

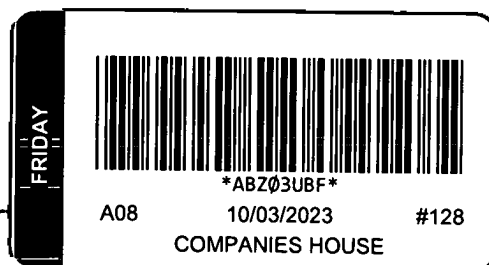
occuity

Annual Report & Financial Statements

For the period 1st January 2022
to 31st December 2022

Occuity Limited
Registered No.
12192959

occuity pmi -g



OCCUITY LTD

COMPANY INFORMATION

Directors	Dr Daniel Daly Dr Robin Taylor Mr Daniele De Iuliis Mr Daniel Quirke Mr Mark Jenkins
Company secretary	Elemental Company Secretary Limited
Registered number	12192959
Registered office	27 Old Gloucester Street London WC1N 3AX
Independent auditor	MHA MacIntyre Hudson Building 4 Foundation Park Roxborough Way Maidenhead SL6 3UD

OCCUITY LTD

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OCCUITY LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

Directors' responsibilities statement

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Principal activity

Occuity have developed a novel, globally patented, non-contacting technology that is able to accurately detect changes in the eye and thereby derive information not only about a patient's ocular health, but also about their broader wellbeing, particularly where this relates to chronic, life changing conditions.

Occuity is developing its disruptive technology into a range of handheld devices aimed at some of the major health problems of our time. Due to the size of the market, we are particularly interested in addressing diabetes by both developing products that will enable earlier diagnosis of the condition and will also enable noncontacting, pain-free glucose monitoring.

Our first product will be a Pachymeter, a handheld device for opticians to optically measure the thickness of the Cornea to support Glaucoma diagnosis. The pre-production prototypes are now in the middle of clinical trials prior to submission for CE marking and subsequent sale in Europe later in 2023. Following on from this will be a more advanced meter to measure the axial length of the eye for Myopia diagnosis and monitoring. This is an extremely valuable opportunity and discussions with market leaders lead us to believe that this meter will generate substantial revenues.

We are also in the process of developing meters to assess chronic, systemic conditions. Due to the sheer scale of the problem, the first of this range of products will be a non-invasive, personal blood glucose meter for use by people with diabetes. This will be followed by meters to screen for and diagnose systemic disorders such as diabetes, Alzheimer's Disease and sepsis.

The 3 key markets Occuity plan to address with the new technology are (in order of time to market):

1. The professional Ophthalmology market – starting with the Pachymeter, Occuity's technology roadmap will create a number of new instruments aimed at replacing either the handheld contacting devices or the expensive desktop optical instruments currently in use today;
2. The personal Diabetes Monitoring market – via the development of a personal blood glucose monitor to replace the current invasive blood tests;
3. The Diabetes and Alzheimer's disease screening market – via the development of screening devices that analyse the pattern and makeup of the disease markers deposited in various structures within the eye.

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DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Research and development activities

Over the past year Occuity has continued to grow its engineering team with new hires who have expertise in both our specific technical areas and also the Quality and Regulatory framework in which medical device companies have to work. These hires, along with the great success with grant applications detailed below, have enabled the company to accelerate the pace of its R&D efforts.

The primary focus of the development work over the past year has been to progress our first product, the PM1 pachymeter. The pre-production version of this meter is now undergoing the clinical trials that are the final step prior to regulatory approval. As the regulatory approval landscape is in a period of flux at the moment, the company is now looking to make both the MDR submission for EU CE marking and the UKCA submission for sale into the UK in parallel. And with the opportunity of a new grant to support the work, we are also intending to accelerate our FDA 510(k) submission that is necessary for US sales.

For the non-invasive glucose meter, the Occuity Indigo, having successfully completed a grant funded development programme for this meter in the previous year, the prototypes have been enhanced and are now giving results in vitro (i.e. with glucose solutions in cuvettes) that are very close to the accuracy required by the ISO standard. These meters are now being adapted for eye testing.

In addition to the glucose meter for human use, Occuity has also been adopted onto Boehringer Ingelheim's Synapse programme. This scheme is to help accelerate innovative new technologies and in this case Boehringer Ingelheim want to extend Occuity's non-invasive glucose meter technology into veterinary care. This is particularly interesting as the regulatory hurdles are lower and so time to market should be much shorter.

In the past year our engineering team have significantly advanced the AX1 meter for Myopia screening and monitoring. Having previously built a benchtop prototype, the team advanced and miniaturised the technology into a handheld format. This meter has been evaluated alongside the existing desktop based incumbent systems and is already giving results that match theirs but in a fraction of the time. This has led to further discussions with the market leaders and a letter of intent from one of the key players, CooperVision.

For the diabetes screening meter, we have now been very fortunate to receive an InnovateUK Biomedical Catalyst grant. This £343k grant supports the next phase of work (totalling £490k) to build a more advanced prototype and test it on a small selection of volunteers. This section of work will complete in February 2024 and will hopefully lead on to further clinical trials.

In Q3 of 2022 we were also delighted to receive a very prestigious UKRI Future Leaders Fellowship award. This is a £1,387k grant supporting an initial 4 year project, that we hope to extend to 7 years, to expand Occuity's capabilities into the monitoring of retinal changes. The technologies being developed are hyperspectral fluorescence lifetime imaging and laser speckle contrast imaging. These new capabilities should enable us to extend our screening and monitoring capabilities into Alzheimer's Disease, sepsis and other major systemic diseases.

Finally, the technical developments over the past year have led to the filing of a further new patent. And, perhaps as importantly, Occuity has actioned its option to acquire the existing 9 granted patents. Therefore, all patents are now owned by Occuity.

Business Review

Operationally, the company's principal focus has been on product development as above, as well as developing the infrastructure to support sales, manufacturing, and management requirements of the company as it develops beyond 2022.

Occuity continued to incur frustrating delays throughout the year due to the well publicised, ongoing global supply chain problems. Although these issues are now reducing, there are still some components that are hard to obtain in a timely fashion and have caused further delays in the development of the PM1 Pachymeter and the progress

OCCUITY LTD

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

toward volume manufacturing. In addition, the approvals required to start the PM1 clinical trials took far longer than expected to come through. But these are now in place and the clinical work is well underway.

We have brought manufacturing of the pre-production PM1s in house as this has given us more control and has allowed us to optimise the production process and significantly reduce manufacturing cost.

We had planned to complete the commercialisation of the PM1 during fiscal year 2022 but due to the delays detailed above the regulatory approval and first sales are now anticipated to be in 2023. We are now putting in place the infrastructure for the sales volumes expected for the PM1 and have a number of distributors in both the UK and EU ready to sell as soon as the approvals are obtained.

Despite these issues, where possible the Board has taken steps to mitigate the impact on the business and progress continues apace in other areas of Occuity's product development.

These challenges have naturally had an impact on revenues and on cash reserves, leading to a revision of the cash requirements in the short to medium term.

Occuity is working closely with end users and distributors and is ever more confident that the viability of the devices it is creating, and the market potential for them over the medium to long term, remains unchanged. The Company is therefore confident in its ability to manage these short-term challenges.

Fundraising

A major focus of the company in 2022 continued to be the raising of funds to support current and future activities. At the close of the year Occuity had closed an initial £961,680 tranche of its latest funding round (which will continue into 2023). This round is priced at £24.00 per share, an increase of 52% over the previous funding round in 2021, representing a pre-money valuation of approximately £24m.

R&D Tax Credits

Occuity will continue to claim UK R&D tax credits as far as is possible, with the first claim for 2020 development activities of £141k, and a second claim for 2021 activities of £341k paid during 2022. For the 2022 R&D activities, we anticipate the claim will be £360k.

Development Grants

Finally, the company is also well placed for further governmental grant support. During the year, Occuity won two large grants:

- Innovate UK Biomedical Catalyst – this grant is worth £343k and supports the £490k next stage of development of the AGE Reader for diabetes screening;
- UKRI Future Leaders Fellowship – this grant is worth £1,387k and supports a £1,500k project to advance our ability to screen for systemic diseases via the eye.

and a number of smaller grants totalling a little over £35k.

Occuity has just recruited a new Grants Writer to maximise future grant opportunities.

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DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Results and dividends

The loss for the year, after taxation, amounted to £2,042,993 (2021 - loss £1,868,954).

2022 was the third period of operations for Occuity Ltd and the prime focus of operations remained product development and the raising of funding in line with the Board's long-term strategy. Occuity declared no revenue in the year.

The operating loss before tax for the year after adding back the share based payment charge of £49,326 (2021: £240,496) was £2,397,867 (2021: £1,958,391). After expected R&D tax credits receivable of approximately £360,443, the company incurred a net loss of £2,042,933 (2021: £1,868,954).

The company ended the year with cash reserves of £509,226 (2021: £1,372,832).

Net assets at the balance sheet date amounted to £1,086,050 (2021: £1,889,209).

The directors do not recommend payment of a dividend.

Directors

The directors who served during the year were:

Dr Daniel Daly
Dr Robin Taylor
Mr Daniele De Iuliis
Mr Daniel Quirke
Mr Mark Jenkins

Future developments

Fundraising: The company's funding round continues into 2023. As of 28 February 2023, ~£1.8m has been raised in the current round and the intention is to continue to take on further funds over the coming months until the target of £3.0 - £5.0m is reached.

The funds raised will be concentrated on bringing the PM1 pachymeter to market, and meeting the company's working capital needs as the business transitions to cash self-sufficiency. In parallel, Occuity will continue to actively develop the AX1 axiometer, the glucose monitor and the disease screening devices.

Sales: The company now expects to commence sales of its PM1 pachymeter product in Q2 2023.

Organisation & Headcount. All new hires will be made as finances permit, and will be a function of funds raised, sales made, and market conditions prevailing.

Going Concern

The Directors have considered forecasted results for the business, taking into account its current and planned business activities, its planned raising of additional funds, and the markets in which the company plans to operate. These forecasts indicate that the company is expected to be able to continue in operational existence for the foreseeable future, and specifically for a period of at least 12 months from the signature of these accounts. The directors accordingly continue to prepare the financial statements on a going concern basis.

Further conclusions related to going concern can be found in note 2.2.

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DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

In February 2023, the company completed its latest round of crowdfunding through Seedrs, amounting to £390k in Ordinary shares.

In addition, as of 28 February 2023, there has been further equity allotment of £244k of Ordinary Shares and £108k of Preferred Ordinary shares.

The equity raise remains in progress on the same terms as 2022. As of the end of February, a further £158k has been received for shares as yet unallotted, with a number of additional investors looking to invest at that time.

On 1st February 2023 the Company received an interest-free Director's loan of £200k from Mark Jenkins.

Auditor

Under section 487(2) of the Companies Act 2006, MHA MacIntyre Hudson will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



Dr Daniel Daly
Director

Date: 8th March 2023

OCCUITY LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OCCUITY LTD

Opinion

We have audited the financial statements of Occuity Ltd (the 'Company') for the year ended 31 December 2022, which comprise the Statement of income and retained earnings, the Balance sheet, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

OCCUITY LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OCCUITY LTD (CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

OCCUITY LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OCCUITY LTD (CONTINUED)

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Enquiry of management and those charged with governance around actual and potential litigation and claims;
- Enquiry of entity staff in finance and compliance functions to identify any instances of non-compliance with laws and regulations;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias;
- Reviewing minutes of meetings of those charged with governance, and;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

OCCUITY LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OCCUITY LTD (CONTINUED)

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Jason Mitchell

Jason Mitchell MBA BSc FCA (Senior statutory auditor)

for and on behalf of

MHA MacIntyre Hudson

Statutory Auditor

Maidenhead, United Kingdom

Date:

9 March 2023

OCCUITY LTD

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £	2021 £
Administrative expenses		(2,566,696)	(2,280,623)
Other operating income		168,829	93,468
Operating loss		(2,397,867)	(2,187,155)
Interest receivable and similar income		159	55
Interest payable and similar expenses		-	(11,787)
Loss before tax		(2,397,708)	(2,198,887)
Tax on loss		354,715	329,933
Loss after tax		(2,042,993)	(1,868,954)
Retained earnings at the beginning of the year		(2,524,775)	(655,821)
Loss for the year		(2,042,993)	(1,868,954)
Retained earnings at the end of the year		(4,567,768)	(2,524,775)
The notes on pages 15 to 22 form part of these financial statements.			

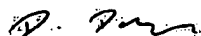
OCCUITY LTD
REGISTERED NUMBER: 12192959

BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	5	161,442	70,681
		<u>161,442</u>	<u>70,681</u>
Current assets			
Stocks		257,148	158,102
Debtors: amounts falling due within one year	6	506,393	476,202
Cash at bank and in hand	7	509,226	1,372,832
		<u>1,272,767</u>	<u>2,007,136</u>
Creditors: amounts falling due within one year	8	(348,159)	(188,608)
Net current assets		<u>924,608</u>	<u>1,818,528</u>
Total assets less current liabilities		<u>1,086,050</u>	<u>1,889,209</u>
Net assets		<u>1,086,050</u>	<u>1,889,209</u>
Capital and reserves			
Called up share capital		9	9
Share premium account	11	5,363,987	4,173,479
Other reserves	11	289,822	240,496
Profit and loss account	11	(4,567,768)	(2,524,775)
		<u>1,086,050</u>	<u>1,889,209</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 were approved and authorised for issue by the board and were signed on its behalf by:



Dr Daniel Daly
Director

Date: 8th March 2023

The notes on pages 15 to 22 form part of these financial statements.

OCCUITY LTD

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2022	9	4,173,479	240,496	(2,524,775)	1,889,209
Comprehensive income for the year					
Loss for the year	-	-	-	(2,042,993)	(2,042,993)
Shares issued during the year	-	1,190,508	-	-	1,190,508
Share based payments	-	-	49,326	-	49,326
Total transactions with owners	-	1,190,508	49,326	-	1,239,834
At 31 December 2022	9	5,363,987	289,822	(4,567,768)	1,086,050

The notes on pages 15 to 22 form part of these financial statements.

OCCUITY LTD

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2021	7	1,070,798	-	(655,821)	414,984
Comprehensive income for the year					
Loss for the year	-	-	-	(1,868,954)	(1,868,954)
Shares issued during the year	2	3,102,681	-	-	3,102,683
Share based payments	-	-	240,496	-	240,496
Total transactions with owners	2	3,102,681	240,496	-	3,343,179
At 31 December 2021	9	4,173,479	240,496	(2,524,775)	1,889,209

The notes on pages 15 to 22 form part of these financial statements.

OCCUITY LTD

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

1. General information

Occuity Ltd is a private company limited by shares which was incorporated on 6 September 2019 in England and Wales under Companies Act 2006. The company number and address of the registered office is given on the Company information page.

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 following principal accounting policies have been applied:

2.2 Going concern

The financial statements have been prepared on a going concern basis. The Directors have considered relevant information, including the annual budget and forecast additional equity raise.

As with any early stage development business, the company will require further funding to underpin its plans to deliver its strategy and the budgets and forecasts produced are based on that scenario. However, in order to further assess the going concern assumption, the Directors have also considered a scenario where the growth of future business operations could be delayed or scaled back should projected future cash inflows from funding be delayed.

As explained more fully in the Business Review, the ongoing and well publicised global supply chain issues have led to frustrating delays across the business. These delays have been primarily in the development of the PM1 Pachymeter and the progress toward volume manufacturing. Many of these activities had been expected to be completed during fiscal year 2022, but are now expected to take place during 2023. Where possible the Board has taken steps to mitigate the impact on the business and progress continues apace in other areas of Occuity's product development.

Based on these assessments and having regard to the resources available to the entity, the Directors have concluded that there is no material uncertainty and that they can continue to adopt the going concern basis in preparing the accounts. Furthermore, the Directors believe that business operations could be scaled back should projected future cash inflows be delayed.

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

2. Accounting policies (continued)

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

2.4 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.

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 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 income and retained earnings in the same period as the related expenditure.

2.6 Interest income

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

OCCUITY LTD

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

2. Accounting policies (continued)

2.7 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.

2.8 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.

2.9 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:

Long-term leasehold property	- over 3 years
Plant and machinery	- over 3 years
Computer equipment	- over 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.10 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 balance sheet 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.

OCCUITY LTD

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

2. Accounting policies (continued)

2.11 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.

2.12 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.

2.13 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.

2.14 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.

3. Other operating income

	2022 £	2021 £
Research & development expenditure credit	5,728	11,715
Government grants receivable	163,101	81,753
	<u>168,829</u>	<u>93,468</u>

4. Employees

The average monthly number of employees, including directors, during the year was 27 (2021 - 21).

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

5. Tangible fixed assets

	Long-term leasehold property £	Plant and machinery £	Computer equipment £	Total £
Cost or valuation				
At 1 January 2022	-	45,374	41,820	87,194
Additions	8,693	105,591	15,715	129,999
Disposals	-	-	(1,197)	(1,197)
At 31 December 2022	8,693	150,965	56,338	215,996
Depreciation				
At 1 January 2022	-	6,735	9,778	16,513
Charge for the year on owned assets	241	20,861	17,604	38,706
Disposals	-	-	(665)	(665)
At 31 December 2022	241	27,596	26,717	54,554
Net book value				
At 31 December 2022	8,452	123,369	29,621	161,442
At 31 December 2021	-	38,639	32,042	70,681

6. Debtors

	2022 £	2021 £
Trade debtors	-	45,738
Other debtors	63,103	35,237
Prepayments and accrued income	82,847	53,579
Tax recoverable	360,443	341,648
	506,393	476,202

OCCUITY LTD

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

7. Cash and cash equivalents

	2022 £	2021 £
Cash at bank and in hand	509,226	1,372,832
	<u>509,226</u>	<u>1,372,832</u>

8. Creditors: Amounts falling due within one year

	2022 £	2021 £
Trade creditors	198,553	96,904
Other taxation and social security	34,634	34,151
Other creditors	1,374	8,646
Accruals and deferred income	113,598	48,907
	<u>348,159</u>	<u>188,608</u>

9. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
913,252 (2021 - 891,498) Ordinary shares of £0.00001 each	9	9
32,100 (2021 - 32,100) B Ordinary shares of £0.00001 each	-	-
18,316 (2021 - nil) Preferred Ordinary shares of £0.00001 each	-	-
	<u>9</u>	<u>9</u>

During the year the Company issued 21,754 Ordinary shares and 18,316 Preferred Ordinary shares of £0.00001 nominal value each for varying considerations. Directly attributable expenditure of £35,717 related to the raising of this equity was written off against share premium, resulting in an addition to share premium of £1,190,508.

B Ordinary shares have no voting rights. Except for voting rights, all three classes of share have equal rights in respect of dividend. On capital distribution, each class of shares will receive an amount as calculated in accordance with article 4.2 of the company's Articles of Association.

OCCUITY LTD

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

10. Share based payments

The Company has share option schemes which are open to employees of the Company at the discretion of the Board. The schemes are equity-settled share based payment arrangement whereby the employees are granted share options of the Company's equity instruments.

The scheme includes non market-based vesting conditions only, whereby the share options may be exercised from the date that they vest until the 10th anniversary of the date of the grant. For all options there are no performance based vesting conditions and the only vesting requirement is that the recipient remains in employment with the Company.

Share option activity is disclosed below.

	Weighted average exercise price (pence) 2022	Number 2022	Weighted average exercise price (pence) 2021	Number 2021
Outstanding at the beginning of the year	59	31,366		-
Granted during the year	332	10,864	59	31,366
Outstanding at the end of the year	129	42,230	59	31,366

	2022 Black- Scholes	2021 Black- Scholes
Option pricing model used		
Weighted average share price (pence)	£8.90	£8.90
Exercise price (pence)	£0.00001 to £8.90	£0.00001 to £4.00
Expected option life (years)	5.0	5.0
Expected volatility	51.3%	48.0%
Expected dividend growth rate	0.0%	0.0%
Risk-free interest rate	0.5% to 1.0%	0.1%

Expected volatility was determined using as a base the share price movements of relevant comparator companies recorded over a period of 12 months prior to the grant of the options.

	2022 £	2021 £
Expenses arising from share-based payment transactions	49,326	240,496
	49,326	240,496

OCCUITY LTD

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

11. Reserves

Share premium account

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

Other reserves

Other reserves contain the equity element of the share based payments charge.

Profit and loss account

This reserve represents cumulative profits and losses.

12. Commitments under operating leases

At 31 December 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £	2021 £
Not later than 1 year	100,000	-
Later than 1 year and not later than 5 years	142,000	-
	<u>242,000</u>	<u>-</u>

13. Related party transactions

During the year, the Company incurred £21,945 (2021: £19,224) of Patents fees, and £1,461 (2021: £6,824) of other charges from Commi Holdings Limited. The company also incurred consulting fees of £13,000 (2021: £34,200) from CGX Holdings Limited. In both companies, M K Jenkins is also a director.

At the year end, £nil (2021: £nil) and £1,200 (2021: £1,200) were owed from Commi Holdings Limited and CGX Holdings Limited respectively.

The Company also paid consulting fees of £36,660 (2021: £45,000) to the director D De Iuliis.

No other transactions with related parties were undertaken such as are required to be disclosed under Section 33 of FRS 102.

14. Controlling party

In the view of the Directors, there is no individual controlling party of the company.



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