

Registered No: 13503296

Eyebiotech Limited
Consolidated financial statements
31 December 2022

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Eyebiotech Limited

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Eyebiotech Limited

Corporate information

Directors:	Anthony Adams Srinivas Akkaraju Catherine Bingham David Guyer Evelyn Harrison Michael Ross Andreas Wallnofer
Registered Office:	International Building 71 Kingsway Holborn London WC2B 6ST
Company number:	13503296
Auditor:	Peters Elworthy & Moore Chartered Accountants Statutory Auditor Salisbury House Station Road Cambridge CB1 2LA

Eyebiotech Limited

Report of the Directors for the period ended 31 December 2022

The directors present their report on the Group and Company together with the financial statements for the period to 31 December 2022. The consolidated financial statements are prepared under UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 (IFRSs).

The Company was incorporated on 9 July 2021.

PRINCIPAL ACTIVITIES

Eyebiotech Limited is developing a new generation of therapies to protect, restore and improve vision for people living with eye disease. The Group is building a broad and diverse pipeline with a focus on innovation in ophthalmology therapies.

The Company's wholly owned subsidiary, Eyebiotech Inc, provides clinical advisory services to the Company.

BUSINESS REVIEW

During the period the Group has been building an International team with an extensive track record for developing ground-breaking ophthalmology therapies establishing operations in the UK and the US. It has in-licensed two initial candidates to progress through clinical development with the main activity in the period being the CMC development and manufacture of the first asset.

RESEARCH AND DEVELOPMENT

The Group is committed to research and development activities to successfully commercialize its projects and to maintain its portfolio pipeline.

GOING CONCERN AND FINANCIAL RISK MANAGEMENT

The directors have assessed the Group's ability to continue as a going concern. In February 2022 the Company completed a \$65 million Series A financing, led by SV Health Investors with participation from Samsara BioCapital, Jeito Capital and MRL Ventures.

Whilst no immediate liquidity concerns have been identified the directors acknowledge that the inherent uncertainty associated with the timing and outcomes of the development programs, combined with the Group remaining dependant on equity investment, represents a material uncertainty which may cast significant doubt on the Group's ability to generate sufficient cash flows to continue as a going concern.

Whilst there is expected to be a need to raise additional funding to continue to progress the development of the Group's pipeline of potential therapies, the directors consider that the Group will remain a going concern for the foreseeable future. Accordingly, the financial statements have been prepared on the going concern basis.

The Group's financial risk management policies are detailed in note 19 to the consolidated financial statements.

SHARE ISSUES

The issued share capital of the Company is set out at note 15 to the consolidated financial statements. In February and April 2022, 20,000,000 and 10,000,000 Series A preferred shares were issued further to the draw down under the \$65 million Series A subscription agreement referred to above. In addition the Company issued 1,500,000 ordinary shares and warrants over 3,500,000 ordinary shares as part of the consideration for two IP in-license agreements. Subsequent to the period end, a further 16,000,000 Series A preferred shares were issued under the Series A subscription agreement.

DIRECTORS

The directors who were appointed on in the period and held office at 31 December 2022 were:

Anthony Adamis	appointed 27 August 2021
Srinivas Akkaraju	appointed 3 February 2022
Catherine Bingham	appointed 9 July 2021
David Guyer	appointed 2 August 2021
Evelyn Harrison	appointed 5 April 2022
Michael Ross	appointed 2 August 2021
Andreas Wallnofer	appointed 3 February 2022

James Costine was appointed a director on 9 July 2021 and resigned on 3 February 2022.

Eyebiotech Limited

Report of the Directors for the period ended 31 December 2022

DIRECTORS' INDEMNITY ARRANGEMENTS

During the period the Group purchased Directors' and Officers' liabilities insurance, which remains in force at the date of this report.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial period. Under that law, the directors have elected to prepare the consolidated financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 (IFRSs) and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice and applicable law including FRS 101 'Reduced Disclosure Framework'. 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 and of the profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the applicable IFRSs, or for the Parent Company, UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and 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.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

AUDITOR

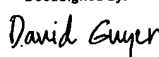
Peters Elworthy & Moore were appointed as auditor in the period. A resolution to re-appoint Peters Elworthy & Moore as the Company's auditor will be proposed. In accordance with normal practice, the directors will be authorised to determine the Auditor's remuneration.

SMALL COMPANY

The directors have taken advantage of the small companies' exemption provided by section 414B of the Companies Act 2006 not to provide a Strategic Report.

Approved by the Board of Directors and signed on behalf of the Board

D Guyer
Director
06 April 2023

DocuSigned by:

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Eyebiotech Limited

Independent auditor's report to the members of Eyebiotech Limited

OPINION

We have audited the financial statements of Eyebiotech Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the period ended 31 December 2022 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Parent Company Statement of Financial Position, Parent Company 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 the preparation of the Group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's loss for the period then ended;
- the consolidated financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 auditors' 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 3.2 in the financial statements, which highlights the inherent uncertainty associated with the timing and outcomes of the Group's development programs and indicates that the Group and Parent Company remains dependent on equity investment. These events or conditions, along with other matters explained in note 3.2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

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

OTHER INFORMATION

The other information comprises the information included in the Annual Report, other than the financial statements and our auditors' 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.

Eyebiotech Limited

Independent auditor's report to the members of Eyebiotech Limited

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 period 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 Group and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement on page 4, 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Eyebiotech Limited

Independent auditor's report to the members of Eyebiotech Limited

AUDITORS' 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 auditors' 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.

Audit procedures performed by the engagement team to identify and assess the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, were as follows:

- we identified the laws and regulations applicable to the Group and Parent Company through discussions with Directors and other management and from our commercial knowledge and experience of research and development companies;
- we obtained an understanding of the Group and Parent Company's policies and procedures on compliance with laws and regulations, including documentation of any instances of non-compliance;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements, including UK-adopted international accounting standards, Financial Reporting Standard 101, the Companies Act 2006, and relevant tax legislation. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items;
- we also considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the Group's or Parent Company's ability to operate or to avoid material penalty;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of Directors and other management and inspecting correspondence available; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the Group and Parent Company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by making enquiries of Directors and other management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud and considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of fraud through management bias and override of controls. In addressing the risk of fraud through management override of controls we:

- obtained an understanding of the Company's risk assessment process, including the risk of fraud;
- designed procedures to identify unexpected and unusual journal entries and performed testing to confirm the validity of such postings;
- assessed whether the judgements and estimates made in determining accounting estimates were indicative of potential bias; and
- evaluated the business rationale of any significant transactions that were unusual or outside the normal course of business.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance; and
- enquiring of management as to actual and potential litigation and claims.

Eyebiotech Limited

Independent auditor's report to the members of Eyebiotech Limited

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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 auditors' report.

USE OF OUR REPORT

This report is made solely to the Parent 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 Parent Company's members those matters we are required to state to them in an auditors' 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 Parent Company and the Parent Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

6 April 2023

Roberta Newman (Senior Statutory Auditor)

for and on behalf of

Peters Elworthy & Moore
Chartered Accountants
Statutory Auditors
Salisbury House
Station Road
Cambridge
CB1 2LA

Eyebiotech Limited**Consolidated statement of comprehensive income**

	Notes	Period to 31 December 2022 \$'000
Revenue		-
Cost of sales		-
Gross profit		-
Administrative expenses		3,321
Research and development expenses		17,307
Operating loss	5	20,628
Interest received	8	-
Loss before tax		20,628
Tax	9	(3,748)
Loss for the period attributable to equity holders in the parent		16,880

Eyebiotech Limited**Consolidated statement of financial position**

	Notes	31 December 2022 \$'000
Assets		
Non-current assets		
Intangible assets	10	5,255
Property, plant and equipment	11	23
Total non-current assets		<u>5,278</u>
Current assets		
Other receivables	13	466
Current tax receivable		3,787
Cash and cash equivalents		11,549
Total current assets		<u>15,802</u>
Total assets		<u>21,080</u>
Liabilities		
Current liabilities		
Trade and other payables	14	7,031
Taxation		35
Total current liabilities		<u>7,066</u>
Equity		
Share capital	15	6
Share premium		30,562
Share based payment reserve		319
Retained earnings		(16,873)
Total equity		<u>14,014</u>
Total liabilities and equity		<u>21,080</u>

The financial statements on pages 9 to 24 were approved by the Board of Directors and authorised for issue on 06 April 2023 and were signed on its behalf by:

D Guyer
Director

DocuSigned by:
David Guyer
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Eyebiotech Limited
Registered Number: 13503296

Eyebiotech Limited**Consolidated statement of changes in equity**

	Share capital	Share premium	Share based payment reserve	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Loss for the period	-	-	-	(16,880)	(16,880)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(16,880)	(16,880)
Issue of new share capital	6	30,562	-	-	30,568
Charge to equity for equity-settled share-based payments	-	-	319	7	326
Transactions with owners	6	30,562	319	7	30,894
Balance at 31 December 2022	6	30,562	319	(16,873)	14,014

Eyebiotech Limited**Consolidated statement of cash flows**

	Notes	Period to 31 December 2022 \$'000
Net cash flows from operating activities	18	(13,735)
Investing activities		
Interest received		-
Purchase of property, plant and equipment		(28)
Purchase of intangible asset		(5,000)
Net cash flow used in investing activities		(5,028)
Financing activities		
Proceeds from the issue of share capital		30,312
Net cash flows from financing activities		30,312
Net increase/(decrease) in cash and cash equivalents		11,549
Cash and cash equivalents at start of period		-
Cash and cash equivalents at end of period		11,549

Eyebiotech Limited

Notes to the financial statements

1. General information

Eyebiotech Limited ('the Company') and its subsidiaries (together, 'the Group') undertake drug discovery and associated activities related to developing a new generation of therapies to protect, restore and improve vision for people living with eye disease. The Company is a private limited company and is incorporated and domiciled in the UK. The address of its registered office is International Building, 71 Kingsway, Holborn, London, WC2B 6ST.

The consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 (IFRSs). The financial statements have been prepared under the historical cost convention. The financial statements are presented in US dollars ("\$"), and to the nearest \$1,000.

The Company's separate financial statements are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101) and the Companies Act 2006. Relevant disclosure exemptions have been taken where equivalent disclosures are included in the consolidated financial statements of the Group.

The subsidiary undertakings included within the consolidated financial statements as at 31 December 2022 are given in note 12.

2. Outlook for adoption of future Standards (new and amended)

At the date of authorisation of the consolidated financial statements, the standards and amendments that are in issue but not yet effective are considered to have no material impact on the Group.

3. Significant accounting policies

3.1 Basis of consolidation

The consolidated financial statements incorporate the results of the Company and of its subsidiaries. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

3.2 Going concern

The directors have assessed the Group's ability to continue as a going concern. The business secured Series A funding of \$65 million in February 2022 which was available to draw down in tranches based on operational milestones. The Company has successfully progressed the business to satisfy the milestones for draw down of the funding tranches in accordance with the investment plan with \$30m drawn in the period and a further \$16m in January 2023. The directors consider that the Group will remain a going concern for the foreseeable future and accordingly, the financial statements have been prepared on the going concern basis.

The Group has prepared a base case forecast for 2023 and projected program costs through to 2025. The base case is built on the assumption of nil revenue generation. The Group expects to continue to finance its operations for the foreseeable future through equity investment. The Group's failure to satisfy the investment milestones on a short term basis and to raise additional capital on a timely basis would impact the Group's ability to progress clinical development and execute its business plan. Based on the base case forecast which includes the remaining drawdown of the Series A funding secured, of which \$16m was received in Jan 2023, the Group has sufficient funding to continue its operations to May 2024. The Group has costed each phase of research and development for its two current assets and will not commit to the next phase of clinical development without securing the budgeted funding. Whilst no immediate liquidity concerns have been identified by management, the directors recognize the inherent uncertainty associated with the timing and outcomes of the development programs. The execution of the development programs carry risk and the Group remains dependant on equity investment and as a result, a material uncertainty around going concern has been identified.

3.3 Foreign currencies

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). The US dollar is the functional currency of the Company and presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing on the dates of the transactions, with differences recorded in the income statement. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date.

3.4 Post employment benefit costs

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

Eyebiotech Limited

Notes to the financial statements

3. Significant accounting policies (continued)

3.5 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 period. Taxable profit differs from net profit as reported in the income statement 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 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

The benefit of UK research and development is recognized under the UK's SME R&D scheme. The benefit is recorded in the tax charge based on the assessment of reasonable probability of receipt.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. However, such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 based on tax laws and rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.6 Intangible assets

Intangible assets acquired separately are capitalised and measured on initial recognition at cost on the basis that future economic benefits will flow to the entity. The Group's intangible assets include separately acquired licences for IP and knowhow. The cost is measured at fair value of the asset acquired, or if not available, at the fair value of the consideration given. Variable payments for intangible assets linked to future development and sales milestones are included in the cost of the asset only when it is probable that the expected future economic benefits will flow to the entity. Future milestones payments linked to clinical development of the intangible asset are therefore not recognized until the milestone is achieved given the significant uncertainties that arise in the biotechnology field.

Amortization commences when the product candidates underpinned by the intellectual property rights gain regulatory approval and become available for commercial use. Amortization is calculated on a straight line basis over the shorter of the remaining useful life of the intellectual property or estimated sales life of the product candidates. IP Licence assets are only amortized once the clinical development is complete and the asset is being commercialized. Until this date, the intangible asset is assessed for any indication of impairment.

Research and development expenditure

The Group undertakes research and development, developing clinical data. Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally generated intangible asset arising from the Group's development spend is recognized only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits with reference to demonstrable market conditions;
- It is technically and commercially feasible and the Group has sufficient resources to complete development; and
- the development cost of the asset can be measured reliably.

Where no internally generated intangible asset can be recognized, development expenditure is recognized as an expense in the period in which it is incurred. Costs are allocated to research and development activities based on estimates of the proportion of time incurred by the relevant employees on such activities, plus third-party costs and consumables.

Eyebiotech Limited

Notes to the financial statements

3. Significant accounting policies (continued)

3.7 Property plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognized impairment loss. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Computers - 33% per annum straight line

The gain or loss arising on the disposal of an asset is the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

3.8 Impairment of property, plant and equipment and intangible assets

A review is undertaken upon the occurrence of events or circumstances which indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3.9 Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value, plus or minus directly attributable transaction costs.

Financial assets

Financial assets are subsequently measured at amortized cost.

Expected credit losses on trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

Financial liabilities

Financial liabilities are those which involve a contractual obligation to deliver cash to external parties at a future date. All the Group's financial liabilities are subsequently measured at amortized cost using the effective interest method. Trade payables are non-interest bearing and are stated at cost which equates to their fair value.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the proceeds received, net of direct issue costs.

3.10 Contingent liabilities

Under the agreements to license Intellectual property, payments are payable to the licensor on the achievement of a manufacturing milestone, development milestones and a royalty on net sales of licensed products. No liability has been recognized for future payments on the basis that the obligation to make payment remains uncertain given the early stage of clinical development.

3.11 Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

3.12 Investments

Fixed asset investments in subsidiaries are shown at cost less provision for impairment. The Company accounts for share options granted to the employees of subsidiary undertakings by recognizing an increase in investment in the subsidiary, with the corresponding credit recognized in reserves.

Eyebiotech Limited

Notes to the financial statements

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements that the directors, supported by management have made in the process of applying the Group's accounting policies. Where estimation uncertainty exists, the directors, supported by management take account of all available information in forming their judgement.

Capitalization of IP in-license milestone payments

The point at which milestone payments under license agreements meet the criteria for capitalization is critically dependent on management judgement of the probability of future economic benefits. Given the early stage of development of the clinical assets, variable payments due under the license agreements have only been recognized on satisfaction of the relevant milestone.

5. Operating loss

Operating loss has been arrived at after charging:

	2022 \$'000
Fees payable to the Company's auditor	36
Research and development expenditure	17,307
Depreciation of property, plant and equipment	5
Amortization of intangibles	-
Share based payments	326

6. Employees

The average monthly number of employees (including executive directors) was:

	2022 Number
Research and development	6
Operational support	1
	<u>7</u>

Their aggregate remuneration comprised:

	2022 \$'000
Wages and salaries	2,876
Social security costs	197
Other pension costs (see note 17)	102
Share-based payments charge (see note 16)	227
	<u>3,402</u>

Eyebiotech Limited

Notes to the financial statements

7. Directors' remuneration

Directors' aggregate remuneration comprised:

	2022 \$'000
Salaries	1,293
Benefits in kind	21
Pension costs	-
	<u>1,314</u>

Highest paid director:

	2022 \$'000
Salaries and fees	679
Benefits in kind	13
Pension costs	-
	<u>692</u>

8. Interest receivable and finance costs

The interest receivable for the period can be analysed as follows:

	2022 \$'000
Interest on bank deposits	<u>-</u>

9. Taxation

	2022 \$'000
Corporation tax:	
Current period R&D tax credit	(3,787)
Overseas taxation	39
	<u>(3,748)</u>
Deferred tax	-
Total tax credit	<u>(3,748)</u>

Corporation tax is calculated at 19.00% of the estimated taxable loss for the period.

The tax charge can be reconciled to the loss per statement of comprehensive income as follows:

	2022 \$'000
Loss before tax	(20,628)
Tax at the UK corporation tax rate of 19.00%	(3,919)
Expenses not deductible for tax purposes	129
Overseas taxation rate difference	(3)
Foreign exchange difference	46
Movement in unprovided deferred tax	1,666
Research and development tax credit enhanced deduction	(1,667)
Tax credit for the period	<u>(3,748)</u>

Eyebiotech Limited

Notes to the financial statements

9. Taxation (continued)

The Group has UK unused tax losses amounting to \$8.8m after surrender for R&D tax credits. A deferred tax asset as at 31 December 2022 amounting to \$2.2m has not been recognized in these financial statements as it is not foreseeable when the Group will generate taxable profits in the future to enable the losses to be utilised.

The UK Government has announced that the rate of Corporation Tax will increase to 25% with effect from 1 April 2023.

10. Intangibles

	IP Licenses \$'000	Total \$'000
Cost		
Additions	5,255	5,255
At 31 December 2022	5,255	5,255

During the period the Company in-licensed two IP assets in respect of certain intellectual property and knowhow. The upfront consideration included ordinary shares or warrants over ordinary shares in addition to an initial cash payment. Under both license agreements, the Company will be required to pay further milestone payments conditional upon the clinical development of the underlying asset. The Group has adopted a cost accumulation model, whereby contingent consideration is not included on initial recognition but subsequent milestone payments will be added to the cost of the asset when incurred.

For the purpose of the annual impairment review consideration is given to the ongoing investment in the development and commercialization of the underlying assets. Given the potential commercial opportunity, a full impairment analysis is only undertaken if there are indications of potential issues with the clinical development.

11. Property, plant and equipment

	Computers \$'000	Total \$'000
Cost		
Additions	28	28
Disposals	-	-
At 31 December 2022	28	28
Accumulated depreciation		
Charge for the period	5	5
Eliminated on disposal	-	-
At 31 December 2022	5	5
Net Book value		
At 31 December 2022	23	23

Eyebiotech Limited

Notes to the financial statements

12. Subsidiaries

Details of the Company's subsidiary at 31 December 2022 is as follows:

Name	Place of incorporation	Principal activity	Proportion of ownership interest %	Proportion of voting power held %
Eyebiotech Inc	United States	Clinical advisory	100%	100%

13. Other receivables

	2022 \$'000
Prepayments	359
Other receivables	107
	<u>466</u>

There is no material expected credit loss provision due to the nature of receivable balances. No bad debts were written off in the period.

14. Trade and other payables

	2022 \$'000
Trade payables	3,247
Accruals	3,657
Social security and other taxes	72
Other payables	55
	<u>7,031</u>

Trade and other payables have a contractual maturity of less than 6 months.

Trade payables and accruals principally comprise amounts outstanding for trade purchases, bonus payments and ongoing costs. For all suppliers no interest is charged on the trade payables. Group policy is to ensure that payables are settled within the agreed credit terms. The directors consider that the carrying amount of trade payables approximates their fair value.

Eyebiotech Limited

Notes to the financial statements

15. Share capital

Issued and fully paid	2022 £	2022 \$'000
12,876,588 Ordinary shares of £0.0001 each	1,287	2
30,000,000 Series A preferred shares of £0.0001 each	3,000	4
	4,287	6

The holders of the Series A preferred shares have a right to a dividend and return of capital in priority over holders of ordinary shares.

100 ordinary shares of £0.0001 were issued at par on incorporation of the Company. A further 9,499,900 ordinary shares were issued at par on 2 August 2021. On 17 August 2021, warrants over 3,500,000 ordinary shares were issued as part of the consideration for the in-license of IP. The warrants are exercisable at any time up to 15 years from the date of the warrant instrument or on the occurrence of an Exit but would automatically lapse and cease to be exercisable on the termination of the Licence Agreement by the Company. On 31 October 2022, 1,500,000 ordinary shares were issued as part of the consideration for the in-license of a second IP asset.

During the period 1,876,588 ordinary shares were issued to employees on exercise of share options.

In February 2022, the Company raised \$65m from the issue of new equity of which \$30m was drawn down in the period for the issue of 30,000,000 Series A preferred shares.

An amount of \$30.562m, being the difference between the total consideration and the total nominal value for the above share issues has been included in share premium.

16. Share-based payments

Equity-settled share option scheme

The Company has a share option scheme for key employees of the Group which generally vest 25% on the first anniversary and the balance on a monthly basis over the subsequent 3 years, as adjusted for the number of Series A preferred shares in issue. Options are forfeited if the employee leaves the Group before the options vest. Details of the share options issued during the period are as follows:

	2022 Number of share options	2022 Weighted average exercise price (in \$)
Granted during the period	8,606,150	0.10
Forfeited during the period	-	-
Exercised during the period	(1,876,588)	(0.17)
Outstanding at the end of the period	6,729,562	0.08
Exercisable at the end of the period	2,559,813	0.13

The inputs into the model to evaluate the share based payment were as follows:

	2022
Share price at date of issue	\$0.17
Exercise price	£0.0001 to \$0.17
Expected volatility	144%
Expected life	2 years
Risk-free rate	2.70%
Expected dividend yields	-

Expected volatility was determined by considering the expected share price movements of other comparable listed companies in the sector.

The Group recognized a total charge of \$326k in relation to equity-settled share-based payment transactions during the period, of which \$227k related to options granted to directors, officers and employees of the Group.

Eyebiotech Limited

Notes to the financial statements

17. Post-employment benefit schemes

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Group in independently administered funds.

The total cost of \$102k represents contributions payable by the Group at agreed rates. As at 31 December 2022, contributions of \$39k due in respect of the current reporting period had not been paid over to the scheme.

18. Notes to the cash flow statement

	2022 \$'000
Loss before tax	(20,628)
Adjustments for:	
Amortization of intangible assets	-
Depreciation of property, plant and equipment	5
Share-based payment expense	326
Research and development expenditure credit	-
Operating cash flows before movements in working capital	(20,297)
Increase in receivables	(465)
Increase in payables	7,031
Cash generated by operations	(13,731)
Tax credit received less tax paid	(4)
Net cash from operating activities	(13,735)

Analysis of changes in net cash

	Cash flow \$'000	Non-cash movements \$'000	At 31 December 2022 \$'000
Cash and cash equivalents	11,549	-	11,549
Net cash	11,549	-	11,549

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets is approximately equal to their fair value.

Eyebiotech Limited

Notes to the financial statements

19. Financial instruments

Capital risk management

The Group manages its capital to ensure the Group is able to continue as a going concern while maximising the return to stakeholders through investment in its R&D programmes. The Group had no borrowings at 31 December 2022. The Group is not subject to any externally imposed capital requirements.

Categories of financial instruments		2022
		\$'000
Financial instruments held at amortized cost		
Cash and bank balances		11,549
Other receivables		-
Financial assets		11,549
Trade and other payables		(6,904)
Financial liabilities		(6,904)

Financial risk management objectives

The Group's finance function is responsible for all aspects of financial risk management. The risks reviewed include market risk (including currency risk), credit risk and liquidity risk.

Liquidity Risk

Liquidity risk is that the Group might be unable to meet its obligations. The Board approves the funding requirement of the Group as part of the budgeting and strategic planning process. The Group manages its liquidity needs by monitoring cash outflows. The Board reviews the cashflow financial projection as well as information regarding business performance on a quarterly basis.

Foreign currency risk management

The Group has an operation in the UK and the US and whilst investment and clinical spend is primarily in US\$, the UK team and supporting operations are GBP denominated expenses; consequently, exposures to exchange rate fluctuations arise.

The carrying amounts of the Group's cash and trade payables denominated in non-functional currency at the period end were as follows:

	Assets	Liabilities
	2022	2022
	£'000	£'000
Cash	360	-
Trade payables	-	(111)

A movement in the \$/£ exchange rate of +/- 8% from 31 December 2022 to the date of realising the US dollar net asset position would result in a gain/loss of \$24k.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group's significant credit risk exposure relates to the holding of its cash balances. The Company selected its banking relationship after due consideration of the credit rating of financial institution and cash balances are held to give immediate availability to meet working capital requirements. The Company had a sole banking relationship throughout the period but is going through the required steps to establish a second banking relationship in each country of operation.

Fair value of financial instruments

The directors consider that the carrying amounts of financial assets and financial liabilities recorded in the Statement of Financial Position approximate their fair values.

Eyebiotech Limited**Notes to the financial statements****20. Related party transactions**

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and other related parties are disclosed below.

Remuneration of key management personnel

The key management personnel of the Group at 31 December 2022 consist of the executive directors and senior staff.

	2022
	\$000
Short-term employee benefits	1,887
Post-employment benefits	28
Share-based payments	209
	<u>2,124</u>

Director transactions

Consultancy fees payable for advisory services to individuals also serving as a Board director amounted to \$460k.

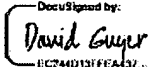
There is no ultimate controlling party.

Eyebiotech Limited**Parent Company statement of financial position**

	Notes	31 December 2022 \$'000
Assets		
Non-current assets		
Intangible assets	2	5,255
Property, plant and equipment	3	17
Investments	4	28
Total non-current assets		<u>5,300</u>
Current assets		
Other receivables	5	1,322
Current tax receivable		3,787
Cash and cash equivalents		9,998
Total current assets		<u>15,107</u>
Total assets		<u>20,407</u>
Liabilities		
Current liabilities		
Trade and other payables	6	<u>6,512</u>
Total liabilities		<u>6,512</u>
Equity		
Share capital	7	6
Share premium		30,562
Share based payment reserve		319
Retained earnings		<u>(16,992)</u>
Total equity		<u>13,895</u>
Total liabilities and equity		<u>20,407</u>

No income statement is presented for Eyebiotech Limited as provided by section 408 of the Companies Act 2006. The Company's loss after tax for the financial period was \$16,999k

The financial statements of the Company were approved and authorised for issue by the Board on 06 April 2023 and were signed on its behalf by:

DocuSigned by:

 D Guyer
 Director
 Eyebiotech Limited
 Registered Number: 13503296

Eyebiotech Limited**Parent Company statement of changes in equity**

	Share capital	Share premium	Share based payment reserve	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Loss for the period	-	-	-	(16,999)	(16,999)
Issue of new share capital	6	30,562	-	-	30,568
Credit to equity of equity-settled share-based payments	-	-	319	7	326
Transactions with owners	6	30,562	319	7	30,894
Balance at 31 December 2022	6	30,562	319	(16,992)	13,895

Eyebiotech Limited

Notes to the Parent Company financial statements

1. Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law. The Company has elected to use Financial Reporting Standard – 'The Reduced Disclosure Framework' (FRS 101). The Company has taken advantage of the following disclosure exemptions afforded by FRS 101:

- Disclosure exemption allowing no cash flow statement or related notes to be presented
- Disclosure exemption allowing the Company not to disclose related party transactions when transactions are entered into wholly within the Group
- Disclosure exemption around Key Management Personnel compensation
- Disclosure exemption on the effect of future accounting standards
- Disclosure exemption on share-based payment information disclosures
- Disclosure exemption on financial instrument disclosures.

The basis for the above exemptions is because equivalent disclosures are included in the consolidated financial statements in which the entity is consolidated.

The principal accounting policies are summarised in note 3 to the consolidated financial statements. They have all been applied consistently throughout the period. The Company financial statements are presented in US Dollars ("\$\$"), and to the nearest \$1,000.

2. Intangible assets

	IP Licenses \$'000	Total \$'000
Cost		
Additions	5,255	5,255
At 31 December 2022	5,255	5,255

During the period the Company in-licensed two IP assets in respect of certain intellectual property and knowhow. The upfront consideration included ordinary shares or warrants over ordinary shares in addition to an initial cash payment. Under both license agreements, the Company will be required to pay further milestone payments conditional upon the clinical development of the underlying asset. The Company has adopted a cost accumulation model, whereby contingent consideration is not included on initial recognition but subsequent milestone payments will be added to the cost of the asset when incurred.

For the purpose of the annual impairment review consideration is given to the ongoing investment in the development and commercialization of the underlying assets. Given the potential commercial opportunity, a full impairment analysis is only undertaken if there are indications of potential issues with the clinical development.

3. Property, plant and equipment

	Computers \$'000	Total \$'000
Cost		
Additions	20	20
At 31 December 2022	20	20
Accumulated depreciation		
Charge for the period	3	3
Eliminated on disposal	-	-
At 31 December 2022	3	3
Net Book value		
At 31 December 2022	17	17

Eyebiotech Limited**Notes to the Parent Company financial statements****4. Investments**

	Investment in subsidiary \$'000
Cost	
Additions	28
At 31 December 2022	28

The subsidiary undertaking at the end of the period was follows:

Name	Country of Operation	Proportion of Ownership and Voting Power Held	Nature of Business
Eyebiotech Inc	United States	100%	Clinical advisory services

5. Other receivables

	2022 \$'000
Amounts due from subsidiary undertaking	873
Other receivables	449
	1,322

Amounts due from subsidiary undertakings are considered a short-term loan repayable on demand. The balance is interest free. At 31 December 2022, it was considered that any expected credit loss would be immaterial.

6. Trade and other payables

	2022 \$'000
Trade payables	3,192
Accruals	3,246
Social security and other taxes	56
Other payables	18
	6,512

7. Share capital

The details on the share capital of the Company are provided in note 15 to the consolidated financial statements.

Eyebiotech Limited**Notes to the Parent Company financial statements**

8. Employees

The average monthly number of employees (including executive directors) was:

	2022 Number
Research and development	3
Operational support	1
	4

9. Directors' remuneration

The directors are remunerated on a group basis as disclosed in note 7 to the consolidated financial statements.

Consultancy fees payable for advisory services to individuals also serving as a Board director amounted to \$84k.

10. Post-employment benefit schemes***Defined contribution scheme***

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Company in independently administered funds.

As at 31 December 2022, contributions of \$1k due in respect of the current reporting period had not been paid over to the scheme.