 each	14,072
B Series shares of £0.10 each	16,326
C Series shares of £0.10 each	9,999
	88,607

	2021
	$
Ordinary shares of £0.10 each	
At 1 January	44,283
Issued shares	4,600
Effect of currency translation on ordinary shares	(673)
At 31 December	**48,210**

	2021
	$
A Series shares of £0.10 each	
At 1 January	14,265
Issued shares	—
Effect of currency translation on A series shares	(193)
At 31 December	**14,072**

	2021
	$
B Series shares of £0.10 each	
At 1 January	16,550
Issued shares	—
Effect of currency translation on B series shares	(224)
At 31 December	**16,326**

	2021
	$
C Series shares of £0.10 each	
At 1 January	10,136
Issued shares	—
Effect of currency translation on C series shares	(137)
At 31 December	**9,999**

Notes to the financial statements (continued)
for the year ended 31 December 2021

16. Allotted and Issued Share Capital (continued)

The Parent Company has four classes of shares, Ordinary shares, A Ordinary shares, B Ordinary Shares and C Ordinary Shares. The ‘C series’ shares have a 200% liquidation preference on their investment monies of £57.03 per share. The ‘B series’ shares have a 200% liquidation preference on their investment monies of £49.52 per share. Following from this, ‘A series’ shares have a 100% liquidation preference on their investment monies of £49.52 per share.

As at 31 December 2021, there were 98,183 ordinary shares reserved against share options for sale of shares. Ordinary shares do not have any liquidation preference. Details on each of the share option schemes are detailed below.

17. Reserves

The Group’s other reserves are as follows:

The share premium reserve contains the premium arising on issue of equity shares.

The profit and loss reserve represents cumulative losses.

18. Share Based Payments

Share Option Schemes
At 31 December 2021 the Group operated two share option schemes that entitle employees of the Group to purchase shares in the Parent Company: The Enterprise Management Incentive Scheme, and the US Incentive Stock Option sub-plan. Grants have been made to employees of the Parent Company and its subsidiaries in the period from 2013 to 2021 as detailed below. The fair value of share options granted is estimated at the grant date using the Black-Scholes method, a version of the Option Pricing Method.

Options have been granted to employees of the Group under an Enterprise Management Incentive scheme to subscribe for ordinary shares of the Group as follows:

Grant Date	Number of shares under option as at 31 December 2021	Exercise price per share	Vesting period
27 September 2013	398	£3.11	4 years from the date of grant
25 June 2015	12,536	£23.43	4 years from the date of grant
9 December 2015	2,766	£23.43	4 years from the date of grant
16 January 2017	2,750	£46.48	4 years from the date of grant
29 June 2017	7,996	£35.00	4 years from the date of grant
2 August 2018	2,768	£12.23	4 years from the date of grant
20 September 2018	2,080	£12.23	On an exit event by the company
6 November 2019	600	£85.71	4 years from the date of grant
22 October 2021	9,765	£5.05	On an exit event by the company

Notes to the financial statements (continued)
for the year ended 31 December 2021

18. Share Based Payments (continued)

Options have been granted to employees of TV Squared Inc under a US Incentive Stock Option plan to subscribe for ordinary shares of the Group as follows:

Grant Date	Number of shares under option as at 31 December 2021	Exercise price per share	Vesting period
1 February 2015	6,453	£4.79	4 years from the date of grant
29 January 2016	1,222	£23.43	4 years from the date of grant
29 June 2017	2,706	£35.00	4 years from the date of grant
2 August 2018	3,543	£12.23	4 years from the date of grant
20 September 2018	2,473	£12.23	On an exit event by the company
6 November 2019	466	£85.71	4 years from the date of grant
22 October 2021	29,109	£5.05	On an exit event by the company

The Board may at any time grant an EMI option or an ISO option to an employee. The options granted from 27 September 2013 to 2 August 2018, and on 6 November 2019 are not subject to any performance conditions and vest 25% on the first anniversary of the date of grant and 6.25% at the end of each quarter thereafter.

The options granted on 20 September 2018 and 22 October 2021 vest upon an exit event by the Group and achieving certain exit performance conditions.

The options are equity settled share-based payments and there are no cash settlement alternatives.

The expense recognized for share-based payments in respect of employee services received by the Group during the year to 31 December 2021 is $4,815,905. The portion of that expense arising from equity-settled share-based payment transactions is $4,815,905.

The following table illustrates the number of weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2021 No.		2021 WAEP
Outstanding at 1 January	67,231		£21.47
Granted during the year	38,914		£5.99
Forfeited during the year	(1,666)		£13.38
Exercised	—		—
Outstanding at 31 December	**104,479**	**£**	**15.84**
Exercisable at 31 December	**44,353**		**£24.44**

The weighted average fair value of options granted during the year was £153.62. The range of exercise prices for options outstanding at the end of the year was £3.11- £85.71.

As part of that purchase of TV Squared Limited by Innovid (note 22), all outstanding share options vested and were exercised. No new share option scheme had replaced this.

Notes to the financial statements (continued)
for the year ended 31 December 2021

19. Related Party Transactions

Peter Kern, a former director and shareholder of the Group, is also Vice Chairman and Chief Executive Officer of Expedia Group, Inc a customer of the Group. During the year, there was revenue to Expedia Group, Inc of $97,844 with $13,383 due from Expedia Group, Inc at year end.

20. Guarantees and Other Financial commitments

At 31 December 2021 the Group had no guarantees or capital commitments.

21. Ultimate Controlling Party

The ultimate and immediate Parent Company is now Innovid Corp, a company listed on the New York Stock Exchange.

22. Post Balance Sheet Events

On 28th February 2022 the entire shareholding of TV Squared Limited, the top entity in the TV Squared Group, was acquired by Innovid Corp (trading as 'CTV' on NYSE). As part of this transaction, the term loan with Royal Bank of Scotland the Convertible Loan note were settled and share options held by employees vested.

INNOVID CORP.
UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On February 6, 2022, Innovid Corp. ("Innovid") entered into a Stock Purchase Agreement with TV Squared Limited, a private company limited by shares incorporated under the laws of Scotland ("TV Squared"). On February 28, 2022 (the "Acquisition Date"), Innovid completed the acquisition of all outstanding equity interests in TV Squared, resulting in TV Squared becoming a wholly owned subsidiary of Innovid (as further described in Note 1, the "Acquisition"). The following unaudited pro forma condensed combined financial information ("Pro Forma Financial Information") is provided to aid you in your analysis of the financial aspects of the consummation of the Acquisition.

The Pro Forma Financial Information presents the unaudited pro forma condensed combined balance sheet ("Pro Forma Balance Sheet") as of December 31, 2021 and the unaudited pro forma condensed combined statement of operations ("Pro Forma Statement of Operations") for the year ended December 31, 2021. The Pro Forma Balance Sheet as of December 31, 2021 gives effect to the Acquisition as if it had been consummated on December 31, 2021. The Pro Forma Statement of Operations for the year ended December 31, 2021 gives effect to the Acquisition as if it had been consummated on January 1, 2021.

The Pro Forma Financial Information, including the notes thereto, is based upon and should be read in conjunction with Innovid's historical financial statements and related notes included in Innovid's Annual Report on Form 10-K for the year ended December 31, 2021, as filed with the United States Securities and Exchange Commission (the "SEC") on March 18, 2022, as well as the historical financial statements and related notes of TV Squared for the year ended December 31, 2021, included in Exhibit 99.2 of this Current Report on Form 8-K/A. Both Innovid's and TV Squared's fiscal years end on December 31.

TV Squared's historical financial statements were prepared in accordance with FRS 102, "The Financial Reporting Standard applicable in the UK" ("UK GAAP"), which differs in certain respects from accounting principles generally accepted in the United States ("U.S. GAAP"). Adjustments have been made to TV Squared's historical consolidated financial statements to estimate the conversion from UK GAAP to U.S. GAAP as well as reclassifications to conform TV Squared's historical presentation to Innovid's accounting presentation. The assumptions and estimates underlying the unaudited adjustments to the Pro Forma Financial Information are described in the accompanying notes, which should be read together with the Pro Forma Financial Information.

The Pro Forma Financial Information has been prepared in accordance with Article 11 of Regulation S-X, as amended by the SEC Final Rule Release No. 33-10786, "Amendments to Financial Disclosures About Acquired and Disposed Businesses." Release No. 33-10786 replaced the pro forma adjustment criteria with simplified requirements to depict the accounting for the transaction (the "Transaction Accounting Adjustments"). The Pro Forma Financial Information presents the Transaction Accounting Adjustments, which have been identified and presented to provide relevant information necessary for an understanding of the combined group following the consummation of the Acquisition.

The Acquisition has been accounted for as a business combination using the acquisition method in accordance with Accounting Standards Codification Topic 805, Business Combinations ("ASC 805"), with Innovid being the accounting acquirer. Under this method of accounting, the consideration transferred has been allocated to the assets acquired and liabilities assumed based upon Innovid management's preliminary estimate of their fair values on the date of the Acquisition. Any excess of the purchase price over the fair value of identified assets acquired and liabilities assumed has been recognized as goodwill. The pro forma adjustments are preliminary and are based upon available information and certain assumptions that management believes are reasonable under the circumstances and which are described in the accompanying notes to the Pro Forma Financial Information. Actual results may differ materially from the assumptions within the accompanying Pro Forma Financial Information.

The Pro Forma Financial Information has been presented for information purposes only and is not necessarily indicative of what Innovid's balance sheet or statement of operations actually would have been had the Acquisition been completed as of the dates indicated, nor does it purport to project the future financial position or operating results of Innovid. The actual financial position and results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors. The Pro Forma Financial Information is presented for illustrative purposes only and does not reflect the costs of any integration activities or cost savings or synergies that may be achieved as a result of the Acquisition.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
As of December 31, 2021
(in thousands, except stock and per stock amounts)

	Historical						
	Innovid Corp.(U.S. GAAP)	**TV Squared Limited after reclassification (UK GAAP) (Note 4)**	**GAAP Adjustments**	**Notes**	**Transaction accounting adjustments**	**Notes**	**Pro Forma Balance Sheet**
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents	$ 156,696	$ 4,461			$ (104,175)	6(a)	$ 56,982
Trade Receivables, net	35,422	2,596					38,018
Prepaid expenses and other current assets	3,131	1,789					4,920
Total current assets	**195,249**	**8,846**	**—**		**(104,175)**		**99,920**
NON-CURRENT ASSETS							
Long-term Deposit	310	—					310
Long-term restricted deposits	462	—					462
Property and equipment, net	4,840	149					4,989
Goodwill	4,555	—			93,615	6(c)	98,170
Intangible assets, net	—	94			59,700	6(b)	59,794
Other non current assets	116	—					116
Total non-current assets	**10,283**	**243**	**—**		**153,315**		**163,841**
Total assets	**$ 205,532**	**$ 9,089**	**$ —**		**$ 49,140**		**$ 263,761**
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)							
CURRENT LIABILITIES							
Trade payables	5,026	515			11,305	6(d)	9,385
					(7,461)	6(d)	
Short term loans	—	3,444			56	6(e)	—
					(3,500)	6(e)	
Employees and payroll accruals	7,742	690			400	6(g)	8,432
					(400)	6(g)	
Accrued expenses and other current liabilities	3,082	1,770	198	5(a)	103	6(d)	4,850
			(200)	5(c)	(103)	6(d)	
Current portion of long-term debt	6,000	1,415			(1,415)	6(e)	6,000
Total current liabilities	**21,850**	**7,834**	**(2)**		**(1,015)**		**28,667**
NON-CURRENT LIABILITIES							
Long-term debt	—	1,415			171	6(e)	—
					(1,586)	6(e)	
Deferred tax liabilities, net	—	—			8,038	6(i)	8,038
Other non-current liabilities	3,455	—	267	5(d)			3,722
Warrants liability	18,972	—					18,972
Total non-current liabilities	**22,427**	**1,415**	**267**		**6,623**		**30,732**
TOTAL LIABILITIES	**44,277**	**9,249**	**265**		**5,608**		**59,399**
COMMITMENTS AND CONTINGENT LIABILITIES							
STOCKHOLDERS' EQUITY (DEFICIT):							
Common Stocks	12	89			1	6(a)	13
					(89)	6(h)	
Additional paid in capital	293,719	29,956			47,151	6(a)	341,022
					152	6(f)	
					(29,956)	6(h)	
Accumulated deficit	(132,476)	(30,205)	(198)	5(a)	(11,408)	6(d)	(136,673)
			200	5(c)	(227)	6(e)	
			(267)	5(d)	(152)	6(f)	
					(400)	6(g)	
					38,460	6(h)	
Total stockholder' equity (deficit)	**161,255**	**160**	**(265)**		**43,532**		**204,362**
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	**$ 205,532**	**$ 9,089**	**$ —**		**$ 49,140**		**$ 263,761**

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS
For the year ended December 31, 2021
(in thousands, except stock and per stock amounts)

	Historical						
	Innovid Corp.(U.S. GAAP)	**TV Squared Limited after reclassification (UK GAAP) (Note 4)**	**GAAP Adjustments**	**Notes**	**Transaction accounting adjustments**	**Notes**	**Pro Forma Statement of Operations**
Revenues	$ 90,291	$ 21,986	$ (130)	5(a)			$ 112,147
Cost of revenues	17,785	6,023			4,731	6(j)	28,539
Gross profit	**72,506**	**15,963**	**(130)**		**(4,731)**		**83,608**
Operating expenses:							
Research and development	24,619	5,734	(479)	5(b)	152	6(m)	30,119
					93	6(l)	
Sales and Marketing	33,056	9,951			1,518	6(j)	44,686
					161	6(l)	
General and administrative	20,680	8,823	(200)	5(c)	11,408	6(k)	40,857
					146	6(l)	
Total operating expense	**78,355**	**24,508**	**(679)**		**13,478**		**115,662**
Operating (loss) profit	**(5,849)**	**(8,545)**	**549**		**(18,209)**		**(32,054)**
Finance expenses, net	4,386	1,175			227	6(n)	4,874
					(914)	6(p)	
Other non-operating expenses	—	(625)					(625)
(Loss) income before taxes	**(10,235)**	**(9,095)**	**549**		**(17,522)**		**(36,303)**
Taxes on income	1,237	(467)	479	5(b)	(170)	6(o)	1,162
			83	5(d)			
Net loss	**(11,472)**	**(8,628)**	**(13)**		**(17,352)**		**(37,465)**
Accretion of preferred stock to redemption value	(77,063)	—	—		—		(77,063)
Net loss attributable to common stockholders	**$ (88,535)**	**$ (8,628)**	**$ (13)**		**$ (17,352)**		**$ (114,528)**
Other comprehensive loss							
Exchange differences on retranslation of foreign operations	**—**	**(51)**	**—**		**—**		**(51)**
Total other comprehensive loss	**—**	**(51)**	**—**		**—**		**(51)**
Total comprehensive loss	**$ (88,535)**	**$ (8,679)**	**$ (13)**		**$ (17,352)**		**$ (114,579)**
Net loss per stock attributable to common stockholders – basic and diluted	**(3.31)**						**(3.00)**
Weighted-average number of shares of common stock used in computing net loss per stock attributable to common stockholders - basic and diluted	26,745,020				11,549,465	6(q)	38,294,485

Note 1 – Description of the Acquisition

On February 6, 2022, Innovid entered into a Stock Purchase Agreement (the “Agreement”) with TV Squared.

On February 28, 2022, Innovid completed the acquisition of TV Squared by purchasing all outstanding equity shares in TV Squared, including equity shares issued pursuant to the exercise of share options and share warrants, resulting in TV Squared becoming a wholly owned subsidiary of Innovid. The purchase price consists of cash consideration amounting to $100 million, 11,549,465 shares of Innovid common stock, and the issuance of 949,893 fully vested Innovid stock options, subject to certain adjustments as defined in the Stock Purchase Agreement. The cash consideration was funded with available cash on hand as of February 28, 2022.

Note 2 - Basis of presentation and Accounting for the Acquisition

The Pro Forma Financial Information has been prepared in accordance with Article 11 of Regulation S-X, as amended by the SEC Final Rule Release No. 33-10786, “Amendments to Financial Disclosures About Acquired and Disposed Businesses.” The Pro Forma Financial Information presents the Transaction Accounting Adjustments, which have been identified and presented to provide relevant information necessary for an understanding of the combined group following the consummation of the Acquisition.

The significant accounting policies used in preparing the Pro Forma Financial Information are set out in Innovid’s consolidated financial statements included in Innovid’s Annual Report on Form 10-K for the year ended December 31, 2021, as filed with the SEC on March 18, 2022.

Innovid accounts for business combinations by applying the provisions of ASC 805, “Business Combinations” and allocates the fair value of purchase consideration to the tangible assets acquired, liabilities assumed, and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. When determining the fair values of assets acquired and liabilities assumed, management makes significant estimates and assumptions, especially with respect to intangible assets.

The determination of the Acquisition’s purchase price and the preliminary allocation of the fair value of purchase consideration to the tangible assets acquired, liabilities assumed, and intangible assets acquired as a result of the Acquisition have been presented in “Note 3 - Preliminary Purchase Price Allocation”. The allocation is dependent upon certain valuation and other studies that have not yet been completed. Accordingly, the preliminary purchase price allocation and related adjustments are subject to further adjustment as additional information becomes available and as additional analyses and final valuations are completed.

Note 3 - Preliminary purchase price allocation

The aggregate purchase price paid by Innovid to acquire TV Squared amounted to $153,482, which consists of cash as well as Innovid’s common stock issued to TV Squared’s shareholders and replacement stock options issued. The following table provides a breakdown for the total amount of purchase consideration at the completion of the Acquisition:

	($ in thousands)	
Cash consideration	$	106,330
Stock consideration (11,549,465 shares)		43,869
Fair value of replacement share options issued (949,893 options)		3,283
	$	**153,482**

Under the acquisition method of accounting, the estimated purchase price, as described above, has been allocated to the identifiable assets acquired and the identifiable liabilities assumed based on their respective fair values, with any excess being allocated to goodwill. The total purchase consideration of $153,482 was allocated to the acquired assets and liabilities assumed based on their estimated fair values assuming the Acquisition was completed on December 31, 2021. The excess amount of the estimated consideration transferred not allocated to the acquired assets and assumed liabilities was recognized as goodwill on the Pro Forma Balance Sheet.

The following tables summarize the preliminary purchase price allocation to the identifiable assets acquired and liabilities assumed of TV Squared as well as the identifiable intangible assets recognized as part of the Acquisition:

		($ in thousands)
Cash and cash equivalents	$	6,616
Trade Receivables, net		2,596
Prepaid expenses and other current assets		1,789
Property and equipment, net		149
Total Tangible assets		**11,150**
Identifiable intangible assets		
Trade name		5,300
Technology		27,694
Customer relationships		26,800
Goodwill		93,615
Total assets acquired		**164,559**
Less: Assumed liabilities		(11,077)
Total identifiable net assets acquired		**153,482**

The allocation of the purchase price is preliminary, and the final determination will be based on the fair values of assets acquired and liabilities assumed, including the fair values of identifiable intangible assets and the fair values of liabilities assumed at the date the Acquisition is completed. The purchase price allocation is dependent upon certain valuation and other studies that have not yet been completed. Accordingly, the preliminary purchase price allocation is subject to further adjustments as additional information becomes available and as additional analysis and final valuations are conducted at and following the completion of the Acquisition. The final valuations could differ materially from the preliminary valuations presented above and, as such, no assurances can be provided regarding the preliminary purchase price allocation.

Note 4 – Reclassification adjustments

Certain reclassifications have been made to TV Squared's historical financial statements to conform to Innovid's financial statement presentation. These reclassifications are given below:

Balance Sheet Reclassifications
As of December 31, 2021
(In $ thousands)

	Historical TV Squared Limited (UK GAAP)	Reclassification adjustments	Notes	TV Squared Limited after reclassification (UK GAAP)
ASSETS				
Current assets:				
Cash at bank and in hand	4,461	(4,461)	1	—
Cash and cash equivalents	—	4,461	1	4,461
Debtors: amounts falling due within one year	4,385	(4,385)	2,3	—
Trade Receivables, net	—	2,596	2	2,596
Prepaid expenses and other current assets	—	1,789	3	1,789
Total current assets	**8,846**	—		**8,846**
Non-Current assets:				
Tangible Assets	149	(149)	4	—
Property and equipment, net	—	149	4	149
Intangible assets	94	(94)	5	—
Intangible assets, net	—	94	5	94
Total non-current assets	**243**	—		**243**
TOTAL ASSETS	**9,089**	—		**9,089**
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)				
CURRENT LIABILITIES				
Creditors: amounts falling due within one year	7,834	(7,834)	6,7,8,9,10	—
Trade payables	—	515	6	515
Short term loans	—	3,444	7	3,444
Employees and payroll accruals	—	690	8	690
Accrued expenses and other current liabilities	—	1,770	9	1,770
Current portion of long-term debt	—	1,415	10	1,415
Total current liabilities	**7,834**	—		**7,834**
NON-CURRENT LIABILITIES:				
Creditors: amounts falling due after more than one year	1,415	(1,415)	11	—
Long-term debt	—	1,415	11	1,415
Total non-current liabilities	**1,415**	—		**1,415**
Total liabilities	**9,249**	—		**9,249**
STOCKHOLDERS' EQUITY (DEFICIT):				
Called up share capital	89	(89)	12	—
Share premium account	29,956	(29,956)	13	—
Profit and loss account	(30,205)	30,205	14	—
Common stocks	—	89	12	89
Additional paid in capital	—	29,956	13	29,956
Accumulated deficit	—	(30,205)	14	(30,205)
Total shareholders' equity (deficit)	**(160)**	—		**(160)**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	**9,089**	—		**9,089**

Reclassifications included in the Pro Forma Balance Sheet:

1. Cash at bank and in hand amounting to $4,461 has been reclassified to Cash and cash equivalents.
2. Debtors amounting to $2,596 have been reclassified to Trade receivables, net.
3. Prepayments, sundry receivables and balances with tax authorities amounting to $1,789 have been reclassified to Prepaid expenses and other current assets.
4. Tangible assets amounting to $149 have been reclassified to Property and equipment, net.
5. Intangible assets amounting to $94 have been reclassified to Intangible assets, net.
6. Account payables amounting to $515 have been reclassified to the Trade payables.
7. Convertible loan notes amounting to $3,444 have been reclassified to the Short term loans.
8. Payroll related accruals and payables amounting to $690 have been reclassified to the Employees and payroll accruals.
9. Accrued expenses and other sundry payables amounting to $1,770 have been reclassified to the Accrued expenses and other current liabilities.
10. Current maturities of long-term debt amounting to $1,415 have been reclassified to Current portion of long-term debt.
11. Term loans amounting to $1,415 have been reclassified to Long term debt.
12. Called up Share Capital amounting to $89 has been reclassified to Common Stocks.
13. Share Premium account amounting to $29,956 has been reclassified to Additional Paid in Capital.
14. Profit and Loss account amounting to $30,205 has been reclassified to Accumulated deficit.

Statement of Operations and Comprehensive Loss Reclassifications
For the year ended December 31, 2021
(In $ thousands)

	Historical TV Squared Limited (UK GAAP)	Reclassification adjustments	Notes	TV Squared Limited after reclassification (UK GAAP)
Revenue	21,986	(21,986)	15	—
Revenues	—	21,986	15	21,986
Cost of sales	3,465	(3,465)	16	—
Cost of revenues	—	6,023	16,19,21	6,023
Gross profit	**18,521**	**(2,558)**		**15,963**
Operating expenses:				
Research & development expenses	5,734	(5,734)	17	—
Research and development	—	5,734	17	5,734
Sales & marketing expenses	12,391	(12,391)	18	—
Sales and marketing	—	9,950	18,19	9,950
Administration expenses	8,941	8,941	20,21	—
General and administrative	—	8,823	20,24	8,823
Total operating expense	**27,066**	**(2,558)**		**24,508**
Operating loss	**(8,545)**	**—**		**(8,545)**
Interest earned	—	—	22	—
Interest paid	1,175	(1,175)	22	—
Finance expenses, net	—	1,175	22	1,175
Loan forgiveness	(625)	625	23	—
Other non-operating income	—	(625)	23	(625)
Gain or loss on disposal of assets	—	—	24	—
Loss before taxes	**(9,095)**	**—**		**(9,095)**
Corporation tax	(467)	467	25	—
Taxes on income	—	(467)	25	(467)
Net loss	**(8,628)**	**—**		**(8,628)**
Other comprehensive loss			26	
Exchange differences on retranslation of foreign operations	**(51)**	**—**		**(51)**
Total other comprehensive loss	**(51)**	**—**		**(51)**
Total comprehensive loss	**(8,679)**	**—**		**(8,679)**

Reclassifications included in the Pro Forma Statement of Operations and Comprehensive Loss:

15. Revenue amounting to $21,986 has been reclassified to Revenues.
16. Cost of sales amounting to $3,465 has been reclassified to Cost of revenues.
17. Research & development expenses amounting to $5,734 have been reclassified to Research and development.
18. Sales & marketing expenses amounting to $12,391 have been reclassified to Sales and marketing.
19. Enterprise solution and customer services costs amounting to $2,440 have been reclassified from Sales and marketing to Cost of revenues.
20. Administration expenses amounting to $8,941 have been reclassified to General and administrative expenses
21. Amortization of technology related intangible assets amounting to $118 has been reclassified from General and administrative to Cost of Revenues
22. Interest earned and paid amounting to $1,175 (net) have been reclassified to Finance expenses, net.

23. Loan forgiveness amounting to $625 has been reclassified to Other non-operating income.
24. Loss on disposal of assets has been reclassified to General and administrative expenses.
25. Corporation tax amounting to $467 has been reclassified to Taxes on Income.
26. For UK GAAP purposes a separate Statement of Comprehensive Loss is presented. For US GAAP purposes it is combined into one statement "Statement of Operations and Comprehensive Loss".

Note 5 – GAAP adjustments

TV Squared historical financial statements were prepared in accordance with UK GAAP, which differ from accounting policies under US GAAP as applied by Innovid. The following adjustments have been made to TV Squared's historical financial information to conform to Innovid's accounting policies for the purposes of the Pro Forma Financial Information ($ in thousands):

(a) Accounting for revenue from upfront services

"Under UK GAAP, TV Squared recognizes revenue from all its software services over the contract period except for any services provided upfront at the beginning of the contract which are accounted for as one-off fees.

Under US GAAP, these one-off upfront fees are for services not distinct from the software services and need to be recognized over the software service period. This resulted in a deferment of revenue and recognition of a contract liability. As a result, "Accrued expenses and other current liabilities" have increased by $198, and Revenues have decreased by $130.

(b) Accounting for research and development tax credits

Under UK GAAP, TV Squared has reported its research and development tax credits as an income tax benefit within taxes on income.

Under US GAAP, TV Squared's research and development tax credits are classified as a reduction to research and development expenses. This resulted in a reclassification, which increased Taxes on Income and decreased Research and development expenses respectively, by $479.

(c) Accounting for audit fees

Under UK GAAP, TV Squared has accrued audit fees in the period to which the audit pertains.

Under US GAAP, TV Squared has accrued audit fees in the period in which the audit services are received. This has resulted in a decrease in Accrued expenses and other current liabilities, and general and administrative expense by $200.

(d) Accounting for uncertain tax positions

Under UK GAAP, TV Squared has recorded tax expenses based on the estimate of the amount of tax it expects to pay or recover, without considering the effect of uncertain tax positions.

Under US GAAP, TV Squared has recognized the impact of uncertain tax positions in the calculation of tax expenses. As a result, other non-current liabilities have increased by $267 and taxes on income have increased by $83.

Innovid will continue to perform a detailed review of TV Squared's historical financial statements prepared under UK GAAP. As a result of that review, Innovid may identify differences between the accounting policies of the two companies that, when conformed, could have a material impact on the combined financial statements.

Note 6 – Transaction accounting adjustments

1. Adjustments to Pro Forma Balance Sheet as of December 31, 2021

The transaction notes and adjustments, based on preliminary estimates that could change materially as additional information is obtained, are as follows ($ in thousands):

(a) Reflects the purchase consideration of $153,482 paid to acquired TV Squared, with adjustment to cash, common stock for the par value of the shares issued and additional paid in capital for the premium on shares and fair value of replacement awards. The cash consideration paid is net of $2,155 paid to TV Squared as exercise money for share options and warrants.

(b) Reflects the adjustment to recognize identifiable intangible assets of trade name, technology and customer relationships at their estimated fair values of $59,794. The estimated fair values of identifiable intangible assets were determined using the "income approach", which is a valuation technique that provides an estimate of the fair value of an asset based on market participant expectations of the cash flows an asset would generate over its remaining useful life. Some of the more significant assumptions inherent in the development of these asset valuations include the estimated net cash flows for each year for each asset (including net revenues, cost of sales, research and development costs, selling and marketing costs), the appropriate discount rate necessary to measure the risk inherent in each future cash flow stream, the life cycle of each asset, competitive trends impacting the asset and each cash flow stream, as well as other factors.

The following table summarizes the estimated fair values of TV Squared's identifiable intangible assets:

	Estimated fair value
Trade names	5,300
Technology	27,694
Customer relationships	26,800
	59,794

These preliminary estimates of fair value and estimated useful lives will likely differ from final amounts Innovid will calculate after completing a detailed valuation analysis, and the difference could have a material effect on the accompanying Pro Forma Financial Information.

(c) Reflects the recognition of goodwill of $93,615 after the application of acquisition accounting discussed in “Note 3 - Preliminary purchase price allocation”. Goodwill represents the value of additional growth potential of the revenue base from the creation of a single combined global organization and synergies related to combined IT efforts for enhancement of the existing and acquired technologies. Goodwill will be tested for impairment annually and whenever events or circumstances have occurred that may indicate a possible impairment. Goodwill is not expected to be deductible for income tax purposes.

(d) Reflects the accrual of $11,408 and cash paid amounting to $7,563 in lieu of transaction costs incurred on acquisition of TV Squared including legal, accounting fees and other professional costs directly related to the acquisition. This is reflected as a decrease in accumulated deficit of $11,408 and net increase in trade payables of $3,844. The remaining transaction costs of $362 are included in the historical financial statements for the year ended December 31, 2021.

(e) Reflects the repayment of the TV Squared’s convertible loan notes ($3,500) and long-term debt ($3,001). The adjustment also reflects the impact of additional finance costs on convertible loan note and long-term debt amounting to $56 and $171 respectively.

(f) Reflects the post-combination compensation expense of $152 related to the accelerated vesting of share-based payment awards of TV Squared in contemplation of the Acquisition. This amount is reflected as a reduction to accumulated deficit and increase in additional paid in capital in the Pro Forma Balance Sheet.

(g) Reflects the accrual and cash paid at closing in lieu of National Insurance Contributions and Social Security obligations on the Acquisition Date fair value of TV Squared's share based payments awards amounting to $400. This has been reflected as a decrease in accumulated deficit and an increase in employees and payroll accruals.

(h) Reflects the elimination of TV Squared's historical equity.

(i) Reflects the estimated tax impacts of the transaction adjustments on the deferred tax liabilities amounting to $8,038. The tax rates for the adjustments are based on the foreign, federal and state statutory tax rate of the jurisdictions expected to be impacted for the period presented. Because the tax rate used for the Pro Forma Balance Sheet is an estimate, it will likely vary from the actual rate in periods subsequent to the completion of the Acquisition and those differences may be material.

2. Adjustments to Pro Forma Statement of Operations for the year ended December 31, 2021

The transaction notes and adjustments, based on preliminary estimates that could change materially as additional information is obtained, are as follows ($ in thousands):

(j) Reflects additional amortization expense on the fair values of identifiable intangible assets of trade name, technology and customer relationships. The following table summarizes the estimated fair values of TV Squared's identifiable intangible assets, their estimated useful lives, method of amortization and the amortization expense:

	Estimated fair value	**Estimated useful life in years**	**Amortization method**	**Amortization expense for the year ended December 31, 2021**
Trade names	5,300	8	Straight-line	677
Technology	27,694	6	Straight-line	4,731
Customer relationships	26,800	11	Accelerated method based on economic benefit	841
	59,794			**6,249**

(k) Reflects the accrual for estimated transaction costs pertaining to the Acquisition of $11,408 within general and administrative expense. The remaining transaction costs of $362 are included in the historical financial statements for the year ended December 31, 2021.

(l) Reflects the impact of National Insurance Contributions and Social Security obligations on the Acquisition Date fair value of TV Squared's share based payments awards amounting to $400 as under:

Research and development expenses	93
Sales and marketing expenses	161
General and administrative expenses	146
	400

(m) Reflects the post-combination compensation expense of $152 related to the accelerated vesting of share-based payment awards of TV Squared in contemplation of the Acquisition within research and development expenses.

(n) Reflects the additional finance costs incurred on repayment of convertible loan note and long-term bank loan of $227 within finance expenses, net.

(o) Reflects the estimated tax impacts of the transaction adjustments on taxes on income amounting to $170. The tax rates for the adjustments are based on the foreign, federal and state statutory tax rate of the jurisdictions expected to be impacted for the period presented. As the tax rate used for the Pro Forma Statement of Operations is an estimate, it will likely vary from the actual rate in periods subsequent to the completion of the Acquisition and those differences may be material.

(p) Reflects the elimination of historical interest expense on TV Squared's convertible loan notes and long term bank loan amounting to $914 for the year as they were repaid on completion of the Acquisition.

(q) The Pro Forma basic and diluted (loss) per share amounts presented in the Pro Forma Statement of Operations are based upon the number of Innovid shares outstanding at the closing of the Acquisition, assuming the Acquisition occurred on January 1, 2021. This means that the calculation of weighted average shares outstanding for basic and diluted net (loss) per share assumes that the shares issued for the Acquisition have been outstanding for the entire period presented.

As the Pro Forma Statements of Operations are in a loss position, anti-dilutive instruments were not included in the calculation of diluted weighted average number of common shares outstanding.