

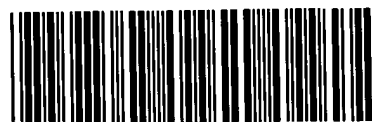


Annual Report & Financial Statements

For the period 1st January 2023
to 31st December 2023

Occuity Limited
Registered No.
12192959

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21/03/2024

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COMPANIES HOUSE

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 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 2023

The directors present their report and the financial statements for the year ended 31 December 2023.

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 2023

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. This field is now known as Oculomics.

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 non-contacting, 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. This product is now ready for market barring regulatory approval. All technical development, conformance testing, clinical trials and production capability is in place and the company just needs CE marking approval to sell into Europe and FDA approval to sell in the US. Following on from this in about a year 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 non-invasive blood glucose monitor to replace the current invasive blood tests.
3. The 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. The initial target is diabetes, but the technology roadmap also includes Alzheimer's Disease, sepsis and other conditions.

OCCUITY LTD

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

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 ongoing grant support, 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, and to move it into production. The pre-production versions of this meter have successfully completed their clinical trials and now just need to complete regulatory approval in order for the company to be able to sell in the EU and US. As the regulatory approval landscape is in a period of flux at the moment, the company has made simultaneous submissions for both the MDR approval process for EU CE marking and FDA 510(k) submission that is necessary for US sales.

In the past year our engineering team have put a lot of effort into and have significantly advanced the AX1 meter for myopia screening and management. Having previously built a tethered prototype that proved the functionality of the technology, they have now advanced the meter into a fully handheld form and this has been demonstrated at the major trade shows ESCRS and AAO. This has led to significant interest both from ophthalmic instrument distributors and the key players in myopia management.

For the non-invasive glucose meter, the Occuity Indigo, having successfully completed in vitro testing (i.e. with glucose solutions in cuvettes), the team has this year worked on advancing the meter so that it can be used on eyes.

For the diabetes screening meter, we have now almost completed the InnovateUK Biomedical Catalyst grant funded section of the project. This grant supported the development of an advanced prototype and small scale testing on a selection of volunteers. So far only the initial results are available from this testing but indications are that the meter is behaving exactly as hoped and is distinguishing people with diabetes from those without.

The second grant funded section of work, the very prestigious UKRI Future Leaders Fellowship award to expand Occuity's capabilities into the monitoring of retinal changes, is progressing very well. The technologies being developed will 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 to protect our screening technology. This means that Occuity now has 9 granted patents and 6 further patents pending.

Business Review

Operationally, the company's principal focus in the past year 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 2023.

At the end of 2022 we brought manufacturing of the PM1 in house and this has proven to be the correct choice as it has given us significant control and has allowed us to optimise the production process and reduce manufacturing cost.

We had planned to complete the commercialisation of the PM1 during fiscal year 2023 but due to the timelines of the regulatory approval process first sales are now anticipated to be in 2024. We have now put in place the manufacturing infrastructure for the sales volumes expected for the PM1 and have a number of distributors in the UK, EU, China and Australasia signed up ready to sell as soon as the approvals are obtained.

Due to the extended regulatory approval timelines the Board has taken steps to mitigate the impact on the business and progress continues apace in other areas of Occuity's product development.

OCCUITY LTD

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

These approval timelines have 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

As for all pre-revenue companies, a major focus of the company in 2023 continued to be the raising of funds to support current and future activities. At the close of the year Occuity had closed a further £963k of its latest funding round (which has continued into 2024). 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. In addition, Occuity has raised a further £1.3m via a Convertible Loan Note.

R&D Tax Credits

Occuity will continue to claim UK R&D tax credits as far as is possible, with a first claim for 2020 development activities of £141k, a second claim for 2021 activities of £341k and a third claim for 2022 activities of £360k. For the 2023 R&D activities, we anticipate the claim will be £313k.

Development Grants

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

- Innovate UK Biomedical Catalyst – this grant was worth £343k and supported the £490k next stage of development of the AGE Reader for diabetes screening;
- UKRI Future Leaders Fellowship – this grant is worth £1.387m and supports a £1.5m project to advance our ability to screen for systemic diseases via the eye.

and a number of smaller grants totalling approximately £15k.

Occuity's Grants Writer is now submitting new applications and we anticipate further grants in 2024 to help maximise our technical development.

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DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

Results and dividends

The loss for the year, after taxation, amounted to £2,470,875 (2022 - loss £2,042,993).

2023 was the fourth 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 £186,513 (2022: £49,326) was £2,597,700 (2022: £2,348,382). After expected R&D tax credits receivable of approximately £313,338, the company incurred a net loss of £2,470,875 (2022: £2,042,933).

The company ended the year with cash reserves of £635,571 (2022: £509,226).

Net liabilities at the balance sheet date amounted to £260,618 (2022: net assets of £1,086,050). The business has net current assets of £958,815 (2022: £924,608).

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 2024. As of 18 January 2024, £2.16m of new equity has been raised and allotted in the current funding round, with a further £60k raised through end February 2024, pending allotment. An additional £1.30m of Convertible Loan Notes was raised during the year 2023. The intention is to continue to take on further funds over the coming months until either the top end target of £5.0m is reached or the company obtains regulatory approval and starts sales at which point it is anticipated that the company's value will increase materially.

The funds raised will be concentrated on bringing the PM1 pachymeter and the AX1 axial length meter 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 glucose monitor and the disease screening devices.

Sales: The company now expects to commence sales of its PM1 pachymeter product in Q2 2024.

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.

OCCUITY LTD

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

Going Concern

The directors of Occuity 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.

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

Occuity's funding round is still open and so far in 2024 there has been a further equity allotment of £46k of Ordinary Shares and £10k of Preferred ordinary Shares.

As of 29 February 2024, a further £60k has been received for shares as yet unallotted, with a number of additional investors looking to invest in the near future.

Auditor

Following a rebranding exercise on 15 May 2023 the trading name of the company's independent auditor changed from MHA MacIntyre Hudson to MHA.

Under section 487(2) of the Companies Act 2006, MHA 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: 19th March 2024

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 2023, 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 2023 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.

Jan Mitchell

Jason Mitchell MBA BSc FCA (Senior statutory auditor)

for and on behalf of

MHA

Statutory Auditor

Maidenhead, United Kingdom

Date: *19 March 2024*

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313).

OCCUITY LTD

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 £	2022 £
Administrative expenses		(3,309,465)	(2,566,696)
Other operating income	3	667,059	168,829
Operating loss		(2,642,406)	(2,397,867)
Interest receivable and similar income		52	159
Interest payable and similar expenses		(57,858)	-
Loss before tax		(2,700,212)	(2,397,708)
Tax on loss		229,337	354,715
Loss after tax		(2,470,875)	(2,042,993)
Retained earnings at the beginning of the year		(4,567,768)	(2,524,775)
Loss for the year		(2,470,875)	(2,042,993)
Retained earnings at the end of the year		(7,038,643)	(4,567,768)
The notes on pages 15 to 24 form part of these financial statements.			


OCCUITY LTD
REGISTERED NUMBER: 12192959

BALANCE SHEET
AS AT 31 DECEMBER 2023

	Note	2023 £	2022 £
Fixed assets			
Tangible assets	5	138,452	161,442
Current assets			
Stocks		286,093	257,148
Debtors: amounts falling due within one year	6	546,722	506,393
Cash at bank and in hand	7	635,571	509,226
		<u>1,468,386</u>	<u>1,272,767</u>
Creditors: amounts falling due within one year	8	(509,571)	(348,159)
Net current assets		<u>958,815</u>	<u>924,608</u>
Total assets less current liabilities		<u>1,097,267</u>	<u>1,086,050</u>
Creditors: amounts falling due after more than one year	9	(1,357,885)	-
Net (liabilities)/assets		<u>(260,618)</u>	<u>1,086,050</u>
Capital and reserves			
Called up share capital	10	10	9
Share premium account	12	6,301,680	5,363,987
Other reserves	12	476,335	289,822
Profit and loss account	12	(7,038,643)	(4,567,768)
		<u>(260,618)</u>	<u>1,086,050</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: 19th March 2024

The notes on pages 15 to 24 form part of these financial statements.

OCCUITY LTD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2023	9	5,363,987	289,822	(4,567,768)	1,086,050
Comprehensive loss for the year					
Loss for the year	-	-	-	(2,470,875)	(2,470,875)
Shares issued during the year	1	937,693	-	-	937,694
Share based payments	-	-	186,513	-	186,513
Total transactions with owners	1	937,693	186,513	-	1,124,207
At 31 December 2023	10	6,301,680	476,335	(7,038,643)	(260,618)

The notes on pages 15 to 24 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 loss 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 24 form part of these financial statements.

OCCUITY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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

Notwithstanding the net liabilities position of the company, 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, extended regulatory approval timelines have pushed the commercialisation of the PM1 and subsequent commencement of sales into 2024, which has led to a revision of cash requirements in the short to medium term. The Board has taken steps to mitigate the impact of these delays on the business and has continued at pace to sign up a number of distributors in the UK and across the globe, who are ready to sell as soon as the approvals are obtained.

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.

OCCUITY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023

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 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.9 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.

2.10 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.

2.11 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 2023

2. Accounting policies (continued)

2.12 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.

2.13 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.

2.14 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.

2.15 Financial instruments

The Company has elected to apply the provisions of Section 11 "Basic Financial Instruments" of FRS 102 to all of its financial instruments.

The Company has elected to apply the recognition and measurement provisions of IFRS 9 Financial Instruments (as adopted by the UK Endorsement Board) with the disclosure requirements of Sections 11 and 12 and the other presentation requirements of FRS 102.

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

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables, cash and bank balances, are initially measured at their transaction price including transaction costs and are subsequently carried at their amortised cost using the effective interest method, less any provision for impairment, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables due with the operating cycle fall into this category of financial instruments.

Other financial assets

Other financial assets, which includes investments in equity instruments which are not classified as subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the recognised transaction price. Such assets are subsequently measured at fair value with the changes in fair value being recognised in the profit or loss. Where other financial assets are not publicly

OCCUITY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting policies (continued)

2.15 Financial instruments (continued)

traded, hence their fair value cannot be measured reliably, they are measured at cost less impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date.

Financial assets are impaired when events, subsequent to their initial recognition, indicate the estimated future cash flows derived from the financial asset(s) have been adversely impacted. The impairment loss will be the difference between the current carrying amount and the present value of the future cash flows at the asset(s) original effective interest rate.

If there is a favourable change in relation to the events surrounding the impairment loss then the impairment can be reviewed for possible reversal. The reversal will not cause the current carrying amount to exceed the original carrying amount had the impairment not been recognised. The impairment reversal is recognised in the profit or loss.

Financial liabilities

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

Basic financial liabilities, which include trade and other payables, bank loans and other loans are initially measured at their transaction price after transaction costs. When this constitutes a financing transaction, whereby the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Discounting is omitted where the effect of discounting is immaterial.

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

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if the payment is due within one year. If not, they represent non-current liabilities. Trade payables are initially recognised at their transaction price and subsequently are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Other financial instruments

Derivatives, including forward exchange contracts, futures contracts and interest rate swaps, are not classified as basic financial instruments. These are initially recognised at fair value on the date the derivative contract is entered into, with costs being charged to the profit or loss. They are subsequently measured at fair value with changes in the profit or loss.

Debt instruments that do not meet the conditions as set out in FRS 102 paragraph 11.9 are subsequently measured at fair value through the profit or loss. This recognition and measurement would also apply to financial instruments where the performance is evaluated on a fair value basis as with a documented risk management or investment strategy.

OCCUITY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. Accounting policies (continued)

2.15 Financial instruments (continued)

Derecognition of financial instruments

Derecognition of financial assets

Financial assets are derecognised when their contractual right to future cash flow expire, or are settled, or when the Company transfers the asset and substantially all the risks and rewards of ownership to another party. If significant risks and rewards of ownership are retained after the transfer to another party, then the Company will continue to recognise the value of the portion of the risks and rewards retained.

Derecognition of financial liabilities

Financial liabilities are derecognised when the Company's contractual obligations expire or are discharged or cancelled.

3. Other operating income

	2023 £	2022 £
Research & development expenditure credit	84,001	5,728
Government grants receivable	583,058	163,101
	<u>667,059</u>	<u>168,829</u>

4. Employees

The average monthly number of employees, including directors, during the year was 33 (2022 - 27).

OCCUITY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

5. Tangible fixed assets

	Long-term leasehold property £	Plant and machinery £	Computer equipment £	Total £
Cost or valuation				
At 1 January 2023	8,693	150,965	56,338	215,996
Additions	1,842	34,579	17,562	53,983
At 31 December 2023	10,535	185,544	73,900	269,979
Depreciation				
At 1 January 2023	241	27,596	26,717	54,554
Charge for the year	3,052	52,849	21,072	76,973
At 31 December 2023	3,293	80,445	47,789	131,527
Net book value				
At 31 December 2023	7,242	105,099	26,111	138,452
At 31 December 2022	8,452	123,369	29,621	161,442

6. Debtors

	2023 £	2022 £
Other debtors	107,709	63,103
Prepayments and accrued income	125,675	82,847
Tax recoverable	313,338	360,443
	546,722	506,393

7. Cash and cash equivalents

	2023 £	2022 £
Cash at bank and in hand	635,571	509,226

OCCUITY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

8. Creditors: Amounts falling due within one year

	2023 £	2022 £
Trade creditors	259,380	198,553
Other taxation and social security	48,076	34,634
Other creditors	9,933	1,374
Accruals and deferred income	192,182	113,598
	<u>509,571</u>	<u>348,159</u>

9. Creditors: Amounts falling due after more than one year

	2023 £	2022 £
Convertible loan notes	<u>1,357,885</u>	<u>-</u>

Analysis of the maturity of the loans is given below:

	2023 £	2022 £
Amounts falling after 2 years		
Convertible loan notes	<u>1,357,855</u>	<u>-</u>

10. Share capital

	2023 £	2022 £
Allotted, called up and fully paid		
953,373 (2022 - 913,252) Ordinary shares of £0.00001 each	10	9
32,100 (2022 - 32,100) B Ordinary shares of £0.00001 each	-	-
25,954 (2021 - 18,316) Preferred Ordinary shares of £0.00001 each	-	-
	<u>10</u>	<u>9</u>

During the year the Company issued 40,121 Ordinary shares and 7,638 Preferred Ordinary shares of £0.00001 nominal value each for varying considerations. There was an addition of £1,146,216 to share premium.

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 2023

11. 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) 2023	Number 2023	<i>Weighted average exercise price (pence) 2022</i>	<i>Number 2022</i>
Outstanding at the beginning of the year	129	42,230	59	31,366
Granted during the year	233	19,983	332	10,864
Lapsed during the year	162	(6,262)		-
Outstanding at the end of the year	162	55,951	<i>129</i>	<i>42,230</i>

	2023	<i>2022</i>
Option pricing model used	Black-Scholes	<i>Black-Scholes</i>
Weighted average share price	£10.58	£8.90
Exercise price	£0.00001 to £8.90	£0.00001 to £8.90
Expected option life (years)	5.0	5.0
Expected volatility	31.97%	51.3%
Expected dividend growth rate	0.0%	0.0%
Risk-free interest rate	5.25%	0.5% to 1.0%

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.

	2023 £	<i>2022 £</i>
Expenses arising from share-based payment transactions	186,513	<i>49,326</i>

OCCUITY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

12. 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.

13. Commitments under operating leases

At 31 December 2023 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2023 £	2022 £
Not later than 1 year	145,083	100,000
Later than 1 year and not later than 5 years	343,167	142,000
	<u>488,250</u>	<u>242,000</u>

14. Related party transactions

During the year, the Company incurred £nil (2022: £21,945) of Patents fees, and £nil (2022: £1,461) of other charges from Commi Holdings Limited. The company incurred consulting fees of £9,000 (2022: £13,000) from CGX Holdings Limited. The company incurred consulting fees of £9,000 (2022: £nil) from Clinic Appointments Limited. The company incurred £7,639 (2022: £nil) of other charges. In all of the companies, M K Jenkins is also the director.

At the year end, £nil (2022: £nil) was owed to Commi Holdings Limited, £nil (2022: £1,200) was owed to CGX Holdings Limited and £923 (2022: £nil) was owed to Clinic Appointments Limited.

The company also paid consulting fees of £39,000 (2022: £36,660) 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 FRS102.

15. Controlling party

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