

**THEOLYTICS LTD**

**FINANCIAL STATEMENTS**

**INFORMATION FOR FILING WITH THE REGISTRAR**

**FOR THE YEAR ENDED 31 OCTOBER 2021**

**THEOLYTICS LTD**  
**REGISTERED NUMBER: 11001290**

**BALANCE SHEET**  
**AS AT 31 OCTOBER 2021**

	Note	2021 £	2020 £
<b>Fixed assets</b>			
Intangible assets	5	44,236	37,479
Tangible assets	6	347,727	150,253
		<u>391,963</u>	<u>187,732</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	7	798,397	398,621
Cash at bank and in hand	8	6,551,235	1,149,881
		<u>7,349,632</u>	<u>1,548,502</u>
Creditors: amounts falling due within one year	9	(483,109)	(1,553,494)
<b>Net current assets/(liabilities)</b>		<u>6,866,523</u>	<u>(4,992)</u>
<b>Total assets less current liabilities</b>		<u>7,258,486</u>	<u>182,740</u>
<b>Net assets</b>		<u><u>7,258,486</u></u>	<u><u>182,740</u></u>
<b>Capital and reserves</b>			
Called up share capital	10	44	110
Share premium account		11,494,197	2,499,990
Capital redemption reserve		90	-
Other reserves		514,310	379,185
Profit and loss account		(4,750,155)	(2,696,545)
		<u><u>7,258,486</u></u>	<u><u>182,740</u></u>

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:

**C Casebourne Mills**

Director

Date: 4 April 2022

The notes on pages 3 to 14 form part of these financial statements.

THEOLYTICS LTD

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 OCTOBER 2021

	Called up share capital £	Share premium account £	Capital redemption reserve £	Share option reserve £	Profit and loss account £	Total equity £
At 1 November 2020	110	2,499,990	-	379,185	(2,696,545)	182,740
Loss for the year	-	-	-	-	(2,053,610)	(2,053,610)
Purchase of own shares	-	-	90	-	-	90
Shares issued during the year	24	8,994,207	-	-	-	8,994,231
Shares repurchased during the year	(90)	-	-	-	-	(90)
Transfer to/from profit and loss account	-	-	-	135,125	-	135,125
<b>At 31 October 2021</b>	<b>44</b>	<b>11,494,197</b>	<b>90</b>	<b>514,310</b>	<b>(4,750,155)</b>	<b>7,258,486</b>

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 OCTOBER 2020

	Called up share capital £	Share premium account £	Share option reserve £	Profit and loss account £	Total equity £
At 1 November 2019	110	2,499,990	247,722	(1,365,771)	1,382,051
Loss for the year	-	-	-	(1,330,774)	(1,330,774)
Transfer to/from profit and loss account	-	-	131,463	-	131,463
<b>At 31 October 2020</b>	<b>110</b>	<b>2,499,990</b>	<b>379,185</b>	<b>(2,696,545)</b>	<b>182,740</b>

The notes on pages 3 to 14 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 OCTOBER 2021**

**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.

**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).

The following principal accounting policies have been applied:

**2.2 Going concern**

During the year the Company made a loss of £2,053,610 and had a net asset position of £7,258,486 at 31 October 2021. On 1 April 2022, the Company approved the issuance of £4.5 million of unsecured convertible loan notes and received executed loan note application letters amounting to £4.5 million. On the basis of this post year end convertible loan note issuance and the Company's forecasts, the directors have prepared these accounts on a going concern basis.

**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'.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 OCTOBER 2021**

**2. Accounting policies (continued)**

**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 in 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 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.

**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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 OCTOBER 2021

**2. Accounting policies (continued)**

**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 YEAR ENDED 31 OCTOBER 2021

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 costs	- 5 years
Lab equipment	- 3-10 years
Office equipment	- 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 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 YEAR ENDED 31 OCTOBER 2021

**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 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.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 OCTOBER 2021

**2. Accounting policies (continued)**

**2.16 Financial instruments (continued)**

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.

**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 year was 20 (2020 - 15).

THEOLYTICS LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 OCTOBER 2021

5. Intangible assets

	Patents £
<b>Cost</b>	
At 1 November 2020	42,436
Additions	11,631
	<hr/>
At 31 October 2021	54,067
	<hr/>
<b>Amortisation</b>	
At 1 November 2020	4,957
Charge for the year	4,874
	<hr/>
At 31 October 2021	9,831
	<hr/>
<b>Net book value</b>	
At 31 October 2021	<hr/> <hr/> 44,236
<b>At 31 October 2020</b>	<hr/> <hr/> 37,479

THEOLYTICS LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 OCTOBER 2021

6. Tangible fixed assets

	Lease cost £	Lab Equipment £	Office equipment £	Computer equipment £	Total £
<b>Cost or valuation</b>					
At 1 November 2020	-	229,603	1,998	21,467	253,068
Additions	19,177	234,676	6,813	25,161	285,827
Disposals	-	(10,020)	-	-	(10,020)
At 31 October 2021	19,177	454,259	8,811	46,628	528,875
<b>Depreciation</b>					
At 1 November 2020	-	94,123	965	7,727	102,815
Charge for the year	1,278	68,760	1,018	7,766	78,822
Disposals	-	(489)	-	-	(489)
At 31 October 2021	1,278	162,394	1,983	15,493	181,148
<b>Net book value</b>					
At 31 October 2021	17,899	291,865	6,828	31,135	347,727
At 31 October 2020	-	135,480	1,033	13,740	150,253

7. Debtors

	2021 £	2020 £
Other debtors	79,506	38,703
Prepayments and accrued income	328,891	86,918
Tax recoverable	390,000	273,000
	<u>798,397</u>	<u>398,621</u>

8. Cash and cash equivalents

	2021 £	2020 £
Cash at bank and in hand	6,551,235	1,149,881
	<u>6,551,235</u>	<u>1,149,881</u>

THEOLYTICS LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 OCTOBER 2021

9. Creditors: Amounts falling due within one year

	2021 £	2020 £
Convertible loan notes	-	1,300,000
Trade creditors	110,505	64,135
Other taxation and social security	39,669	64,433
Other creditors	7,708	5,145
Accruals and deferred income	325,227	119,781
	<u>483,109</u>	<u>1,553,494</u>

The convertible loan notes were issued for a maximum period of 36 months. The loans incurred interest at a set rate of 8% per annum. These converted into 4,302 Series A shares on 22 December 2020.

10. Share capital

	2021 £	2020 £
<b>Allotted, called up and fully paid</b>		
NIL (2020 - 10,000) Ordinary shares of £0.010 each	-	100
NIL (2020 - 10,000) Ordinary A shares of £0.001 each	-	10
24,300 (2020 - NIL) Series A shares of £0.001 each	24	-
20,000 (2020 - NIL) Ordinary shares of £0.001 each	20	-
	<u>44</u>	<u>110</u>

On 18 December 2020, the shareholders of the Company resolved to restructure the existing 10,000 Ordinary Shares of £0.01 each, such that they have a nominal value of £0.001 by subdividing each into one new Ordinary Share of £0.001 (in aggregate 10,000) and nine Deferred Shares of £0.001 (in aggregate 90,000). Thereafter, immediately re-designating each existing A Ordinary Share as one Ordinary Share of £0.001.

On 2 July 2021, 90,000 Deferred Shares of £0.001 each were repurchased by the Company for a total consideration of £0.01 and were subsequently cancelled, in accordance with the Company's Articles of Association.

**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 October 2021, the fair value of the dividend liability was assumed to be £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 YEAR ENDED 31 OCTOBER 2021**

**11. Share based payments**

The Company operates an EMI approved 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:

	<b>Weighted average exercise price (pence) 2021</b>	<b>Number 2021</b>	<b>Weighted average exercise price (pence) 2020</b>	<b>Number 2020</b>
Outstanding at the beginning of the year	1.0	2,571	1.0	2,232
Granted during the year	0	-	1.0	544
Forfeited during the year	1.0	(45)	1.0	(205)
<b>Outstanding at the end of the year</b>	<b>1.0</b>	<b>2,526</b>	<b>1.0</b>	<b>2,571</b>

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 £135,124 in the year (2020: £131,463), related to equity share based payment transactions.

	<b>2021 Black-Scholes</b>	<b>2020 Black-Scholes</b>
Option pricing model used		
Weighted average share price (pence)	27,346	27,545
Exercise price (pence)	1.0	1.0
Weighted average contractual life (days)	3,650	3,650
Expected volatility	80.2%	80.2%
Risk-free interest rate	1.1%	1.1%

**12. 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 £36,971 (2020 - £22,198). Contributions totalling £6,056 (2020 - £3,493) were payable to the fund at the balance sheet date and are included in creditors.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 OCTOBER 2021**

**13. Related party transactions**

During the year, £5,000 (2020: £5,000) was paid to Oxford Science Enterprises Plc for director services. Also during the year, £124,770 (2020: £Nil) was paid to Bidwells LLP, a managing agent of Oxford Science Enterprises Plc for rent charges. There were no balances due at the year end (2020: Nil). Oxford Science Enterprises Plc is a shareholder of the Company.

During the year £Nil (2020: £1,458) of income was generated through equipment rentals to Macrophox Ltd. Further to this £Nil (2020: £6,712) was paid to Macrophox Ltd in relation to asset purchases. There were no balances due at the year end (2020: Nil). Oxford Science Enterprises Plc is also a shareholder of Macrophox Ltd.

During the year, £84,758 (2020: £111,979) was paid to the University of Oxford and its subsidiaries in relation to rent and services. At the year end, there was £3,485 (2020: -£6,562) owed to the Company by the University of Oxford. The University of Oxford is a shareholder of the Company.

During the year £432 (2020: £Nil) of income was generated through recharges to Nucleome Therapeutics Ltd. There were no balances due at the year end (2020: Nil). The University of Oxford and Oxford Science Enterprises Plc are also shareholders of Nucleome Therapeutics Ltd.

During the year £3,888 (2020: £Nil) of purchases for consumables were made from Oxford Nanopore Technologies PLC. At the year end there was £1,452 (2020: £Nil) due to Oxford Nanopore Technologies PLC. The University of Oxford is also a shareholder of Oxford Nanopore Technologies PLC.

On 22 December 2020, the Company secured a investment totalling £3,699,463 from Epidarex Capital III UK, LP and Taiho Ventures LLC. The investment was split as follows:

Epidarex Capital III UK, LP - subscribed a total of £2,499,763 in exchange for a total of 6,451 Series A shares.

Taiho Ventures LLC - subscribed a total of £1,199,700 in exchange for a total of 3,096 Series A shares.

On 1 July 2021, the Company secured an investment of £4,049,763. The investment was split as follows:

Merck Ventures B.V. - subscribed a total of £2,499,763 in exchange for a total of 6,451 Series A shares.

Taiho Ventures LLC - subscribed a total of £1,300,063 in exchange for a total of 3,355 Series A shares.

The University of Oxford subscribed a total of £249,937 in exchange for a total of 645 Series A shares.

During the year, £1,300,000 of convertible loan notes converted into 4,302 Series A shares. Of the total balance, £50,000 of the convertible loan notes converted into 163 Series A shares, issued to Carsten Reinhardt. Carsten Reinhardt is a director of the Company and is employed as a consultant by Oxford Science Enterprises Plc. Of the total balance, £50,000 of the convertible loan notes converted into 163 Series A shares, issued to Alta Administration, LLC. The owner of Alta Administration, LLC is connected to Charlotte Casebourne Mills, a director of the Company. Of the total balance, £600,000 of the convertible loan notes converted into 1,988 Series A shares, issued to Oxford Science Enterprises Plc.

**14. Post balance sheet events**

On 1 April 2022, the Company approved the issuance £4.5 million of unsecured convertible loan notes and received executed loan note application letters amounting to £4.5 million from existing investors

On 19 January 2022, 2,148 share options over Ordinary shares in the Company lapsed and the Company granted 6,777 share options over Ordinary shares in the Company.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 OCTOBER 2021**

**15. Controlling party**

There is no single ultimate controlling party.

**16. Auditor's information**

The auditor's report on the financial statements for the year ended 31 October 2021 was unqualified.

The audit report was signed on 7 April 2022 by Sue Staunton MA FCA CF (Senior statutory auditor) on behalf of James Cowper Kreston.

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.