

IRRESISTIBLE MATERIALS LTD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2022

Bevan Buckland LLP
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Swansea
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FOR THE YEAR ENDED 31 MARCH 2022**

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IRRESISTIBLE MATERIALS LTD
COMPANY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2022

DIRECTORS: D A Ure
D Coleman
Mercia Fund Management (Nominees) Ltd
P Wilmerding
A P G Robinson
D Ambrust

REGISTERED OFFICE: C/O Bevan Buckland LLP
Ground Floor, Cardigan House
Castle Court, Swansea Enterprise Park
Swansea
SA7 9LA

REGISTERED NUMBER: 06847082 (England and Wales)

AUDITORS: Bevan Buckland LLP
Ground Floor
Cardigan House
Castle Court
Swansea Enterprise Park
Swansea
SA7 9LA

BALANCE SHEET
31 MARCH 2022

	Notes	2022 £	£	2021 £	£
FIXED ASSETS					
Tangible assets	4		62,897		49,546
CURRENT ASSETS					
Debtors	5	335,979		294,636	
Cash at bank		<u>189,637</u>		<u>273,831</u>	
		525,616		568,467	
CREDITORS					
Amounts falling due within one year	6	<u>512,048</u>		<u>272,767</u>	
NET CURRENT ASSETS			<u>13,568</u>		<u>295,700</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>76,465</u>		<u>345,246</u>
CAPITAL AND RESERVES					
Called up share capital	7		58		57
Share premium			3,203,158		2,873,954
Share options reserve			461,493		380,943
Retained earnings			<u>(3,588,244)</u>		<u>(2,909,708)</u>
			<u>76,465</u>		<u>345,246</u>

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

In accordance with Section 444 of the Companies Act 2006, the Statement of Comprehensive Income has not been delivered.

The financial statements were approved by the Board of Directors and authorised for issue on 7 October 2022 and were signed on its behalf by:

D A Ure - Director

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

1. STATUTORY INFORMATION

Irresistible Materials Ltd is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Going Concern

The directors have prepared these accounts on a going concern basis, which assumes the company will continue to be able to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements. The company is loss making, has negative reserves and a net liability position, however has a number of options available to ensure it continues as a going concern. The Company has cash reserves to last until at least December 2022 based on current spending, in that time they are hoping to secure new investment prior to cash reserves becoming depleted. If secured the projected further investment (in the region of £5m) will allow the company to continue to operate until at least October 2023. In the event new investment is not available, the directors have contingency plans in place to reduce expenditure further and to seek further investment from existing investors to bridge the gap until the outside investment can be obtained. Given the numerous options available to the directors, they believe that the financial statements have been correctly prepared on a going concern basis, however in the event there is significant delay in the investment being received or expenditure cannot be curtailed then there would be a material risk to the company continuing as a going concern.

Significant judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Fair Value of Share Options Granted

The management have considered the fair value of the shares options issued by the company and have applied the Black Scholes Model to give a fair estimate of the valuation of these options. This has involved making several assumptions about the market price of the shares of the company, the volatility of the Company's sector and risk free rate of interest. The management are satisfied that they have sufficiently considered the assumptions made in order to ensure the Black Scholes Model gives an accurate as possible fair value for the share options issued. The actual cost to the company of these issued share options may differ from the figures included in the accounts.

Fair Value of Share-Based Payments

The management have considered the Fair Value of the share-based payment agreement with Nano-C and have apportioned the costs associated over the period of the agreement. The fair value is based on an assumption of the market value of the share price of the company. The management are satisfied that the market value used for this calculation is sufficient for the purposes of calculating the fair value and has been based on actual recent share transactions.

Fair Value of Convertible Loan Notes

The management have considered the fair value of the convertible loan notes in issue and are satisfied that the fair value used sufficiently represents the costs to the Company. The management are satisfied that the fair value used for this calculation is sufficient for the purposes of calculating the fair value and has been based on actual recent share transactions. The convertible loan notes are accruing interest at a rate of 8% or 9% per annum (compounding annually) and this interest is repayable on repayment date or converted to share capital on conversion alongside the original debt. The fair value of the convertible loan notes includes allowance for the equity element of the convertible loan notes as well as for interest being accrued. The actual cost to the company of these issued convertible loan notes may differ from the figures included in the accounts.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2022

2. ACCOUNTING POLICIES - continued

Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery	- Straight line over 4 years
Fixtures and fittings	- Straight line over 4 years
Computer equipment	- Straight line over 4 years

Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, 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.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Compound financial instruments

Compound financial instruments issued by the Company comprise convertible loan notes that can be converted to share capital at the option of the holder. The interest on the loan notes is compounding annually and as such the number of shares to be issued will vary with changes in the fair value.

Due to the varying number of shares to be issued the loan notes are treated as liabilities and not split between equity and liabilities. The liability is then measured at fair value both at recognition and subsequently.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2022

2. **ACCOUNTING POLICIES - continued**

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Research and development

Expenditure on research and development is written off in the year in which it is incurred. Research and development tax credits are recognised on an accruals basis and are included as an income tax credit under current assets.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Grant income

Grants relating to specific capital expenditure are treated as deferred income which is then credited to the profit and loss account over the related asset's life. Revenue grants are credited to the profit and loss account in the same period as the expenditure to which they relate.

Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

Creditors and provisions

Creditors and provisions are recognised where the company has a present obligation (legal and constructive) resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2022

2. ACCOUNTING POLICIES - continued

Share options

The company has issued share options to certain directors, consultants and employees. Share options issued after the date of transition to FRS 102 Section 1a (01/04/2015) have been recognised in the financial statements at fair value of the options. For any share options issued prior to transition date, the company has taken advantage of the exception allowed in Section 35 of FRS 102 and therefore has not brought the fair value of these share options into the financial statements. Details of all active share options are included in the notes to the financial statements.

All share options granted are equity-settled transactions.

Share based payments

The cost of equity-settled transactions with employees, consultants and directors are measured by reference to the fair value of the equity instruments granted at the date at which they are granted and is recognised as an expense over the period which the service relates, which ends on the date on which the relevant recipients become fully entitled to the award.

Convertible Loan Notes

Convertible Loan Notes are classified as debt instruments and are recognised at each financial year end date at their fair value. The movement on this fair value each year is recognised through the profit and loss account.

Patent costs

Patent costs are written off to the profit and loss in the year the expenditure is incurred.

Employee benefits

The company provides a range of benefits to employees, including paid holiday arrangements and defined contribution pension plans.

3. EMPLOYEES AND DIRECTORS

The average number of employees during the year was 9 (2021 - 6) .

4. TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Totals £
COST				
At 1 April 2021	77,547	1,278	3,370	82,195
Additions	26,144	5,987	1,868	33,999
At 31 March 2022	<u>103,691</u>	<u>7,265</u>	<u>5,238</u>	<u>116,194</u>
DEPRECIATION				
At 1 April 2021	32,191	53	405	32,649
Charge for year	18,962	740	946	20,648
At 31 March 2022	<u>51,153</u>	<u>793</u>	<u>1,351</u>	<u>53,297</u>
NET BOOK VALUE				
At 31 March 2022	<u>52,538</u>	<u>6,472</u>	<u>3,887</u>	<u>62,897</u>
At 31 March 2021	<u>45,356</u>	<u>1,225</u>	<u>2,965</u>	<u>49,546</u>

Included within Plant and Machinery is a machine bought in collaboration with the University of Birmingham. The cost of £30,000 represents the amount contributed by Irresistible Materials Ltd The total value of the machine was £90,000 with the remainder (£60,000) being contributed by the University of Birmingham.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2022

5.	DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		2022	2021
			£	£
	Other debtors		<u>335,979</u>	<u>294,636</u>
6.	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		2022	2021
			£	£
	Trade creditors		364,696	102,950
	Taxation and social security		14,669	11,287
	Other creditors		<u>132,683</u>	<u>158,530</u>
			<u>512,048</u>	<u>272,767</u>

7. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal Value:	£	£	2022	2021
478,987	Ordinary	£0.0001			48	47
750	Growth	£0.0001			-	-
1	E Share	£10.0000			<u>10</u>	<u>10</u>

During the year a total of 10,512 new ordinary shares of £0.0001 were issued as part of the Strategic Alliance Agreement with Nano-C.

8. **DISCLOSURE UNDER SECTION 444(5B) OF THE COMPANIES ACT 2006**

The Report of the Auditors was unqualified.

Henry Lloyd Davies (Senior Statutory Auditor)
for and on behalf of Bevan Buckland LLP

Material uncertainty relating to going concern

We draw attention to note 2 in the financial statements, which indicates that the company is reliant on new investment being received within 12 months of the approval of the financial statements to continue as a going concern. As stated in note 2, these events or conditions, along with the other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

9. **RELATED PARTY DISCLOSURES**

There is a Strategic Alliance Agreement in place between the company and Nano-C Inc, whereby Nano-C Inc provides services in exchange for cash and share capital. Nano-C is considered a related party as it is already an existing shareholder in the company. During the year Nano-C provided services with a fair value of £495,804 which included the issue of 10,512 ordinary shares to Nano-C.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2022

10. SHARE-BASED PAYMENT TRANSACTIONS

Share Options

The Company has issued various share options agreements both historically and during the year, a summary of the main terms of these share options are listed below:

Grant date	No of shares	Exercise price	Vesting conditions
01/07/2011	1,500	£6	12 months service from grant date
01/07/2011	1,200	£6	9 months service from grant date
01/07/2011	600	£6	8 months service from grant date
01/01/2012	1,800	£6	4 months service from grant date
01/07/2012	600	£6	6 months service from grant date
27/02/2012	600	£6	8 months service from grant date
27/02/2013	2,400	£7	24 months service from grant date
27/02/2013	600	£7	12 months service from grant date
27/02/2013	1,800	£7	18 months service from grant date
27/02/2013	600	£7	12 months service from grant date
01/12/2013	2,400	£7	12 months service from grant date
08/05/2014	500	£7	10 months service from grant date

The above share options have not been brought into the financial statements at fair value due to the Company taking exemption on transition as per Section 35 of FRS 102. The option will lapse and cease to be exercisable at the earlier of, 10 years from anniversary of grant date if still employed or 5 years from anniversary of grant date if no longer employed.

Grant date	No of shares	Exercise price	Vesting conditions
10/06/2015	4,500	£7	12 months service from grant date
01/10/2016	1,000	£7	12 months service from grant date
01/04/2017	600	£7	12 months service from grant date
01/04/2019	34,574	£7	A mixture of period of employment and milestones being met
01/04/2019	2,500	£7	1/12th vesting each quarter of service from grant date
16/09/2019	13,747	£7	1/12th vesting each quarter of service from grant date
01/07/2020	6,965	£7	1/12th vesting each quarter of service from grant date
01/09/2020	17,100	£7	1/10th vesting each quarter of service from grant date
04/08/2021	1,600	£7	1/10th vesting each quarter of service from grant date

The amount recognised in the profit and loss account during the year was £80,550 (2021: £188,519) in respect of the above share options. A share option reserve has been created to hold these balances until the share options are exercised.

The Company is unable to directly measure the fair value of employee services received. Instead the fair value of the share options granted during the year is determined using the Black-Scholes model.

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