

Financial Statements for the Year Ended 31 October 2019

for

Theolytics Ltd

Contents of the Financial Statements
for the Year Ended 31 October 2019

	Page
Company Information	1
Balance Sheet	2
Notes to the Financial Statements	3

DIRECTORS:

Ms C Casebourne Mills
Dr A Mclean
Dr M Duffy
Dr K Powell

REGISTERED OFFICE:

Innovation Building
Roosevelt Drive
Oxford
Oxfordshire
OX3 7FZ

REGISTERED NUMBER:

11001290 (England and Wales)

AUDITORS:

James Cowper Kreston
Chartered Accountants and Statutory Auditor
2 Chawley Park
Cumnor
Oxford
Oxfordshire
OX2 9GG

Balance Sheet
31 October 2019

	Notes	31.10.19 £	£	31.10.18 £	£
FIXED ASSETS					
Intangible assets	5		27,605		1,582
Tangible assets	6		<u>183,366</u>		<u>216,039</u>
			210,971		217,621
CURRENT ASSETS					
Debtors	7	289,793		151,323	
Cash at bank and in hand		<u>1,029,252</u>		<u>1,935,673</u>	
		1,319,045		2,086,996	
CREDITORS					
Amounts falling due within one year	8	<u>147,965</u>		<u>143,414</u>	
NET CURRENT ASSETS			<u>1,171,080</u>		<u>1,943,582</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,382,051</u>		<u>2,161,203</u>
CAPITAL AND RESERVES					
Called up share capital	10		110		110
Share premium			2,499,990		2,499,990
Share option reserve			247,722		-
Retained earnings			<u>(1,365,771)</u>		<u>(338,897)</u>
SHAREHOLDERS' FUNDS			<u>1,382,051</u>		<u>2,161,203</u>

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

In accordance with Section 444 of the Companies Act 2006, the Income Statement has not been delivered.

The financial statements were approved by the Board of Directors on 20 March 2020 and were signed on its behalf by:

Ms C Casebourne Mills - Director

Notes to the Financial Statements
for the Year Ended 31 October 2019

1. **STATUTORY INFORMATION**

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

2. **ACCOUNTING POLICIES**

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The following principal accounting policies have been applied:

Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is provided on the following basis:

Intangible assets - 10 years

All intangible assets are considered to have a finite useful life.

Tangible fixed assets

Depreciation is charged so as to allocate the costs of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Lab equipment - 5-10 years

Fixtures and fittings - 4 years

Computer equipment - 4 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible amount of cash with insignificant risk of change of value.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Notes to the Financial Statements - continued
for the Year Ended 31 October 2019

2. **ACCOUNTING POLICIES - continued**

Taxation

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

Current or deferred taxation assets and liabilities are not discounted.

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

Research and development tax credit

The R&D tax credit is recognised when it is certain that a tax credit in relation to research and development carried out will be received.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Foreign currencies

-Functional and presentation currency

The Company's functional and presentational currency is GBP.

-Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rate at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

Operating lease commitments

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

Pension costs and other post-retirement benefits

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

Going concern

During the period the company made a loss of £1,026,874 and had a net asset position of £1,382,051 at 31 October 2019. The company is currently in the process of raising a round of investment and a termsheet has been signed with two investors for \$25,000,000. On the basis of this termsheet, discussions with other investors and the review of forecasts for the company the directors have prepared these accounts on a going concern basis.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Notes to the Financial Statements - continued
for the Year Ended 31 October 2019

2. ACCOUNTING POLICIES - continued

Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

3. EMPLOYEES AND DIRECTORS

The average number of employees during the year was 11 (2018 - 4) .

4. AUDITORS' REMUNERATION

	Year Ended 31.10.19 £	Period 6.10.17 to 31.10.18 £
Fees payable to the company's auditors for the audit of the company's financial statements	<u>3,500</u>	<u>3,500</u>

5. INTANGIBLE FIXED ASSETS

	Patents and licences £
COST	
At 1 November 2018	1,609
Additions	<u>27,026</u>
At 31 October 2019	<u>28,635</u>
AMORTISATION	
At 1 November 2018	27
Amortisation for year	<u>1,003</u>
At 31 October 2019	<u>1,030</u>
NET BOOK VALUE	
At 31 October 2019	<u>27,605</u>
At 31 October 2018	<u>1,582</u>

Notes to the Financial Statements - continued
for the Year Ended 31 October 2019

6. TANGIBLE FIXED ASSETS

	Lab equipment £	Fixtures and fittings £	Computer equipment £	Totals £
COST				
At 1 November 2018	217,936	956	3,860	222,752
Additions	-	1,042	13,760	14,802
Disposals	(877)	-	-	(877)
At 31 October 2019	<u>217,059</u>	<u>1,998</u>	<u>17,620</u>	<u>236,677</u>
DEPRECIATION				
At 1 November 2018	6,403	38	272	6,713
Charge for year	43,656	428	2,752	46,836
Eliminated on disposal	(238)	-	-	(238)
At 31 October 2019	<u>49,821</u>	<u>466</u>	<u>3,024</u>	<u>53,311</u>
NET BOOK VALUE				
At 31 October 2019	<u>167,238</u>	<u>1,532</u>	<u>14,596</u>	<u>183,366</u>
At 31 October 2018	<u>211,533</u>	<u>918</u>	<u>3,588</u>	<u>216,039</u>

7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.10.19 £	31.10.18 £
Trade debtors	-	2,448
Other debtors	<u>289,793</u>	<u>148,875</u>
	<u>289,793</u>	<u>151,323</u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.10.19 £	31.10.18 £
Trade creditors	62,912	118,156
Taxation and social security	21,438	8,159
Other creditors	<u>63,615</u>	<u>17,099</u>
	<u>147,965</u>	<u>143,414</u>

9. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	31.10.19 £	31.10.18 £
Within one year	<u>7,442</u>	<u>3,967</u>

Notes to the Financial Statements - continued
for the Year Ended 31 October 2019

10. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value:	31.10.19	31.10.18
Number:	Class:		£	£
10,000	Ordinary	£.01	100	100
10,000	Ordinary A	£.001	10	10
			<u>110</u>	<u>110</u>

11. DISCLOSURE UNDER SECTION 444(5B) OF THE COMPANIES ACT 2006

The Report of the Auditors was unqualified.

Sue Staunton MA FCA CF (Senior Statutory Auditor)
for and on behalf of James Cowper Kreston

In their report, the auditors emphasised that following matter without qualifying their report:

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures in note 2 to the financial statements regarding the ability of the Company to continue as a going concern.

The company recorded a loss for the period of £1,026,874 and at 31 October 2019 had a net asset position of £1,382,051.

As explained in note 2 the company is currently engaged in a funding round and two investors have signed a termsheet for a total investment of \$25,000,000. The company has prepared forecasts which indicate that this will be sufficient to enable it to continue to trade for at least a further 12 months from the date of the signing of the audit report.

These matters, in addition to those explained further in note 2 to the financial statements are material uncertainties which may cast doubt on the company's ability to continue as a going concern for the foreseeable future. The financial statements do not include any adjustments that would result if the company was unable to continue as a going concern.

The audit report was signed on 20 March 2020 by Sue Staunton MA FCA CF (Senior statutory auditor) on behalf of James Cowper Kreston.

12. RELATED PARTY DISCLOSURES

£5,000 (2018 - £25,834) was paid to Oxford Sciences Innovations Plc for director services. Nothing (2018 - £9,485) was outstanding at year end. Oxford Sciences Innovation Plc is a shareholder of the company.

£14,797 (2018 - £2,040) of income was generated through equipment rentals to Macrophox Ltd. At year end, a portion of the rentals was refunded to Macrophox Ltd. An item of equipment was sold to Macrophox for £341 during the year. At year end the amount owed to Macrophox was £1,085 (2018 - £2,448). Oxford Sciences Innovation Plc is a shareholder of Macrophox Ltd.

13. POST BALANCE SHEET EVENTS

On 28 November 2019, 55 unapproved share options for Ordinary shares were granted.

14. ULTIMATE CONTROLLING PARTY

There is no single ultimate controlling party.

Notes to the Financial Statements - continued
for the Year Ended 31 October 2019

15. SHARE-BASED PAYMENT TRANSACTIONS

The Company operates an EMI approved and an unapproved option scheme for certain directors and employees. Share options are exercisable for Ordinary shares at prices determined at the date of grant.

The following options arrangements were in existence at the end of the current and prior periods:

Grant date	£	Number	Number	Expiry date	Options exercise price	2019	2018
15 October 2018				15 October 2028	.01	1,471	1,529
1 July 2019				1 July 2029	.01	761	-
						2,232	1,529

Movements in share options during the period

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Weighted average exercise price (£) 2019	Number 2019	Weighted average exercise price (£) 2018	Number 2018
Outstanding at the beginning of the year/period:	.01	1,529	.01	-
Granted during the year/period	.01	761	.01	1,529
Forfeited during the year/period	.01	-58	.01	-
Exercised during the year/period	.01	-	.01	-
Expired during the year/period	.01	-	.01	-
Outstanding at the end of the year/period	.01	2,232	.01	1,529

Fair value of share options granted in the period

Options were priced using the Black Scholes option pricing model. Expected volatility was determined based on the historic volatility of comparable companies.

The expected life is the expected period from grant to exercise based on management's best estimate.

The risk free return is the rate offered for UK gilt deposits at the time of the grant.

The company recognised total expenses of £247,722 in the year (2018 £nil), related to equity share based payment transactions.

Grant date	1 July 2019	15 October 2018
Share price	£250	£250
Exercise price	£0.01	£0.01
Expected volatility	81.42%	79.35%
Expected option life, years	10	10
Expected dividend yield	0%	0%
Risk free interest rate	.81%	1.61%

The assessed fair value at grant date of share options granted during the period was £250 (15 October 2018: £250) per option. The valuation of the Company's share price was determined using the Black Scholes Model.

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