

Company registration number 12188439 (England and Wales)

THIRD EQUATION LTD
UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023
PAGES FOR FILING WITH REGISTRAR

THIRD EQUATION LTD

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THIRD EQUATION LTD

BALANCE SHEET

AS AT 31 MARCH 2023

		2023		2022	
	Notes	£	£	as restated	£
Fixed assets					
Intangible assets	3		329,827		247,317
Tangible assets	4		43,046		81,684
			<u>372,873</u>		<u>329,001</u>
Current assets					
Debtors	5	594,833		567,196	
Cash at bank and in hand		837,004		867,015	
		<u>1,431,837</u>		<u>1,434,211</u>	
Creditors: amounts falling due within one year	6	<u>(5,849,994)</u>		<u>(3,462,099)</u>	
Net current liabilities			<u>(4,418,157)</u>		<u>(2,027,888)</u>
Total assets less current liabilities			<u>(4,045,284)</u>		<u>(1,698,887)</u>
Creditors: amounts falling due after more than one year	7		<u>(5,267,983)</u>		<u>(4,675,070)</u>
Net liabilities			<u>(9,313,267)</u>		<u>(6,373,957)</u>
Capital and reserves					
Called up share capital	8		60		60
Profit and loss reserves			<u>(9,313,327)</u>		<u>(6,374,017)</u>
Total equity			<u>(9,313,267)</u>		<u>(6,373,957)</u>

The directors of the company have elected not to include a copy of the profit and loss account within the financial statements.

For the financial year ended 31 March 2023 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476.

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

THIRD EQUATION LTD

BALANCE SHEET (CONTINUED)

AS AT 31 MARCH 2023

The financial statements were approved by the board of directors and authorised for issue on 13 December 2023 and are signed on its behalf by:

G F Dujon
Director

Company Registration No. 12188439

THIRD EQUATION LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

Company information

Third Equation Ltd is a private company limited by shares incorporated in England and Wales. The registered office is 5 New Street Square, London, EC4A 3TW.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. 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 financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

The directors acknowledge that the company has negative reserves. The cash flow statements have been reviewed and the company has plans to receive future investment through a capital raise program, supported by the business plan for the next 5 years which gives the directors reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Patents and intellectual property	10% Straight line
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THIRD EQUATION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Tools and equipment	20%-50% Straight line
Fixtures and fittings	20%-50% Straight line
Computers	20%-50% Straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.6 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.7 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

THIRD EQUATION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.8 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

THIRD EQUATION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies (Continued)

1.11 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.12 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.13 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2023 Number	2022 Number
Total	17	18

3 Intangible fixed assets

	Patents and intellectual property £
Cost	
At 1 April 2022	312,769
Additions	118,366
At 31 March 2023	431,135
Amortisation and impairment	
At 1 April 2022	65,452
Amortisation charged for the year	35,856
At 31 March 2023	101,308
Carrying amount	
At 31 March 2023	329,827
At 31 March 2022	247,317

THIRD EQUATION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

4 Tangible fixed assets

	Tools and equipment £	Fixtures and fittings £	Computers £	Total £
Cost				
At 1 April 2022	284,900	42,944	26,480	354,324
Additions	8,491	1,475	479	10,445
Disposals	(4,801)	-	-	(4,801)
At 31 March 2023	288,590	44,419	26,959	359,968
Depreciation and impairment				
At 1 April 2022	224,008	25,879	22,753	272,640
Depreciation charged in the year	31,685	10,674	2,123	44,482
Eliminated in respect of disposals	(200)	-	-	(200)
At 31 March 2023	255,493	36,553	24,876	316,922
Carrying amount				
At 31 March 2023	33,097	7,866	2,083	43,046
At 31 March 2022	60,892	17,065	3,727	81,684

5 Debtors

	2023 £	2022 £
Amounts falling due within one year:		
Other debtors	563,370	533,993
Prepayments	31,463	33,203
	594,833	567,196

6 Creditors: amounts falling due within one year

	2023 £	2022 £
Trade creditors	127,254	13,136
Taxation and social security	33,483	30,817
Other creditors	5,689,257	3,418,146
	5,849,994	3,462,099

Secured Loans

Loans included within other creditors are secured by a fixed and floating charge over the assets and income of the company.

THIRD EQUATION LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

7 Creditors: amounts falling due after more than one year

	2023 £	2022 £
Other creditors	5,267,983	4,675,070

Convertible loan notes of £5,267,983 have been included within other creditors (2022: £4,675,070). These loan notes are convertible into ordinary shares in the company at the option of the holder. Convertible loans are secured by a fixed and floating charge over the assets and income of the company.

J W Brooks, a director of the company, has the option of converting loan notes of £149,711 (2022: £132,861) and M C Fitzpatrick, also a director of the company, has the option of converting loan notes of £5,043,428 (2022: £4,475,788).

8 Called up share capital

	2023 Number	2022 Number	2023 £	2022 £
Ordinary share capital Issued and fully paid				
Ordinary shares of 1p each	59,120	59,120	59	59
Deferred ordinary shares of 1p each	880	880	1	1
	<u>60,000</u>	<u>60,000</u>	<u>60</u>	<u>60</u>

Ordinary and deferred ordinary shares rank pari passu in relation to dividend entitlement, voting entitlement and the right to benefit upon company wind up.

9 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, as follows:

	2023 £	2022 £
	103,469	554,891

10 Parent company

The parent undertaking is HFM Investments Pty Ltd, a company registered in Australia, 081238888. The registered office address is 88 Collins Street, Melbourne Victoria, Australia, VIC 3000.

M C Fitzpatrick, an individual domiciled and resident in Australia, is regarded by the directors as being the company's ultimate controlling party, by virtue of his shareholding in parent company HFM Investments Pty Ltd, a company registered in Australia.

11 Restatement

A prior year adjustment was processed to recognise accrued interest of £946,928 on outstanding convertible loan notes as at 31 March 2022.

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.