Company No: SC600268 (Scotland)

R3 IOT LIMITED T/A KRUCIAL
UNAUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022
PAGES FOR FILING WITH THE REGISTRAR

R3 IOT LIMITED T/A KRUCIAL
UNAUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Contents

Balance Sheet 3
Notes to the Financial Statements 4

R3 IOT LIMITED T/A KRUCIAL
BALANCE SHEET
AS AT 30 JUNE 2022

	Note	2022	2021
		£	£
Fixed assets			
Intangible assets	4	376,243	158,183
Tangible assets	5	254,035	41,812
		630,278	**199,995**
Current assets			
Stocks		127,306	0
Debtors	6	89,923	57,947
Cash at bank and in hand		668,274	43,778
		885,503	**101,725**
Creditors: amounts falling due within one year	7	(260,916)	(253,143)
Net current assets/(liabilities)		**624,587**	**(151,418)**
Total assets less current liabilities		**1,254,865**	**48,577**
Creditors: amounts falling due after more than one year	8	(94,919)	(393,229)
Net assets/(liabilities)		**1,159,946**	**(344,652)**
Capital and reserves			
Called-up share capital	10	3	2
Share premium account		2,969,560	0
Profit and loss account		(1,809,617)	(344,654)
Total shareholders' funds/(deficit)		**1,159,946**	**(344,652)**

For the financial year ending 30 June 2022 the Company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

Directors' responsibilities:

- The members have not required the Company to obtain an audit of its financial statements for the financial year in accordance with section 476;
- The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements; and
- These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime and a copy of the Profit and Loss Account has not been delivered.

The financial statements of R3 IOT Limited t/a Krucial (registered number: SC600268) were approved and authorised for issue by the Director on 17 November 2022. They were signed on its behalf by:

Allan Cannon
Director

Kevin Quillien
Director

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the financial year and to the preceding financial year, unless otherwise stated.

General information and basis of accounting

R3 IOT Limited t/a Krucial (the Company) is a private company, limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in Scotland. The address of the Company's registered office is Suite 4.2 Turnberry House, 175 West George Street, Glasgow, G2 2LB, Scotland, United Kingdom.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Section 1A of Financial Reporting Standard 102 (FRS 102) 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' issued by the Financial Reporting Council and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime.

The financial statements are presented in pounds sterling which is the functional currency of the company and rounded to the nearest £.

Going concern

The company has incurred a loss for the year in accordance with its business plan as it conducts development activities. Included within creditors due within one year is deferred grant income of £91,407. The deferred income will be released to the profit and loss account as the projects they are funding continue. The company is working on raising further funding from current investors that would give it sufficient funding for a period greater than 12 months from date of approval of the financial statements and on this basis the directors feel it is appropriate to prepare the accounts on a going concern basis.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences are recognised in the Profit and Loss Account in the period in which they arise except for exchange differences arising on gains or losses on non-monetary items which are recognised in the Statement of Comprehensive Income.

Turnover

Turnover is recognised at the fair value of the consideration receivable for services provided in the normal course of business, and is shown net of VAT and other sales related taxes.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

Employee benefits

Short term benefits
The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Share-based payment

Equity-settled share-based payment transactions are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period if material, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Fair value is measured by use of the Black-Scholes model which is considered by management to be the most appropriate method of valuation. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

Taxation

Current tax
Current tax is provided at amounts expected to be paid (or recoverable) using the tax rates and laws that have been enacted or substantively enacted at the Balance Sheet date.

Deferred tax
Deferred tax arises as a result of including items of income and expenditure in taxation computations in periods different from those in which they are included in the Company's financial statements. Deferred tax is provided in full on timing differences which result in an obligation to pay more or less tax at a future date, at the average tax rates that are expected to apply when the timing differences reverse, based on current tax rates and laws. Deferred tax assets and liabilities are not discounted.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Intangible assets

Intangible assets are comprised of capitalised development expenditure. No amortisation is recognised when the development is ongoing. Once development is complete, amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Other intangible assets	5 years straight line

Research and development

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

Trademarks, patents and licences

Separately acquired patents and trademarks are included at cost and amortised in equal annual instalments over a period of 10 years years which is their estimated useful economic life. Provision is made for any impairment.

Other 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.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings	not depreciated
Plant and machinery etc.	3 - 4 years straight line

Land and buildings represents Leasehold Improvement related works that were still ongoing at the year end hence no depreciation charge.

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Leases

The Company as lessee
Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the Profit and Loss Account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each Balance Sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the Profit and Loss Account as described below.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the FIFO (first-in, first-out) method. Provision is made for obsolete, slow-moving or defective items where appropriate.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in creditors: amounts falling due within one year.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

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

Financial assets and liabilities are only offset in the Balance Sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Basic financial assets
Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method 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. Financial assets classified as receivable within one year are not amortised.

Financial assets are derecognised when and only when the contractual rights to the cash flows from the financial asset expire or are settled, or the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Basic financial liabilities
Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

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

Equity instruments
Equity instruments issued by the company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Convertible loan notes
The component parts of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. On initial recognition, the financial liability component is recorded at its fair value. At the date of issue, in the case of a convertible bond denominated in the functional currency of the issuer that may be converted into a fixed number of equity shares, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in the equity reserve within equity and is not subsequently remeasured.

Transaction costs are apportioned between the liability and equity components of the convertible instrument based on their relative fair values at the date of issue. The portion relating to the equity component is charged directly against equity.

Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as relating either to revenue or to assets. Grants relating to revenue are recognised in income over the period in which the related costs are recognised. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

2. Employees

	2022	2021
	Number	**Number**
Monthly average number of persons employed by the Company during the year, including directors	23	12

3. Share-based payments

Equity-settled share-based payment schemes

The Company has an HMRC approved and an unapproved share option scheme for employees.

Options are exercisable at a price equal to the estimated fair value of the Company's shares on the date of grant. The vesting period for the approved scheme is noted in point a) below and are exercisable on an exit event. The vesting period for the unapproved scheme is spread over two and a half years and are exercisable as they vest. Options are forfeited if the employee leaves the Company before the options vest.

a)25% of options vest on the first anniversary of the grant date, and a further 25% vest on each year anniversary thereafter for a total period of four years.

Details of the share options outstanding during the financial year are as follows:

	2022 Weighted Average		**2021 Weighted Average**	
	Number of share options	**Average exercise price (£)**	**Number of share options**	**Average exercise price (£)**
Outstanding at beginning of period	**217,721**	**0.47**	**0**	**0**
Granted during the period	29,348	1.43	267,757	0.47
Forfeited during the period	(7,076)	0.47	0	0
Exercised during the period	(56,242)	0.47	(50,036)	0.47
Outstanding at the end of the period	**183,751**	**0.62**	**217,721**	**0.47**
Exercisable at the end of the period	**0**	**0**	**0**	**0**

The fair value of the share options at the grant date was calculated using the Black-Scholes model, which is considered to be the most appropriate generally accepted valuation method of measuring fair value.

The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

The share options are a mix of equity-settled EMI and unapproved options and have a maximum term of 10 years. The unapproved options are able to be exercised at any time from the date they vest.

The company did not recognise any share-based payment expenses which related to either the EMI or unapproved scheme through the profit and loss account as they were deemed to be immaterial.

4. Intangible assets

	Other intangible assets	Total
	£	£
Cost		
At 01 July 2021	158,183	158,183
Additions	220,528	220,528
At 30 June 2022	**378,711**	**378,711**
Accumulated amortisation		
At 01 July 2021	0	0
Charge for the financial year	2,468	2,468
At 30 June 2022	**2,468**	**2,468**
Net book value		
At 30 June 2022	**376,243**	**376,243**
At 30 June 2021	158,183	158,183

5. Tangible assets

	Land and buildings	Plant and machinery etc.	Total
	£	£	£
Cost			
At 01 July 2021	3,000	50,743	53,743
Additions	120,327	116,301	236,628
At 30 June 2022	**123,327**	**167,044**	**290,371**
Accumulated depreciation			
At 01 July 2021	0	11,931	11,931
Charge for the financial year	0	24,405	24,405
At 30 June 2022	**0**	**36,336**	**36,336**
Net book value			
At 30 June 2022	**123,327**	**130,708**	**254,035**
At 30 June 2021	3,000	38,812	41,812

6. Debtors

	2022	2021
	£	£
Trade debtors	0	7,500
Corporation tax	26,000	26,000
Other debtors	63,923	24,447
	89,923	**57,947**

7. Creditors: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	4,924	35,363
Other taxation and social security	139,182	83,951
Obligations under finance leases and hire purchase contracts	4,500	0
Other creditors	112,310	133,829
	260,916	**253,143**

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

	2022	2021
	£	£
Bank loans	39,844	49,219
Convertible loan notes	0	240,000
Obligations under finance leases and hire purchase contracts	1,385	0
Other creditors	53,690	104,010
	94,919	**393,229**

There are no amounts included above in respect of which any security has been given by the small entity.

9. Convertible loans

The Company issued £240,000 of convertible loan notes on September 2020. The convertible loan notes are convertible into ordinary shares of the Company at any time between the date of issue of the notes and their settlement date, three years from issue, if there is an investment event. Loan notes are convertible at a 15% discount to the value of the next investment round. If the notes have not been converted, they will be redeemed on their settlement date at par. Interest of 8 per cent will be paid annually from year two up until that settlement date.

In July 2021, investment was raised by the company and the £240,000 was converted in to share capital in full.

10. Called-up share capital

	2022	2021
	£	£
Allotted, called-up and fully-paid		
3,018,723 A ordinary shares of £ 0.000001 each (2021: 2,050,036 shares of £ 0.000001 each)	3	2

11. Related party transactions

Transactions with the entity's directors

	2022	2021
	£	£
Amounts due to management personnel	37,025	37,637

12. Events after the Balance Sheet date

There have been no events after the balance sheet date affecting the Company since the financial year.

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.