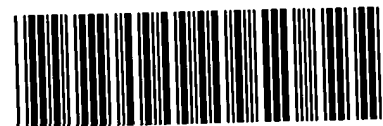


OxSonics Limited

Financial Statements for the year ended
30 June 2023

Company Number 08595647

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Company Information

Directors	Professor Constantin Coussios Dr Matthew Frohn Jerome Marzinski (appointed 1 November 2022) Glyn Edwards (resigned 6 September 2023) Dr Allison Jeynes-Ellis (resigned 1 February 2024) Gene Saragnese (resigned 1 February 2024)
Registered number	08595647
Registered office	The Magdalen Centre Robert Robinson Avenue Oxford United Kingdom OX4 4GA
Independent auditor	Moore East Midlands Oakley House Headway Business Park 3, Saxon Way West Corby Northants NN18 9EZ

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OxSonics Limited

Statement of Financial Position As at 30 June 2023

	Note	2023 £	2022 £
Fixed Assets			
Intangible assets	5	158,048	172,251
Tangible assets	6	33,832	19,533
Total fixed assets		191,880	191,784
Current assets			
Debtors: amounts falling due within one year	7	1,168,948	1,693,547
Cash at bank and in hand		2,205,374	4,221,294
Cash held on term deposit		-	1,500,000
		3,374,322	7,414,841
Current liabilities			
Trade and other payables	8	(254,242)	(489,068)
Deferred income		(54,484)	-
Creditors: amounts falling due within one year		(308,726)	(489,068)
Net current assets		3,065,596	6,925,773
Non-current liabilities			
Deferred income		(9,079)	-
Net assets		3,248,397	7,117,557
Capital and reserves			
Share capital	9	8,417	8,330
Share premium	11	22,643,049	22,643,049
Profit and loss	11	(19,403,069)	(15,533,822)
Total equity		3,248,397	7,117,557

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 on 6 March 2024.


Jerome Marzinski
Director and Chief Executive Officer

The notes on pages 2 to 11 form part of these financial statements.

OxSonics Limited

Notes to the Financial Statements For the Year Ended 30 June 2023

1. General information

OxSonics Limited is a private company limited by shares incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page. The Company's principal activity is the development and commercialisation of medical devices.

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 Section 1A of FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

2.2 Going concern

The financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future.

There was a loss for the year of £4,137,862 (2022: £4,746,303) and at the year end the Company had cash, including term deposits, of £2,205,374 (2022: £5,721,294). Subsequent to the year-end, as set-out in note 18 to the financial statements, the Company raised additional capital totalling £2,185,000. The Company will require further funding for its ongoing R&D program and is planning a further equity funding round to commence later this year.

Data from Oxford University's ongoing CEeDD clinical trial, which is evaluating the performance of the Company's SonoTran platform in patients with metastatic colorectal cancer, is expected during 2024 and, assuming the data is positive, is expected to assist the Company's fund-raising plans.

Based on financial forecasts over the going concern assessment period, taking into account current cash balances, actions taken since the year end to further reduce costs and expected costs over the period which are largely predictable, the Directors believe there will be cash headroom throughout the period.

However, the necessity to secure further funding represents a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. These financial statements do not contain any adjustments that would arise if the financial statements were not prepared on a going concern basis.

The following principal accounting policies have been applied:

OxSonics Limited

Notes to the Financial Statements For the Year Ended 30 June 2023

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.

2.4 Research and development

Research costs are expensed as incurred.

Development costs are capitalised within intangible assets where they can be identified with a specific product or project anticipated to produce future benefits, and are amortised on a straight line basis over the anticipated life of the benefits arising from the completed product or project.

Deferred research and development costs are reviewed annually, and where future benefits are deemed to have ceased or to be in doubt, the balance of any related research and development is written off to the statement of comprehensive income.

2.5 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the statement of comprehensive income 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.

2.6 Other income

Other income is incidental income for goods and services provided in conjunction with research and development collaborations. Elements of income relating to the delivery of time-based performance conditions are recognised, in conjunction with the relevant costs, over the appropriate time periods.

2.7 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

2.8 Finance costs

Finance costs are charged to the statement of comprehensive income 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.

OxSonics Limited

Notes to the Financial Statements For the Year Ended 30 June 2023

2. Accounting policies (continued)

2.9 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 the statement of comprehensive income 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.

2.10 Operating leases: the Company as lessee

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.11 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.

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 statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the statement of comprehensive income is charged with fair value of goods and services received.

OxSonics Limited

Notes to the Financial Statements For the Year Ended 30 June 2023

2. Accounting policies (continued)

2.12 Current and deferred taxation

Tax is recognised in the statement of comprehensive income, 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.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The Company qualified for the research and development cash tax credit under the SME scheme. These amounts are recognised in Taxation on loss in the year to which they relate.

2.13 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.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Patents	-	20 years
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Twenty years has been selected as the estimated useful life of the Company's patents as this aligns with the period over which the patents are expected to provide protection.

The cost of intangible assets is amortised over their estimated useful lives on a straight line basis.

2.14 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:

Fixtures and fittings	- 4 years straight line basis
Research equipment	- 3 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 the statement of comprehensive income.

2.15 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.

2.16 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.

2.17 Cash held on term deposit

Cash held on deposit is cash that is not required to meet the operational needs of the business during the term of the deposit, which is a fixed period up to a maximum of twelve months.

2.18 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.

2.19 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the statement of financial position date and carried forward to future periods. This is measured at the undiscounted additional amount that the entity expects to pay for future holiday entitlement so accrued at the statement of financial position date.

2.20 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

OxSonics Limited

Notes to the Financial Statements For the Year Ended 30 June 2023

2. Accounting policies (continued)

2.21 Deferred income

Deferred income represents income received to be recognised on a time basis in future accounting periods.

2.22 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.

3. Judgements 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 (see note 6)

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.

OxSonics Limited

Notes to the Financial Statements For the Year Ended 30 June 2023

2. Accounting policies (continued)

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

- Share based payments

The entity accounts for share-based payment transactions for employees in accordance with FRS 102.26 Share-based Payment, which requires the measurement of the cost of employee services received in exchange for the options on shares, based on the fair value of the award on the grant date.

The Directors selected the Black-Scholes option pricing model as the most appropriate method for determining the estimated fair value of the Company's share-based awards without market conditions. For performance-based options that include vesting conditions relating to the market performance of our ordinary shares, a Monte Carlo pricing model was used in order to reflect the valuation impact of price hurdles that have to be met as conditions to vesting.

The resulting cost of an equity incentive award is recognised as expense over the requisite service period of the award, which is usually the vesting period. Compensation expense is recognised over the vesting period using the accelerated method and classified as administrative expenses in the statement of comprehensive income.

The assumptions used for estimating fair value for share-based payment transactions are disclosed in note 13 to the financial statements and are estimated as follows:

- Volatility is estimated based on the average annualized volatility of a number of publicly traded peer companies;

- The estimated life of the option is the estimated period until the occurrence of an exercise event; and

- The dividend return is estimated by reference to our historical dividend payments. Currently, this is estimated to be zero as no dividend has been paid in the prior periods. The fair value of underlying shares is estimated by reference to the price of the most recent financing round.

4. Employees

The average monthly number of employees, including Directors, during the year was 31 (2022: 30).

5. Intangible assets

	Patents £
Cost	
At 1 July 2022 and 30 June 2023	274,037
Amortisation	
At 1 July 2022	101,786
Charge for the year	14,203
At 30 June 2023	115,989
Net book value	
At 30 June 2023	158,048
At 30 June 2022	172,251

OxSonics Limited

Notes to the Financial Statements For the Year Ended 30 June 2023

2. Accounting policies (continued)

6. Tangible fixed assets

	Fixtures and fittings £	Research equipment £	Total £
Cost			
At 1 July 2022	158,407	919,267	1,077,674
Additions	-	36,041	36,041
At 30 June 2023	158,407	955,308	1,113,715
Depreciation			
At 1 July 2022	158,366	899,775	1,058,141
Charge for the year	41	21,701	21,742
At 30 June 2023	158,407	921,476	1,079,883
Net book value			
At 30 June 2023	-	33,832	33,832
At 30 June 2022	41	19,492	19,533

7. Debtors: amounts falling due within one year

	2023 £	2022 £
Prepayments and accrued income	57,074	70,299
VAT recoverable	35,472	104,768
Other debtors	8,005	117,021
Tax recoverable	1,068,397	1,401,459
	1,168,948	1,693,547

8. Creditors: amounts falling due within one year

Trade and other payables	2023 £	2022 £
Trade creditors	58,014	109,280
Other creditors	83,351	101,802
Accruals	112,877	277,986
	254,242	489,068

9. Share capital

Allotted and fully paid up:

	2023 £	2022 £
312,500 deferred shares of £0.0004 each	125	125
19,510,113 (30 June 2022: 19,291,002) ordinary shares of £0.0004 each	7,804	7,717
1,117,911 (30 June 2022: 1,117,911) G ordinary shares of £0.0004 each	447	447
102,684 G2 ordinary shares of £0.0004 each	41	41
	8,417	8,330

The share issue in the year was in relation to the exercise of employee share options.

OxSonics Limited

Notes to the Financial Statements For the Year Ended 30 June 2023

2. Accounting policies (continued)

10. Share based payments

The Company operates an EMI option scheme

	Weighted average exercise price (pence) 2023	Number 2023	Weighted average exercise price (pence) 2022	Number 2022
Outstanding at the beginning of the year	54.07	1,591,063	51.67	1,188,276
Granted during the year	100.00	277,150	79.65	735,805
Exercised during the year	(0.04)	(219,111)	-	-
Forfeited during the year	(111.15)	(243,451)	(102.05)	(333,018)
Outstanding at the end of the year	61.66	1,405,651	54.07	1,591,063

	2023	2022
Option pricing model used	Black-Scholes	Black-Scholes
Weighted average exercise price (pence)	100	79.65
Exercise price (pence)	100	7 & 100
Weighted average expected term (days)	1,825	2,190
Expected volatility	81.50%	69.20%
Risk-free interest rate	1%	1%
Weighted average fair value per share (pence)	94.40	90.80

11. Reserves

The Company's capital and reserves are as follows:

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.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid (£nil), and the cumulative share-based payment charge (£1,023,808).

12. Pension commitments

The Company operates a defined contribution 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 £177,279 (2022 - £182,964). No amounts were outstanding at the statement of financial position date.

OxSonics Limited

Notes to the Financial Statements For the Year Ended 30 June 2023

2. Accounting policies (continued)

13. Commitments under operating leases

As at 30 June 2023, the Company had future minimum lease payments under non-cancellable operating leases expiring as follows;

	2023 £	2022 £
Not later than 1 year	1,027	343,280
Between 1 and 5 years	3,324	977

14. Related party transactions

During the year, the Company invoiced amounts of £3,612 (2022: £23,487) to Orthoson Limited, a company with common Directors and shareholders, in relation to R&D products and services under a Licence and Supply Agreement dated 2 September 2021.

The balance due between the companies at 30 June 2023 was £nil (2022: £nil).

15. Events after the Balance Sheet Date

On 22 September 2023 the Company raised additional capital totalling £2,185,000 by way of £650,000 advance subscriptions to Ordinary shares and £1,535,000 issue of convertible loan notes. The price at which the Ordinary shares will be allotted on subscription and conversion is linked to the amount and subscription price of the equity funding round planned for 2024. The convertible loan notes are secured by fixed and floating charges over the assets of the Company.

Given the challenging macroeconomic market environment, in January 2024 the company made a decision to further reduce operating costs, resulting in a reduction in headcount. As part of this cost reduction initiative, Dr Allison Jaynes-Ellis and Mr Gene Saragnese stepped-down from the board on 1 February 2024.

16. Auditor's information

An audit of the company's financial statements was carried-out by Moore as statutory auditor who reported to the company's members on 11 March 2024. The auditor's report was signed by John Harvey as senior statutory auditor and was unqualified.