
IOTIC LABS LIMITED

FINANCIAL STATEMENTS
INFORMATION FOR FILING WITH THE REGISTRAR
FOR THE YEAR ENDED 31 DECEMBER 2021



IOTIC LABS LIMITED
REGISTERED NUMBER:09235524

BALANCE SHEET
AS AT 31 DECEMBER 2021

	Notes	2021 £	2020 £
Fixed assets			
Tangible assets	7	8,206	34,782
		<u>8,206</u>	<u>34,782</u>
Current assets			
Debtors: amounts falling due within one year	8	685,068	898,425
Cash at bank and in hand		2,920,006	4,187,734
		<u>3,605,074</u>	<u>5,086,159</u>
Creditors: amounts falling due within one year	9	(2,608,112)	(269,481)
Net current assets		<u>996,962</u>	<u>4,816,678</u>
Total assets less current liabilities		<u>1,005,168</u>	<u>4,851,460</u>
Creditors: amounts falling due after more than one year	10	(4,704,452)	(4,309,598)
Net (liabilities)/assets		<u>(3,699,284)</u>	<u>541,862</u>
Capital and reserves			
Called up share capital	11	59,553	59,553
Share premium account	12	9,121,251	9,121,251
Other reserves	12	1,482,379	1,455,917
Profit and loss account	12	(14,362,467)	(10,094,859)
		<u>(3,699,284)</u>	<u>541,862</u>

IOTIC LABS LIMITED
REGISTERED NUMBER:09235524

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2021

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 notes on pages 4 to 15 form part of these financial statements.

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

The Company has opted not to file the statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 13 September 2022.

Ian Orrock

Ian Orrock
Chairman

IOTIC LABS LIMITED

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

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2021	59,553	9,121,251	1,455,917	(10,094,859)	541,862
Comprehensive expense for the year					
Loss for the year	-	-	-	(4,267,608)	(4,267,608)
Total comprehensive expense for the year	-	-	-	(4,267,608)	(4,267,608)
Credit to equity for share based payments	-	-	26,462	-	26,462
At 31 December 2021	59,553	9,121,251	1,482,379	(14,362,467)	(3,699,284)

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

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2020	59,553	9,121,251	1,342,169	(6,081,890)	4,441,083
Comprehensive expense for the year					
Loss for the year	-	-	-	(4,012,969)	(4,012,969)
Total comprehensive expense for the year	-	-	-	(4,012,969)	(4,012,969)
Credit to equity for share based payments	-	-	113,748	-	113,748
At 31 December 2020	59,553	9,121,251	1,455,917	(10,094,859)	541,862

The notes on pages 4 to 15 form part of these financial statements.

IOTIC LABS LIMITED

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

1. General information

Iotic Labs Limited (the "Company") is a company limited by shares and incorporated and domiciled in England and Wales. Registered number 09235524. Its registered office is Cannon Place, 78 Cannon Street, London EC4N 6AF.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

The financial statements have been prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future. The Company has reported a loss of £4,267,608 for the year ended 31 December 2021 (2020: £4,012,969), and at 31 December 2021 had a cash balance of £2,920,006 (2020: £4,187,734) and net current assets of £996,962 (2020: £4,816,678). The Company has no structured bank lending or other facilities and meets its day-to-day working capital needs from cash reserves, equity funding and loans from shareholders.

Based on the Directors' current forecasts and plans and, considering the existing cash balances, the Company will need to raise additional funding in order to support its current and planned level of activities. In November 2020 the Company raised and received £4.3m through the issue of unsecured convertible loan notes from existing shareholders and the Future Fund, and in December 2021 the Company raised a further £2.35m in loan notes from existing shareholders, which were amended to convertible loans with the approval of the Future Fund in March 2022. This is part of a £5.0m commitment, the balance of which was received in August 2022. Based on prior fundraising experience, the Directors are confident that they will be able to secure additional financing in the first half of 2023 either from new or existing investors and that it is therefore appropriate to prepare these financial statements on the going concern basis. However, there is no guarantee that attempts to raise adequate additional financing on a timely basis will be successful and therefore this represents a material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

IOTIC LABS LIMITED

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

2. Accounting policies (continued)

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is Sterling.

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.

2.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the time spent and materials used.

2.5 Interest income

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

2.6 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.

2.7 Borrowing costs

All borrowing costs are recognised in the Statement of comprehensive income in the year in which they are incurred.

2.8 Research and development

Research and development costs are written off to the Statement of Comprehensive Income.

IOTIC LABS LIMITED

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

2. Accounting policies (continued)

2.9 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.10 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

2.11 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 country where the Company operates and generates income.

2.12 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

IOTIC LABS LIMITED

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

2. Accounting policies (continued)

2.13 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.

The estimated useful lives range as follows:

Office equipment - 4 years

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

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

2.14 Grant income

Grants received from funding organisations are recognised in other income when the work for which the grant was awarded has been satisfactorily completed.

2.15 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.

2.16 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.

2.17 Creditors

Short term creditors are measured at the transaction price. Financial liabilities satisfying the definition of basic financial instruments are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

IOTIC LABS LIMITED

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

2. Accounting policies (continued)

2.18 Financial instruments

The Company enters into financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors and loans from shareholders.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors, creditors and interest free loan notes issued to shareholders and repayable on demand, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Convertible loan notes issued with conditions that they may be settled in a variable number of the Company's own equity instruments and are recognised as an other financial instrument in accordance with FRS 102. The proceeds received on issue are initially measured at transaction price and subsequently measured at fair value through profit and loss at the end of each reporting period.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial information in conformity with FRS 102 requires the directors to make critical accounting estimates and judgements that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The key judgements and estimate impacting the financial statements is:

Fair value of loan notes

In November 2020, the Company raised and received £4.3million through the issue of unsecured convertible loan notes from existing shareholders and the Future Fund. As required under FRS102 the convertible loan notes have been measured at fair value. Due to the lack of observable market prices for similar instruments the valuation is subject to uncertainty. In determining the fair value of the loan notes the directors have assessed the likely date of conversion of the loan notes based on the timing of expected future funding rounds. The fair value of the loan notes has been estimated by a third party advisor using the directors' assessment of conversion and a discounted cash flow methodology, adopting a discount rate of 23.75%.

IOTIC LABS LIMITED

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

4. Auditor's remuneration

Fees payable to the Company's auditor for the audit of the Company's annual financial statements totalled £29,355 (2020: £20,000). Fees payable to the Company's auditor in respect of non audit services totalled £5,614 (2020: £5,300).

5. Employees

The average monthly number of employees, including directors, during the year was 34 (2020: 33).

6. Intangible assets

	Intellectual property £
Cost	
At 1 January 2021	175,000
At 31 December 2021	<u>175,000</u>
Amortisation	
At 1 January 2021	175,000
At 31 December 2021	<u>175,000</u>
Net book value	
At 31 December 2021	<u><u>-</u></u>
At 31 December 2020	<u><u>-</u></u>

IOTIC LABS LIMITED

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

7. Tangible fixed assets

	Office equipment £
Cost	
At 1 January 2021	57,534
Additions	11,022
Disposals	(1,100)
At 31 December 2021	<u>67,456</u>
Depreciation	
At 1 January 2021	22,752
Charge for the year	36,498
At 31 December 2021	<u>59,250</u>
Net book value	
At 31 December 2021	<u>8,206</u>
At 31 December 2020	<u>34,782</u>

8. Debtors: amounts falling due within one year

	2021 £	2020 £
Other debtors	44,893	26,749
Prepayments and accrued income	47,461	33,496
Research and developments tax receivable	592,714	838,180
	<u>685,068</u>	<u>898,425</u>

At year end, the Company has a balance of £899,373 (2020: £595,693) receivable from Iotic Inc, the Company's wholly owned subsidiary. A provision of £899,373 (2020: £595,693) has been recognised in relation to this balance.

IOTIC LABS LIMITED

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

9. Creditors: amounts falling due within one year

	2021	2020
	£	£
Loan from shareholders	2,350,000	-
Trade creditors	71,236	76,000
Other taxation and social security	80,894	87,372
Other creditors	16,446	15,781
Accruals and deferred income	89,536	90,328
	<u>2,608,112</u>	<u>269,481</u>

The loan from shareholders relates to a loan from Orrock Holdings Limited received in December 2021 to fund the Company's working capital. The loan is interest free and repayable on demand.

10. Creditors: amounts falling due after more than one year

	2021	2020
	£	£
Convertible loan notes	4,704,452	4,309,598
	<u>4,704,452</u>	<u>4,309,598</u>

In November 2020, the Company raised £4.3 million through the issue of unsecured convertible loan notes to existing and new investors, including £2.1 million from The Future Fund. Interest accrues at 8% per annum.

Subject to conditions set out in the agreement with the investors, each loan and any accrued but unpaid interest will convert into shares in the capital of the Company on the earliest of a qualifying financing event, a non-qualifying financing event, on exit or on maturity.

IOTIC LABS LIMITED

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

11. Share capital

	2021	2020
	£	£
Allotted, called up and fully paid		
34,584,270 (2020: 34,584,270) Ordinary shares of £0.001 (2020: £0.001) each	34,584	34,584
24,968,920 (2020: 24,968,930) Seed shares of £0.001 (2020: £0.001) each	24,969	24,969
	59,553	59,553
	59,553	59,553

The Ordinary shares and Seed shares rank *pari passu* in all aspects except liquidation where the Seed shares rank in preference to the Ordinary shares.

12. Reserves**Share premium account**

This includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Other reserves

Other reserves relates to cumulative share based payment charges for unexercised share options.

Profit and loss account

This includes all current and prior year retained profits and losses.

13. Share based payments

In 2018 the directors approved a share option scheme for the benefit of its employees and for services provided by third parties. During the year, the directors granted 457,242 share options over Ordinary shares of the Company. The options typically have a 48 month vesting period with a 12 month cliff, with the options vesting on a monthly basis thereafter, subject to continued employment. Options are forfeited if the employee leaves the Company before the options vest. During the period 1,296,319 options lapsed following as a result of this condition. Movements in the number of share options outstanding and their weighted average exercise prices are as follows:

IOTIC LABS LIMITED

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

13. Share based payments (continued)

	Weighted average exercise price (pence) 2021	Number 2021	Weighted average exercise price (pence) 2020	Number 2020
Outstanding at the beginning of the year	0.1	7,770,260	0.1	8,996,970
Granted during the year	0.1	457,242	0.1	1,382,340
Exercised during the year		-		-
Lapsed during the year	0.1	(1,296,319)	0.1	(2,609,050)
Outstanding at the end of the year	0.1	6,931,183	0.1	7,770,260

At 31 December 2021, 6,284,725 (2020: 5,828,793) options were exercisable.

The weighted average fair value of the options granted during the year ended 31 December 2021 was 35.0 pence (2020: 35.0 pence).

The fair value of share based payments has been calculated using the Black-Scholes option pricing model. Expected volatility was determined based on the historical volatility of comparable companies. The expected life is the expected period from the date of grant to exercise based upon management's best estimate. The following assumptions were used in the model for the options granted during the year ended 31 December 2021.

	2021 Black Scholes Option Pricing Model	2020 Black Scholes Option Pricing Model
Option pricing model used		
Weighted average share price (pence)	35.0p	35.0p
Exercise price (pence)	0.1p	0.1p
Expected average life (years)	4	4
Expected volatility	67%	54%
Expected dividend growth rate	0%	0%
Risk-free interest rate	0.37%	0.08%

The following share based payment charge has been included in the financial statements:

	2021 £	2020 £
Equity-settled schemes for employees	26,462	113,748

IOTIC LABS LIMITED

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

14. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £72,812 (2020: £67,469). Contributions totalling £16,342 (2020: £15,584) were payable to the fund at the balance sheet date and are included in other creditors.

15. Related party transactions

Silchester Limited

During the year ended 31 December 2021, management fees of £96,600 (2020: £50,400) were charged to the Company by Silchester Limited (a company controlled by Ian Orrock) for the services of its chairman and director, Ian Orrock, and £Nil (2020: £Nil) remained outstanding at the year end.

In November 2020, existing shareholders provided financing in the form of convertible loan notes totalling £1,587,000. The loan accrued interest at 8% per annum. At the year-end date a total of £140,178 (2020: £13,217) of accrued interest was recorded in creditors on the balance sheet (this is within the creditors – amounts due after more than one year line item).

In December 2021, an existing shareholder (Orrock Holdings Limited) provided financing in the form of a loan totalling £2,350,000. The loan is interest free and repayable on demand.

Hanrad Invest LLC

During the year ended 31 December 2021, consultancy fees of £83,234 (2020: £118,346) were charged to the Company by Hanrad Invest LLC (a company controlled by Hans Weinburg) for the services of its Chief Operating Officer, Hans Weinberg, and £Nil (2020: £Nil) remained outstanding at the year end.

Key management personnel compensation

Aggregate remuneration to key management personnel (including share based payments) in the year was £643,185 (2020: £463,769).

Convertible loan notes

In 2020, convertible loan notes were issued totalling £65,000 to the directors of the Company. No loan notes were issued during the year ended 31 December 2021.

16. Post balance sheet event

Since the year end the Company has obtained approval from the Future Fund to structure the loan owed to Orrock Holdings Limited into a convertible loan. In August 2022, the Company issued an additional loan notes to its shareholder amounting to £2.55m.

The country has also experienced macro-economic challenges associated with inflation and cost of living pressures. The directors have been closely monitoring the situation with all the stakeholders of the Company and taking all actions necessary to mitigate the effect on the business in both the short and long term.

IOTIC LABS LIMITED

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

17. Controlling party

At 31 December 2021, the Company had no controlling party as none of the shareholders controlled 50% or more of the issued share capital.

18. Subsidiary undertakings

In 2019 a wholly owned subsidiary called Iotic Labs Inc was incorporated in the United States of America. At year end there is a balance of £899,373 (2020: £595,693) due to the Company from the subsidiary which has been fully provided for.

19. Auditor's information

The Company has taken advantage of the small company provisions to file a balance sheet and related notes. The full annual accounts and Directors' report have been subject to audit. The auditor's report was issued on 13 September 2022 by Grant Thornton UK LLP, signed by Stephen Wyborn as Senior Statutory Auditor.

The auditor's report on the financial statements for the year ended 31 December 2021 was unqualified and did not include a statement under section 498(2) or section 498(3) of the Companies Act 2006.