

OZO INNOVATIONS LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
INFORMATION FOR FILING WITH THE REGISTRAR
FOR THE YEAR ENDED 31 DECEMBER 2022**

OZO INNOVATIONS LIMITED

COMPANY INFORMATION

Directors	S Ball P B Clark T Howarth M H O'Neill S Vosmek T Hopen Dr M Poole (appointed 10 January 2022) D C Goosey (resigned 10 January 2022)
Registered number	08071406
Registered office	Unit 29 Chancerygate Business Centre Langford Lane Kidlington Oxford OX5 1FQ
Independent auditors	Xeinadin Audit Limited Chartered Accountants & Statutory Auditor 8th Floor Becket House 36 Old Jewry London EC2R 8DD
Accountants	Elman Wall Limited 8th Floor Becket House 36 Old Jewry London EC2R 8DD

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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	6	196,564	100,641
Tangible assets	7	81,172	117,611
Investments	8	11	11
		<u>277,747</u>	<u>218,263</u>
Current assets			
Stocks	9	53,070	74,496
Debtors: amounts falling due within one year	10	178,224	500,121
Cash at bank and in hand	11	764,111	2,303,997
		<u>995,405</u>	<u>2,878,614</u>
Creditors: amounts falling due within one year	12	(92,337)	(185,593)
Net current assets		<u>903,068</u>	<u>2,693,021</u>
Total assets less current liabilities		<u>1,180,815</u>	<u>2,911,284</u>
Provisions for liabilities			
Other provisions		(49,129)	-
		<u>(49,129)</u>	<u>-</u>
Net assets		<u><u>1,131,686</u></u>	<u><u>2,911,284</u></u>
Capital and reserves			
Called up share capital		790	697
Share premium account	14	19,516,592	19,516,592
Other reserves	14	594,816	594,816
Profit and loss account	14	(18,980,512)	(17,200,821)
		<u><u>1,131,686</u></u>	<u><u>2,911,284</u></u>

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2022

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:

Dr M Poole
Director

Date: 6 July 2023

The notes on pages 3 to 16 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. General information

Ozo Innovations Limited is a private company limited by shares incorporated in England and Wales, United Kingdom.

The address of the registered office is; Unit 29, Chancerygate Business Centre, Langford Lane, Kidlington, Oxford, OX5 1FQ.

The principal activity of the company is to develop, manufacture and sell a range of highly innovative products offering improved cleaning and antimicrobial performance to the food production, processing and preparation sectors.

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 Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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).

2.2 Going concern

These financial statements have been prepared based on the assumption that the Company will continue its operations in the foreseeable future on the going-concern basis. This assumption relies on the Company having sufficient funds to sustain its trading activities. Although the Company is still in the early stages of generating revenue, management has created financial forecasts that estimate the expected cash requirements over the next 12 months, starting from the authorization of these financial statements.

While the business has made progress in terms of product adoption and is engaged in commercial discussions with a major global food producer, Ozo still relies on funds from external investors. According to the current business plan and cash flow forecasts, it is evident that the Company will need to secure additional capital investment by mid-2023 in order to execute its business plan and continue operating as a going concern. However, given the advancements in both the product and commercial aspects of the Company, Ozo is confident in its ability to raise the necessary funds.

It is important to note that if the Company fails to secure funds on favourable terms when needed, it could have a significant negative impact on its business, financial position, and operational results. This indicates the existence of a material uncertainty that may raise doubts about the Company's ability to continue as a going concern, which in turn affects its ability to realise assets and fulfil liabilities in the normal course of business.

In preparing these accounts on the going-concern basis, the directors have considered several indicators regarding the Company's ability to raise the required capital in the future. These indicators include the support and commitment of existing investors towards the future success of the business, the Board's experience in securing substantial investment capital, and a successful pilot programme with a major global food producer with anticipated revenue generation in early 2024.

It is important to note that these financial statements do not include any adjustments that would be necessary if the Company were unable to continue as a going concern.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.3 Turnover recognition

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

The company acts on its own account when contracting with its customers for the supply of goods and services. The selling processes are agreed directly with customers. The company has the ability to set their own margins and prices on the sale of products, services and solutions.

2.4 Intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired on business combinations are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition.

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

Intangible assets are amortised on a straight line basis over their useful lives. The useful lives of intangible assets are as follows:

Development expenditure - 3 year straight line

Computer software - 4 year straight line

Patents - 3 year straight line

Provision is made for any impairment.

2.5 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 provided on the following basis:

Office Equipment	- 2 year straight line basis
Elosystem	- 4 year straight line basis
Lab equipment	- 4 year straight line basis
Plant & Machinery	- 4 years straight line basis
Leasehold improvements	- 5 - 10 years straight line basis

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each reporting date. Gains and losses on remeasurement are recognised in the Statement of comprehensive income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each reporting date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.8 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.

2.9 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.

2.10 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 non-puttable 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 financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.10 Financial instruments (continued)

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.11 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.

2.12 Grant income

Grant income is recognised in the profit and loss account in the same period as the expenditure, to which the grant relates.

2.13 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.14 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.15 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.

2.16 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 Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

2.17 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the reporting date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the reporting date.

2.18 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.20 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 reporting date in the countries where the Company operates and generates income.

2.21 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight-line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

In preparing these financial statements, the directors have made the following judgements:

- Determine whether leases entered into by the company either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the company's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Intangible fixed assets

Intangible assets are amortised over the useful lives, based on the estimated period that the assets will have a value in use or generate revenues. The estimates are reviewed annually. Changes to the estimates could result in significant variations in the carrying value and amounts charged to the profit and loss. The carrying value of intangibles by class is included in note 9 and useful lives are included within the accounting policy.

4. Employees

The average monthly number of employees, including directors, during the year was 17 (2021 - 24).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

5. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on losses for the year	-	(147,027)
Current tax on losses for previous periods	(219,072)	(174,761)
Total current tax	<u>(219,072)</u>	<u>(321,788)</u>
Deferred tax		
Total deferred tax	<u>-</u>	<u>-</u>
Taxation on loss on ordinary activities	<u>(219,072)</u>	<u>(321,788)</u>

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2021 - the same as) the standard rate of corporation tax in the UK of 19% (2021 - 19%) as set out below:

	2022 £	2021 £
Loss on ordinary activities before tax	<u>(1,998,763)</u>	<u>(2,831,718)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(379,765)	(538,026)
Effects of:		
R&D expenditure credits	-	(147,027)
Deferred tax not recognised	379,765	538,026
2020 RDEC claim	-	(174,761)
2021 RDEC Claim	(219,072)	-
Total tax charge for the year	<u>(219,072)</u>	<u>(321,788)</u>

Factors that may affect future tax charges

The March 2021 Budget announced an increase to the main rate of corporation tax to 25% from 1 April 2023. This rate has not been substantively enacted at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

6. Intangible assets

	Patents £	Development expenditure £	Software Development £	Total £
Cost				
At 1 January 2022	187,389	546,530	83,739	817,658
Additions	4,002	176,897	10,500	191,399
At 31 December 2022	191,391	723,427	94,239	1,009,057
Amortisation				
At 1 January 2022	168,670	464,828	83,519	717,017
Charge for the year on owned assets	14,591	80,082	803	95,476
At 31 December 2022	183,261	544,910	84,322	812,493
Net book value				
At 31 December 2022	8,130	178,517	9,917	196,564
At 31 December 2021	18,719	81,702	220	100,641

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

7. Tangible fixed assets

	Plant and machinery £	Elosystem £	Office equipment £	Lab equipment £	Leasehold improvements £	Total £
Cost or valuation						
At 1 January 2022	180,840	209,381	110,938	111,469	119,146	731,774
Additions	-	-	-	-	8,760	8,760
Disposals	-	-	(27,008)	-	-	(27,008)
At 31 December 2022	180,840	209,381	83,930	111,469	127,906	713,526
Depreciation						
At 1 January 2022	180,840	137,492	109,280	100,652	85,899	614,163
Charge for the year on owned assets	-	21,038	1,658	6,225	16,278	45,199
Disposals	-	-	(27,008)	-	-	(27,008)
At 31 December 2022	180,840	158,530	83,930	106,877	102,177	632,354
Net book value						
At 31 December 2022	-	50,851	-	4,592	25,729	81,172
At 31 December 2021	-	71,889	1,658	10,817	33,247	117,611

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

8. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2022	11
At 31 December 2022	11

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Ozone Purification Limited	Unit 29 Chancerygate Business centre, Langford Lane, Kidlington, Oxford, OX5 1FG	Ordinary	100 %
Ozo Innovations EBT Trustee Limited	as above	Ordinary	100 %

9. Stocks

	2022 £	2021 £
Reagent consumables	-	1,409
Raw materials	53,070	73,087
	<u>53,070</u>	<u>74,496</u>

10. Debtors

	2022 £	2021 £
Trade debtors	200	9,570
Other debtors	94,458	430,962
Prepayments and accrued income	83,566	59,589
	<u>178,224</u>	<u>500,121</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

11. Cash and cash equivalents

	2022 £	2021 £
Cash at bank and in hand	<u>764,111</u>	<u>2,303,997</u>

12. Creditors: Amounts falling due within one year

	2022 £	2021 £
Trade creditors	22,696	54,381
Amounts owed to group undertakings	11	11
Other taxation and social security	31,457	34,230
Other creditors	241	363
Accruals and deferred income	37,932	96,608
	<u>92,337</u>	<u>185,593</u>

13. Provisions

	Dilapidations £
Charged to profit or loss	<u>49,129</u>
At 31 December 2022	<u><u>49,129</u></u>

The provision represents the estimated costs of property repairs. The company has an obligation for these repairs under the terms of the lease.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

14. Reserves

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Other reserves

The other reserve relates to the equity portion of the convertible loan note.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

15. Share-based payments

During the year, a share based payment arrangement existed whereby share options have been granted to option holders in order to acquire shares in the company.

The nominal value and the exercise price payable per share is between 1p and 1500p. If the option holder is not in employment by the company on the date of the exit event or does not validly execute the agreement as a deed and return it to the company within 30 days after the date of the grant, the option shall lapse automatically at the end of the 30 day period.

The number and exercise prices of the share options are as follows:

	Weighted average exercise price (pence) 2022	Number 2022	Weighted average exercise price (pence) 2021	Number 2021
Outstanding at the beginning of the year	1	10,132	186	11,162
Granted during the year		-	1	43
Forfeited during the year	1	(2,951)	1500	(1,073)
Outstanding at the end of the year		7,181	1	10,132

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

16. 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 £39,750 (2021 - £48,132). Contributions totalling £6,616 (2021: £5,075) were payable to the fund at the reporting date and are included within creditors.

17. Related party transactions

During the year, Ozo Innovations Limited paid Astia Angels (a shareholder) £2,500 in respect of professional fees.

18. Post balance sheet events

On 12th January 2023 the Company received £1,000,000 through issue of 4% Fixed rated Unsecured Convertible Loan Note.

19. Auditors' information

The auditors' report on the financial statements for the year ended 31 December 2022 was unqualified.

We draw attention to note 2.2 in the financial statements which indicates that the Company's business plan and cash flow forecasts show that the Company will need to raise additional capital investments in early 2023 to enable it to deliver on its business plan and continue as a going concern. As stated in note 2.2, these events or conditions, along with other matters as set out in note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The audit report was signed on 6 July 2023 by Yasin Khandwalla FCCA (Senior statutory auditor) on behalf of Xeinadin Audit Limited.

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.