

IRRESISTIBLE MATERIALS LTD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2023

Bevan Buckland LLP
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FOR THE YEAR ENDED 31 MARCH 2023**

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IRRESISTIBLE MATERIALS LTD
COMPANY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2023

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 2023

| | Notes | 2023 £ | £ | 2022 £ | £ |
|--|-------|------------------|--------------------|----------------|--------------------|
| FIXED ASSETS | | | | | |
| Tangible assets | 4 | | 43,571 | | 62,897 |
| CURRENT ASSETS | | | | | |
| Debtors | 5 | 370,730 | | 335,979 | |
| Cash at bank | | <u>257,706</u> | | <u>189,637</u> | |
| | | 628,436 | | 525,616 | |
| CREDITORS | | | | | |
| Amounts falling due within one year | 6 | <u>2,248,907</u> | | <u>512,048</u> | |
| NET CURRENT (LIABILITIES)/ASSETS | | | <u>(1,620,471)</u> | | <u>13,568</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>(1,576,900)</u> | | <u>76,465</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 7 | | 59 | | 58 |
| Share premium | | | 3,567,904 | | 3,203,158 |
| Share options reserve | | | 478,214 | | 461,493 |
| Retained earnings | | | <u>(5,623,077)</u> | | <u>(3,588,244)</u> |
| | | | <u>(1,576,900)</u> | | <u>76,465</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 August 2023 and were signed on its behalf by:

D A Ure - Director

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

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 March 2024 based on current spending. The Company has funding available from existing investment and continued commitments on the current round (the round was broken into three tranches, two of which have completed and a third will complete in August/September 2023). These funds are expected to last through to March 2024 and potentially beyond, if managed appropriately. The Company is confident that extra funding could be raised to extend runway through to September 2024, if required.

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 not accruing interest. The fair value of the convertible loan notes includes allowance for the equity element of the convertible loan notes. The actual cost to the company of these issued convertible loan notes may differ from the figures included in the accounts.

Turnover

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

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2023

2. ACCOUNTING POLICIES - continued

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. There is no interest accruing on these loan notes. The number of shares to be issued will vary with any 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.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2023

2. **ACCOUNTING POLICIES - continued**

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.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2023

2. ACCOUNTING POLICIES - continued

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 (2022 - 9) .

4. TANGIBLE FIXED ASSETS

| | Plant and Machinery £ | Fixtures and fittings £ | Computer equipment £ | Totals £ |
|------------------------|-----------------------------|----------------------------------|----------------------------|----------------|
| COST | | | | |
| At 1 April 2022 | 103,691 | 7,265 | 5,238 | 116,194 |
| Additions | - | 3,445 | 460 | 3,905 |
| Disposals | (902) | - | - | (902) |
| At 31 March 2023 | <u>102,789</u> | <u>10,710</u> | <u>5,698</u> | <u>119,197</u> |
| DEPRECIATION | | | | |
| At 1 April 2022 | 51,153 | 793 | 1,351 | 53,297 |
| Charge for year | 19,447 | 1,816 | 1,310 | 22,573 |
| Eliminated on disposal | (244) | - | - | (244) |
| At 31 March 2023 | <u>70,356</u> | <u>2,609</u> | <u>2,661</u> | <u>75,626</u> |
| NET BOOK VALUE | | | | |
| At 31 March 2023 | <u>32,433</u> | <u>8,101</u> | <u>3,037</u> | <u>43,571</u> |
| At 31 March 2022 | <u>52,538</u> | <u>6,472</u> | <u>3,887</u> | <u>62,897</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.

5. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2023 £ | 2022 £ |
|---------------|----------------|----------------|
| Other debtors | <u>370,730</u> | <u>335,979</u> |

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2023 £ | 2022 £ |
|------------------------------|------------------|----------------|
| Trade creditors | 470,239 | 364,696 |
| Taxation and social security | 26,879 | 14,669 |
| Other creditors | <u>1,751,789</u> | <u>132,683</u> |
| | <u>2,248,907</u> | <u>512,048</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2023

7. CALLED UP SHARE CAPITAL

| Allotted, issued and fully paid: | | | | 2022 | 2021 |
|----------------------------------|----------|----------------|---|-----------|-----------|
| Number: | Class: | Nominal Value: | £ | £ | |
| 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 qualified on the following basis:

Basis for qualified opinion

With respect to the fair value of the convertible loan notes issued in the year, currently valued at £1,565,463. The audit evidence available to us was limited because we could not obtain a reliable expert opinion to provide a split of the debt and equity of the financial instruments. Owing to the nature of the complex financial instruments, we were unable to obtain sufficient appropriate audit evidence regarding the fair value of the convertible loan notes.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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.

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 £574,356 which included the issue of 10,512 ordinary shares to Nano-C. Nano-C converted transactions to the value of £252,000 of loan notes during the year, in lieu of payment for services.

In total, £1,565,463 of funding has been received through convertible loan notes in the year. These were funded by 10 shareholders of the company.

Any other transactions with related parties are entered on an arms length basis.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2023

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 £16,721 (2022: £80,550) 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.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.