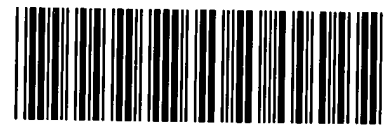


REGISTERED NUMBER: 09440594 (England and Wales)

ANNUAL REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
FOR
EVONETIX LTD

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**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 FOR
EVONETIX LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 FOR
EVONETIX LIMITED**

COMPANY INFORMATION

DIRECTORS: Mr P V E Beastall
Mr M Eapen
Dr V K Gulati
Dr M J Hayes
Mr J Pontin
Mr J Tananbaum

SECRETARY: Mr M D Gates

REGISTERED OFFICE: 9a Coldham's Business Park
Norman Way
Cambridge
CB1 3LH

REGISTERED NUMBER: 09440594 (England and Wales)

AUDITORS: Grant Thornton UK LLP
Statutory Auditors
Chartered Accountants
Cambridge
CB4 0FY

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 FOR EVONETIX LIMITED

STRATEGIC REPORT

The directors present their strategic report on the company for the year ended 31 December 2021.

Principal activity

The principal activity of the business remains the continued development of a benchtop DNA writer to enable the parallel synthesis of DNA on silicon chips in a highly accurate manner to facilitate the fast-emerging field of synthetic biology.

With the increase in DNA sequence information available, there now exists the opportunity to prototype genes and metabolic pathways, improve industrial processes, engineer genomes with new and improved traits and use DNA as a medium for data storage.

Progress during the year

Progress has been strong during the year, with many internal technical milestones met and numerous matters de-risked. Key technical progress in the year has included the granting of a patent in relation to DNA data storage and retrieval, and have established synthesis through our proprietary chemistry.

We were also delighted to be awarded 2021 'Life Science Company of the Year' at the Cambridge Independent Science and Technology Awards.

We have continued to grow our team, reaching 85 employees at 31 December 2021, up from 65 at 31 December 2020. The company grew to 97 employees in the first quarter of 2022. These hires have been across all areas of our business, covering all technical functions as well as our corporate function.

The company's premises have remained open during the Covid-19 pandemic. Those in laboratory-based roles have continued to attend full-time whilst others have been more flexible. Whilst there has, inevitably, been higher than usual sickness levels during the pandemic, operations have substantially remained uninterrupted.

The key financial measures of note are cash and cash burn (see financial risk below). At 31 December 2021, the Company had cash and investments of £12.9m (31 December 2020: £20.9m). All investments are readily convertible to cash as they are held in notice accounts albeit with an original maturity of over three months. Effective cash burn for the year was therefore £8.0m (2020: £7.3m, excluding new equity investment).

The directors are pleased with the progress of the Company and the financial metrics. The Company's ability to continue as a going concern is discussed further in the Directors' Report below.

Principal risks and uncertainties

The principal risks facing the company are as follows:

- **Technology risk** – as with any company in the Research and Development space, there is a risk that planned technical milestones are not met. During the year, several internal milestones were met, notwithstanding supply issues with some key inputs into our processes.
- **Financial risk** – the company currently has no revenue and as such is reliant principally on shareholder funding to continue operations. Further discussion on the going concern status is in the Directors' Report.
- **Competition risk** – there is a risk that others are able to gain traction in parts of our target market by getting products to potential partners and customers sooner than we do. We are constantly reviewing competitor progress and remain confident that our progress will be timely.
- **Growth management** – the company has grown significantly, and its continued success will depend on further growth. The company's ability to recruit, train and retain highly skilled staff is vital. The company believes it has the appropriate structures in place to do this and has scored well in employee surveys throughout the period.

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 FOR
EVONETIX LIMITED**

STRATEGIC REPORT

Future developments

The company remains focussed on meeting internal and external milestones related to both technological development and commercial milestones. We continue to cultivate our partner network as we prepare some initial products for sharing with external partners.

Already in 2022, we have been awarded further patents for technology that enables thermally controlled DNA synthesis and binary assembly. We have also demonstrated a novel enzymatic DNA synthesis method using our thermally controlled process.

By order of the board

Malcolm Gates

M D Gates
Company Secretary
29 June 2022

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 FOR EVONETIX LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31 December 2021.

Directors

The directors shown below have held office during the whole of the period from 1 January 2021 to the date of this report.

Mr P V E Beastall
Dr V K Gulati
Mr J Tananbaum

Changes in directors during the period from 1 January 2021 to the date of this report are as follows:

Dr T Brears – resigned on 28 April 2021
Mr A A Vidian – resigned on 18 May 2021
Dr M Hayes - appointed 2 June 2021
Mr J Pontin – appointed 2 June 2021
Mr N J McCooke - resigned 11 February 2022
Mr M Eapen - appointed on 11 February 2022

Further, Mr M D Gates replaced Mr M Pettifer as Company Secretary on 11 February 2022.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and applicable law).

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 and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors 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 enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 FOR
EVONETIX LIMITED**

DIRECTORS' REPORT

Principal activity, future developments and research and development activities

Principal activity, future developments and research and development activities are described in the Strategic Report.

Going Concern

The company meets its day-to-day working capital requirements through the cash it holds. The Company had cash and investments of £12.9m at 31 December 2021. The company undertakes a regular review of forecasts and projections to ensure that it has adequate resources for its continued operation. On current plans, and with no further funding the company's cash and cash equivalents will be sufficient for the business until the first quarter of 2023.

Whilst there are mitigating actions that could extend that date without further funding, the directors are keen that the company continues to progress as projected. Accordingly, the directors are aware of the need for the company to raise additional funds to continue this progress. The form of this future funding is not committed at the date of signature of these accounts and as such there is material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. This is typical for venture-funded organisations at this stage of the company's development. Having considered both internal and external factors, the directors are confident that funding will be made available to the company to continue its progress and therefore the directors have a reasonable expectation that the company will have adequate resources to continue in operational existence for at least 12 months, such that the company continues to adopt the going concern basis in preparing its financial statements.

Auditors

The auditors, Grant Thornton UK LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

By order of the board

Malcolm Gates

M D Gates
Company Secretary
29 June 2022

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 FOR
EVONETIX LIMITED**

INDEPENDENT AUDITORS REPORT

Independent auditor's report to the members of Evonetix Limited

Opinion

We have audited the financial statements of Evonetix Limited (the 'company') for the year ended 31 December 2021, which comprise the Income statement, the Statement of financial position, the Statement of changes in equity, the Statement of cash flows and notes to the financial statements, 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 2021 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 UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2 in the financial statements, which indicates that the Company's ability to continue in operational existence for a period of at least 12 months from the date of signing these financial statements is dependent on the raising of further funding. As stated in note 2, this event or condition, 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.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 FOR EVONETIX LIMITED

INDEPENDENT AUDITORS REPORT

Opinions 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

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 strategic report or the directors' report.

Matters on which we are required to report by exception

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.

Responsibilities of directors for the financial statements

As explained more fully in the statement of directors' responsibilities, 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's 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.

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

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. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 FOR
EVONETIX LIMITED**

INDEPENDENT AUDITORS REPORT

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (FRS 102, the Companies Act 2006 and UK tax legislation);
- We understood how the company is complying with those legal and regulatory frameworks by making inquiries of management and other personnel within the organisation. We corroborated our inquiries through our review of Board minutes;
- Audit procedures performed by the engagement team included journal entries testing with a focus on entries determined to be large or relating to unusual transactions. These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations;
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- No instances of non-compliance with laws and regulations and fraud were communicated to the engagement team.

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.



Stephen Wyborn
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
29 June 2022

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 FOR
EVONETIX LIMITED**

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
TURNOVER		-	-
Administrative expenses		(9,062)	(7,055)
Other operating income		116	280
OPERATING LOSS	3	(8,946)	(6,775)
Interest receivable and similar income		118	106
Interest payable and similar expenses		(62)	(168)
LOSS BEFORE TAXATION		(8,890)	(6,837)
Tax on loss	5	1,536	1,358
LOSS FOR THE FINANCIAL YEAR		<u>(7,354)</u>	<u>(5,479)</u>

The loss for each year is equal to the total comprehensive loss for that year.

The notes on pages 15 to 21 are an integral part of these financial statements.

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 FOR
EVONETIX LIMITED**

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
FIXED ASSETS			
Tangible assets	6	526	371
CURRENT ASSETS			
Debtors	7	3,283	1,900
Investments	8	10,496	15,323
Cash and cash equivalents		<u>2,420</u>	<u>5,609</u>
		16,199	22,832
CREDITORS			
Amounts falling due within one year	9	<u>(1,392)</u>	<u>(589)</u>
NET CURRENT ASSETS		<u>14,807</u>	<u>22,243</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		15,333	22,614
CREDITORS			
Amounts falling due after more than one year	10	<u>(1,163)</u>	<u>(1,506)</u>
NET ASSETS		<u>14,170</u>	<u>21,108</u>
CAPITAL AND RESERVES			
Called up share capital	12	36	35
Share premium		35,464	35,464
Capital redemption reserve		426	426
Other reserves		737	322
Retained earnings		<u>(22,493)</u>	<u>(15,139)</u>
SHAREHOLDERS' FUNDS		<u>14,170</u>	<u>21,108</u>

The notes on pages 15 to 21 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 29 June 2022 and were signed on its behalf by:

Matthew Hayes

.....
Dr M J Hayes - Director

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 FOR
EVONETIX LIMITED**

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

	Share Capital £000	Share Premium £000	Capital Redemption Reserve £000	Other Reserves £000	Retained Earnings £000	Total £000
At 1 January 2020	446	12,827	-	-	(9,660)	3,613
Loss for year	-	-	-	-	(5,479)	(5,479)
Purchase of own shares	(426)	-	426	-	-	-
Issue of shares for cash	15	22,637	-	-	-	22,652
Issue of warrants	-	-	-	322	-	322
At 1 January 2021	35	35,464	426	322	(15,139)	21,108
Loss for year	-	-	-	-	(7,354)	(7,354)
Issue of shares for cash	1	-	-	-	-	1
Issue of warrants	-	-	-	415	-	415
AT 31 DECEMBER 2021	36	35,464	426	737	(22,493)	14,170

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 FOR
EVONETIX LIMITED**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
Net cash from operating activities	14	(7,693)	(6,043)
Taxation received		<u>-</u>	<u>894</u>
NET CASH USED IN OPERATING ACTIVITIES		(7,693)	(5,149)
Cash flows from investing activities:			
Cash withdrawn from/ (invested in) investments		4,827	(15,323)
Purchase of tangible assets		(392)	(403)
Interest received		<u>98</u>	<u>62</u>
NET CASH GENERATED FROM/ (USED IN) INVESTING ACTIVITIES		4,533	(15,664)
Cash flows from financing activities:			
Proceeds from issue of shares		1	22,651
Repayment of borrowings		-	(1,621)
Interest paid		<u>(30)</u>	<u>(162)</u>
NET CASH (USED IN)/ GENERATED FROM FINANCING ACTIVITIES		(29)	20,868
NET (DECREASE)/ INCREASE IN CASH		(3,189)	<u>55</u>
Cash and cash equivalents at the beginning of the year		5,609	5,554
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		<u>2,420</u>	<u>5,609</u>

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 FOR EVONETIX LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. STATUTORY INFORMATION

Evonetix 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.

These financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Ireland' ('FRS 102') and the Companies Act 2006.

The presentation currency of the financial statements is thousands of Pounds Sterling (£000). 2020 figures have been restated to be represented in this way.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared on a going concern basis, under the historical cost convention.

Going concern

The company meets its day-to-day working capital requirements through the cash it holds. The Company had cash and investments of £12.9m at 31 December 2021. The company undertakes a regular review of forecasts and projections to ensure that it has adequate resources for its continued operation. On current plans, and with no further funding the company's cash and cash equivalents will be sufficient for the business until the first quarter of 2023.

Whilst there are mitigating actions that could extend that date without further funding, the directors are keen that the company continues to progress as projected. Accordingly, the directors are aware of the need for the company to raise additional funds to continue this progress. The form of this future funding is not committed at the date of signature of these accounts and as such there is material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. This is typical for venture-funded organisations at this stage of the company's development. Having considered both internal and external factors, the directors are confident that funding will be made available to the company to continue its progress and therefore the directors have a reasonable expectation that the company will have adequate resources to continue in operational existence for at least 12 months, such that the company continues to adopt the going concern basis in preparing its financial statements.

Significant judgements and estimates

In preparing these financial statements estimates and judgements are regularly evaluated based on historical experience. The main estimates are as follows:

- Estimate of the Research and Development tax credit earned during the year. Estimate is based on volume and type of spend and historical recovery.
- Estimate of progress of major supply contracts and comparison of that estimates to amounts billed, resulting in an estimated prepayment or accrual. Estimate is based on overall value of contract and progress to date – usually on a time to completion basis.

However, the directors do not consider there to be any critical estimates.

Research and development

Research and development expenditure is written off to the Income Statement in the year in which it is incurred. Income recognised from such grants are recorded as other operating income within the income statement.

Government grants

Government grants are recognised at the sum receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received, using the accrual model. A grant received before the recognition criteria are satisfied is recognised as a liability.

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 FOR EVONETIX LIMITED

NOTES TO THE FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

The current income tax credit/charge is calculated on the basis of tax rates and laws that have been enacted or substantially enacted by the statement of financial position date. The Small Companies R&D Payable Credit is estimated at year-end and subsequently claimed as part of the tax return in the following year. The company does not currently recognise a deferred tax asset.

Future tax charges and credits will be principally impacted by future rates of taxation and details of schemes which incentivise research and development through tax credits.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes the original purchase price as well as costs directly attributable to bringing the asset to its working condition for intended use.

Depreciation is provided over an asset's estimated useful life. For 2021 and 2020 all assets had a deemed useful life of three years.

Operating leases

Rentals paid under operating leases are charged to the Income Statement on a straight-line basis over the lease term.

Cash and cash equivalents

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, and other short-term liquid investments with original maturities of three months or less.

Investments

Deposits with an initial maturity of three months or more, as well as mutual fund investments are classified as current asset investments.

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 receivables, bank balances and investments are initially recognised at the transaction price and subsequently carried at the amortised cost. Such assets are assessed for impairment at the end of each reporting period, and any impairment would be charged to the income statement. There are no such impairments in either of the years presented.

Financial liabilities

Basic financial liabilities, including trade and other payables and bank loans are initially recognised at transaction price. Final repayment fees related to bank loans are expensed over the course of the related loan at an effective interest rate.

The company had no non-basic financial instruments in either of the years presented.

3. OPERATING LOSS

The operating loss is stated after charging:

	2021	2020
	£000	£000
Operating lease charges	227	227
Depreciation	237	273
Research and development	6,027	4,247
Auditors' remuneration	37	27

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 FOR EVONETIX LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4. EMPLOYEES AND DIRECTORS

The average number of employees during the year was 75 (2020 - 52). All employees are engaged in research and development with the exception of 2 administrative employees (2020 – 2).

Total employment costs were as follows:

	2021	2020
	£000	£000
Wages and salaries	3,816	2,710
Social security costs	400	283
Pension costs	141	96
	<u>4,357</u>	<u>3,089</u>

The directors' emoluments were as follows:

	2021	2020
	£000	£000
Directors' emoluments	202	196
Compensation for loss of office	88	-
Total remuneration	<u>290</u>	<u>196</u>

One director (2020: none) accrued benefits under the Company's defined contribution Group Pension Plan.

Two directors (2020: one) accrued share options through the year, and one (2020: none) exercised share options in the year.

The highest paid Director's emoluments for 2021 were as follows:

	2021
	£000
Director's emoluments	67
Compensation for loss of office	88
Total remuneration	<u>155</u>

The highest paid director did not accrue benefits under the Company's defined contribution Group Pension Plan.

The highest paid director accrued share options through the year, and exercised share options in the year.

Key Management Personnel for 2021 is defined as the Board of Directors and the Leadership Team of the Company. Key Management Personnel compensation for the year was £710,000.

Key Management Personnel for 2020 was defined as the Board of Directors only. Key Management Personnel compensation in 2020 was £220,000.

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 FOR
EVONETIX LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

5. TAXATION

Analysis of the tax credit

The tax credit on the loss for the year was as follows:

	2021	2020
	£000	£000
Current tax:		
UK corporation tax	<u>1,536</u>	<u>1,358</u>
	<u>1,536</u>	<u>1,358</u>

UK corporation tax has been charged at 19% (2020 - 19%).

Reconciliation of total tax credit included in profit and loss

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2021	2020
	£000	£000
Loss before tax	<u>(8,890)</u>	<u>(6,837)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	1,689	1,299
Effects of:		
Income not subject to tax	(22)	(20)
Expenses not deductible for tax purposes	(81)	(91)
Deferred tax not recognised	(1,161)	(818)
Prior year adjustment	-	19
R&D tax credit adjustment	<u>1,111</u>	<u>969</u>
Total tax credit	<u>1,536</u>	<u>1,358</u>

6. TANGIBLE FIXED ASSETS

	Plant and Machinery £000
COST	
At 1 January 2021	970
Additions	<u>392</u>
At 31 December 2021	<u>1,362</u>
DEPRECIATION	
At 1 January 2021	599
Charge for the year	<u>237</u>
At 31 December 2021	<u>836</u>
NET BOOK VALUE	
At 31 December 2021	<u><u>526</u></u>
At 31 December 2020	<u><u>371</u></u>

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 FOR
EVONETIX LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021	2020
	£000	£000
Prepayments	164	172
Research and development tax credits	2,874	1,338
Other debtors	245	390
	<u>3,283</u>	<u>1,900</u>

8. CURRENT ASSET INVESTMENTS

	2021	2020
	£000	£000
Short term deposits	10,396	14,823
Mutual fund investments	100	500
	<u>10,496</u>	<u>15,323</u>

9. CREDITORS: FALLING DUE WITHIN ONE YEAR

	2021	2020
	£000	£000
Bank loans	375	-
Trade creditors	378	253
Taxation and social security	123	101
Other creditors	516	235
	<u>1,392</u>	<u>589</u>

10. CREDITORS: FALLING DUE AFTER MORE THAN ONE YEAR

	2021	2020
	£000	£000
Bank loans	<u>1,163</u>	<u>1,506</u>

This loan is secured by a fixed and floating charge over all assets of the company and bears interest at the higher of base rate plus 1.9% and 2.0%.

11. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2021	2020
	£000	£000
Within one year	243	243
Between one and five years	973	973
In more than five years	102	348
	<u>1,318</u>	<u>1,564</u>

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 FOR
EVONETIX LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

12. CALLED UP SHARE CAPITAL

Allotted, issued, and fully paid:

Number:	Class:	Nominal value:	2021 £	2020 £
192,144	£0.01 Ordinary	1p	1,922	766
900,000	£0.01 Preferred Ordinary	1p	9,000	9,000
1,054,878	A Preferred	1p	10,549	10,549
1,299,214	B1 Preferred	1p	12,992	12,992
146,739	B2 Preferred	1p	1,467	1,467
			<u>35,930</u>	<u>34,774</u>

115,510 £0.01 Ordinary shares were issued during the year at nominal value of 1p.

The Company has issued warrants to subscribe for 49,860 Series B shares exercisable at \$20.056 in relation to provision of services from a supplier. All warrants are exercisable at the holder's discretion. The cumulative charge for warrants is represented by 'Other Reserves' within equity.

The 'Capital Redemption Reserve' was created when the Company repurchased 42,570,000 Deferred shares of one penny each in 2020.

13. SHARE-BASED PAYMENT TRANSACTIONS

The Company has a share option scheme for employees and other relevant parties. For employees, vesting is based on their period of employment, with a maximum period of four years. All options are priced at 1p each.

The share-based payment charge is immaterial to the accounts.

The movements in share options are as follows:

	2021 Number	2020 Number
At 1 January	336,091	282,091
Granted	131,850	65,000
Exercised	(115,510)	(6,357)
Forfeited	(32,490)	(4,643)
At 31 December	<u>319,941</u>	<u>336,091</u>

At 31 December 2021, 159,245 share options had vested (31 December 2020: 222,830)

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 FOR
EVONETIX LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

14. NOTES TO THE CASH FLOW STATEMENT

Net cash from operating activities:

	2021	2020
	£000	£000
Operating loss	(8,946)	(6,775)
Depreciation of tangible assets	237	273
Charge to warrants reserve	415	322
Working capital movements:		
Decrease/ (increase) in receivables	173	(174)
Increase in payables	428	311
NET CASH FROM OPERATING ACTIVITIES	<u>(7,693)</u>	<u>(6,043)</u>

Non-cash transactions:

Services with a value of £415,000 (2020: £322,000) were paid for by the issue of warrants to the service provider.

Analysis of changes in net funds/ (debt):

	At 1 January 2021 £000	Cash flows £000	Non-cash changes £000	At 31 December 2021 £000
Cash at bank	5,609	(3,189)	-	2,420
Investments	15,323	(4,827)	-	10,496
Bank loans	(1,506)	-	(32)	(1,538)
TOTAL NET FUNDS/ (DEBT)	<u>19,426</u>	<u>(8,016)</u>	<u>(32)</u>	<u>11,378</u>

Non-cash changes represent the accrual of final repayment fees.

15. RELATED PARTY DISCLOSURES

Key Management Personnel is disclosed in note 4.

There were no other related party transactions.

16. ULTIMATE CONTROLLING PARTY

There is no single ultimate controlling party.