

THEOLYTICS LTD

FINANCIAL STATEMENTS

INFORMATION FOR FILING WITH THE REGISTRAR

FOR THE PERIOD ENDED 31 DECEMBER 2023

THEOLYTICS LTD
REGISTERED NUMBER: 11001290

BALANCE SHEET
AS AT 31 DECEMBER 2023

	Note	Period ended 31 December 2023 £	Year ended 31 October 2022 £
Fixed assets			
Intangible assets	5	116,977	60,576
Tangible assets	6	390,508	405,199
		<u>507,485</u>	<u>465,775</u>
Current assets			
Debtors: amounts falling due within one year	7	2,373,134	1,328,495
Cash at bank and in hand	8	7,678,945	7,322,094
		<u>10,052,079</u>	<u>8,650,589</u>
Current liabilities			
Creditors: amounts falling due within one year	9	(1,885,451)	(5,917,859)
		<u>8,166,628</u>	<u>2,732,730</u>
Total assets less current liabilities		<u>8,674,113</u>	<u>3,198,505</u>
Provisions for liabilities			
Other provisions		(8,017)	-
		<u>(8,017)</u>	<u>-</u>
Net assets		<u>£ 8,666,096</u>	<u>£ 3,198,505</u>
Capital and reserves			
Called up share capital	11	92	44
Share premium account		24,814,812	11,494,197
Capital redemption reserve		90	90
Other reserves		2,070,090	1,284,319
Profit and loss account		(18,218,988)	(9,580,145)
		<u>£ 8,666,096</u>	<u>£ 3,198,505</u>

THEOLYTICS LTD
REGISTERED NUMBER: 11001290

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2023

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

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

The Company has opted not to file the statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

A Oakley

Director

Date: 28 May 2024

The notes on pages 4 to 14 form part of these financial statements.

THEOLYTICS LTD

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2023

	Called up share capital £	Share premium account £	Capital redemption reserve £	Share option reserve £	Profit and loss account £	Total equity £
At 1 November 2022	44	11,494,197	90	1,284,319	(9,580,145)	3,198,505
Loss for the period	-	-	-	-	(8,638,843)	(8,638,843)
Shares issued during the year	48	13,479,615	-	-	-	13,479,663
Capitalised cost of the share issue	-	(159,000)	-	-	-	(159,000)
Employee share based payments	-	-	-	785,771	-	785,771
	<u>£ 92</u>	<u>£ 24,814,812</u>	<u>£ 90</u>	<u>£ 2,070,090</u>	<u>£ (18,218,988)</u>	<u>£ 8,666,096</u>
At 31 December 2023						

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 OCTOBER 2022

	Called up share capital £	Share premium account £	Capital redemption reserve £	Share option reserve £	Profit and loss account £	Total equity £
At 1 November 2021	44	11,494,197	90	-	(4,750,155)	6,744,176
Loss for the year	-	-	-	-	(4,829,990)	(4,829,990)
Employee share based payments	-	-	-	1,284,319	-	1,284,319
	<u>£ 44</u>	<u>£ 11,494,197</u>	<u>£ 90</u>	<u>£ 1,284,319</u>	<u>£ (9,580,145)</u>	<u>£ 3,198,505</u>
At 31 October 2022						

The notes on pages 4 to 14 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2023**

1. General information

Theolytics Ltd is a private company limited by shares, registered in England and Wales. The Company's registered office is The Sherard Building, Edmund Halley Road, Oxford Science Park, Oxford, England, OX4 4DQ.

The financial statements cover the period from 1st November 2022 to 31st December 2023.

Comparative information presented in the financial statements is therefore not entirely comparable.

2. Accounting Policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' and the requirements of the Companies Act 2006. The disclosure requirements of Section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

Despite recording a loss of £8,638,843 during the period, the Company maintained a robust financial position with net assets amounting to £8,666,096 as of 31 December 2023. Subsequent to the period, the Company successfully concluded its latest fundraising round, with both new and existing investors committing funds exceeding the Company's anticipated expenditures for the next twelve months.

Following a comprehensive review of forecasts, the Directors are confident in the Company's ability to operate as a going concern.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2023**

2. Accounting Policies (continued)

2.3 Foreign currency translation

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 rates 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 profit or loss 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 profit or loss within 'other operating income'.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

2.5 Operating leases: the Company as lessee

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

2.6 Research and development

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

Research and development tax credit

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

2.7 Government grants

Grants are accounted for under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of comprehensive income in the same period as the related expenditure.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2023**

2. Accounting Policies (continued)

2.8 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.9 Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet 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.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

2.10 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

The Company receives research and development tax credits relating to ongoing expenditure on research and development. Tax credits are recognised to the extent that reliable estimates have been calculated by management and are pending HMRC approval.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2023**

2. Accounting Policies (continued)

2.11 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.

The estimated useful lives range as follows:

Patents - 10 years

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The assets' residual values, useful lives and amortisation 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 disposal are determined by comparing the proceeds with the carrying amount and are recognised within 'administrative expenses' in the Statement of Comprehensive Income.

2.12 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

Depreciation is provided on the following basis:

Lease improvements	- 5 years
Lab equipment	- 3-10 years
Office equipment	- 4 years
Computer equipment	- 3 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 profit or loss.

2.13 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
FOR THE PERIOD ENDED 31 DECEMBER 2023**

2. Accounting Policies (continued)

2.14 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 to known amounts of cash with insignificant risk of change in value.

2.15 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.

2.16 Provisions for liabilities

Provisions are recognised when an event has taken place that gives rise to a legal or constructive obligation, a transfer of economic benefits is probable and a reliable estimate can be made.

Provisions are measured as the best estimate of the amount required to settle the obligation, taking into account the related risks and uncertainties.

Increases in provisions are generally charged as an expense to profit or loss.

2.17 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Non-derivative, financial liabilities within the scope of FRS102 S.12 are measured at fair value which is deemed to be the transaction price adjusted for transaction costs.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2023**

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the presentation and carrying amounts of assets and liabilities that are not readily apparent from other sources. The following are the critical judgements that the directors have made in the process of applying the company's accounting policies.

Fair value of share options granted

The assessment of the fair value of share options at their grant date is independently determined using the Black Scholes Model which takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of underlying shares, the expected dividend yield, the risk free interest rate for the year of the option and the correlations and volatilities of the peer group companies.

There is significant judgement in determining the inputs such as expected volatility and share prices as the Company's shares are not publicly traded.

4. Employees

The average monthly number of employees, including directors, during the period was 30 (2022 - 26).

5. Intangible assets

	Patents
	£
Cost	
At 1 November 2022	76,390
Additions	70,394
At 31 December 2023	146,784
Amortisation	
At 1 November 2022	15,814
Charge for the period	13,993
At 31 December 2023	29,807
Net book value	
At 31 December 2023	£ 116,977
At 31 October 2022	£ 60,576

THEOLYTICS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2023

6. Tangible fixed assets

	Lease improvements £	Lab Equipment £	Office equipment £	Computer equipment £	Total £
Cost or valuation					
At 1 November 2022	22,584	606,752	20,278	69,899	719,513
Additions	7,531	144,935	1,731	18,859	173,056
Disposals	-	(22,584)	(545)	(8,671)	(31,800)
At 31 December 2023	30,115	729,103	21,464	80,087	860,769
Depreciation					
At 1 November 2022	5,530	267,780	5,674	35,330	314,314
Charge for the period	7,776	144,253	5,743	22,412	180,184
Disposals	-	(15,021)	(545)	(8,671)	(24,237)
At 31 December 2023	13,306	397,012	10,872	49,071	470,261
Net book value					
At 31 December 2023	£ 16,809	£ 332,091	£ 10,592	£ 31,016	£ 390,508
At 31 October 2022	£ 17,054	£ 338,972	£ 14,604	£ 34,569	£ 405,199

7. Debtors

	Period ended 31 December 2023 £	Year ended 31 October 2022 £
Other debtors	40,583	123,208
Prepayments and accrued income	669,465	424,279
Tax recoverable	1,663,086	781,008
	£ 2,373,134	£ 1,328,495

THEOLYTICS LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2023**

8. Cash and cash equivalents

	Period ended 31 December 2023 £	Year ended 31 October 2022 £
Cash at bank and in hand	7,678,945	7,322,094
	<u>£ 7,678,945</u>	<u>£ 7,322,094</u>

9. Creditors: Amounts falling due within one year

	Period ended 31 December 2023 £	Year ended 31 October 2022 £
Convertible loan notes	-	4,499,998
Trade creditors	764,717	611,143
Other taxation and social security	56,706	59,771
Other creditors	16,371	10,068
Accruals and deferred income	1,047,657	736,879
	<u>£ 1,885,451</u>	<u>£ 5,917,859</u>

During the period, convertible loan notes of value £4,979,840 and accrued interest value of £482,301 were converted into 16,064 Series A-2 shares, at a rate of £310 per share.

10. Provisions

	Dilapidations £
Charged to profit or loss	8,017
At 31 December 2023	<u>£ 8,017</u>

The dilapidations provision is expected to be utilised in 2026.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2023

11. Share capital

	Period ended 31 December 2023 £	Year ended 31 October 2022 £
Allotted, called up and fully paid		
24,300 (2022 - 24,300) Series A shares of £0.001 each	24	24
20,000 (2022 - 20,000) Ordinary shares of £0.001 each	20	20
31,999 (2022 - Nil) Series A-1 shares of £0.001 each	32	-
16,064 (2022 - Nil) Series A-2 shares of £0.001 each	16	-
	£ 92	£ 44

During the period 21,935 Series A-1 shares with a nominal value of £0.001 each were issued for a total consideration of £8,499,791.

During the period, convertible loan notes of value £4,979,840 and accrued interest value of £482,301 were converted into 16,064 Series A-2 shares, at a rate of £310 per share.

During the period, the company issued warrants over 10,064 with a nominal value of £0.001 Series A-1 Shares, which were exercised in the same period. A total consideration of £10 was paid in respect of the exercise of these warrants.

Series A Shares

Fixed cumulative cash preferential dividends, calculated at an annual rate of 6%, accrue on the Series A shares, but are only to become payable in the event of the Company carrying out an Exit (being a Share Sale, An Asset Sale or Initial Public Offering ("IPO")) or a Conversion of Series A shares in relation to an IPO. As a result, the shares are classed as a compound instrument. At 31 December 2023, the fair value of the dividend liability was assumed to be £nil (2022: £nil), due to the early stage of the Company and the consequent uncertainties at this stage as to whether the Company will enter into an Exit and the timing of this.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2023

12. Share-based payments

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

The movements in the option arrangements during the year were as follows:

	Weighted average exercise price (pence) 2023	Number 2023	Weighted average exercise price (pence) 2022	Number 2022
Outstanding at the beginning of the year	1	7,155	1.0	2,526
Granted during the year	0.01	1,092	0.01	4,629
Forfeited during the year	1	(768)		-
Outstanding at the end of the year	1	7,479	1.0	7,155

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

The expected life of the expected period from grant to exercise is based upon 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 £785,771 in the period (2022: £770,009), related to equity share based payment transactions.

	Period ended 31 December 2023	Year ended 31 October 2022
Option pricing model used	Black Scholes	Black-Scholes
Weighted average share price (pence)	34,933	34,724
Exercise price (pence)	1.0	1.0
Weighted average contractual life (days)	3,650	3,650
Expected volatility	89.7%	89.1%
Risk-free interest rate	2.8%	2.7%

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2023**

13. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £88,746 (2022 - £56,770). Contributions totalling £16,371 (2022 - £10,068) were payable to the fund at the balance sheet date and are included in creditors.

14. Other financial commitments

There is a fixed charge over the deposit account of Theolytics Limited in respect of any current or future obligations associated with the business charge card.

15. Related party transactions

During the year ended 31 October 2021, the Company issued convertible loan notes to three companies with significant influence over the Company for £4,499,998. The loan notes accrued interest of £287,313 during the period (2022: 193,315). During the period ended 31 December 2023, the full value of the loan and accrued interest was converted into share capital at a rate of £310 per share. The balance outstanding at the period end is £Nil (2022: 4,693,313).

During the period, £5,000 (2022: £5,000) was paid to a company with significant influence over the Company for key management personnel services.

Also during the period, £518,889 (2022: £366,375) was paid to the same company for other services. The other services were conducted on an arm's length basis on normal trading terms.

There were no trading balances due at the period end (2022: Nil).

16. Post balance sheet events

On 7 February 2024, the Directors approved the grant of 7,753 share options to employees.

On 4 April 2024, the company issued 8,386 Series A-1 shares at £387.50 per share along with 1,185 warrants.

17. Controlling party

The directors of Theolytics Limited do not consider there to be any one ultimate controlling party.

18. Auditor's information

The auditor's report on the financial statements for the period ended 31 December 2023 was unqualified.

The audit report was signed on 28 May 2024 by Sue Staunton MA FCA CF (Senior statutory auditor) on behalf of James Cowper Kreston Audit.

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.