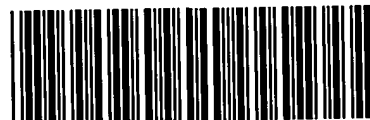

IOTIC LABS LIMITED

FINANCIAL STATEMENTS
INFORMATION FOR FILING WITH THE REGISTRAR
FOR THE YEAR ENDED 31 DECEMBER 2023

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COMPANIES HOUSE

IOTIC LABS LIMITED
REGISTERED NUMBER: 09235524

BALANCE SHEET
AS AT 31 DECEMBER 2023

	Notes	2023 £	2022 £
FIXED ASSETS			
Intangible assets	5	-	-
Tangible assets	6	11,996	23,564
		<u>11,996</u>	<u>23,564</u>
CURRENT ASSETS			
Debtors: amounts falling due within one year	7	575,764	1,311,583
Cash at bank and in hand		453,561	1,175,268
		<u>1,029,325</u>	<u>2,486,851</u>
Creditors: amounts falling due within one year	8	(260,162)	(11,697,030)
NET CURRENT ASSETS/(LIABILITIES)		769,163	(9,210,179)
TOTAL ASSETS LESS CURRENT LIABILITIES BEING NET ASSETS/(LIABILITIES)		<u>781,159</u>	<u>(9,186,615)</u>
CAPITAL AND RESERVES			
Called up share capital	9	103,922	59,553
Share premium account	10	20,914,801	9,121,251
Other reserves	10	1,282,957	1,334,331
Profit and loss account	10	(21,520,521)	(19,701,750)
SHAREHOLDERS' FUNDS / (DEFICIT)		<u>781,159</u>	<u>(9,186,615)</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

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

The Company has opted not to file the profit and loss account in accordance with provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



A S Orrock
Director

Date: 02 December 2024

The notes on pages 3 to 16 form part of these financial statements.

IOTIC LABS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Called up share capital £	Share premium account £	Other reserves £	Profit and loss account £	Total equity £
At 1 January 2022	59,553	9,121,251	1,482,379	(14,362,467)	(3,699,284)
COMPREHENSIVE LOSS FOR THE YEAR					
Loss for the year	-	-	-	(5,563,538)	(5,563,538)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	-	-	-	(5,563,538)	(5,563,538)
CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS					
Transfer to profit and loss account	-	-	(224,255)	224,255	-
Credit to equity for share based payments (see note 16)	-	-	76,207	-	76,207
TOTAL TRANSACTIONS WITH OWNERS	-	-	(148,048)	224,255	76,207
At 1 January 2023	59,553	9,121,251	1,334,331	(19,701,750)	(9,186,615)
COMPREHENSIVE LOSS FOR THE YEAR					
Loss for the year	-	-	-	(1,818,771)	(1,818,771)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	-	-	-	(1,818,771)	(1,818,771)
CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS					
Shares issued during the year at a premium, less issue costs	44,369	11,793,550	-	-	11,837,919
Debit to equity for share based payments (see note 16)	-	-	(51,374)	-	(51,374)
TOTAL TRANSACTIONS WITH OWNERS	44,369	11,793,550	(51,374)	-	11,786,545
AT 31 DECEMBER 2023	103,922	20,914,801	1,282,957	(21,520,521)	781,159

The notes on pages 3 to 16 form part of these financial statements.

IOTIC LABS LIMITED

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

1. GENERAL INFORMATION

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

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' and the requirements of the Companies Act 2006. The disclosure requirements of Section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

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

The following principal accounting policies have been applied:

2.2 EXEMPTION FROM PREPARING CONSOLIDATED FINANCIAL STATEMENTS

The Company is the parent undertaking of a small group and as such is not required by the Companies Act 2006 to prepare consolidated financial statements. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

2.3 GOING CONCERN

During the year, the Company made a loss of £1,818,771 and as at 31 December 2023 had net assets of £781,159, including cash at bank and in hand of £453,561. The Company expects to continue to invest in research activities and incur further losses before a profitable level of commercialisation is achieved and therefore generating positive cash inflows from its operating activities. To date the Company has been funded through the issue of shares and convertible loan notes to its shareholders.

The Directors have prepared cash flow forecasts for the foreseeable future, being at least 12 months from the date of approval of these financial statements, which indicate that the Company expects to obtain a number of significant revenue generating contracts and receive further funding which is required to fund its ongoing development activities and operating costs. In the absence of receiving either further funding or obtaining significant revenue generating contracts, the Company will imminently require other funding to enable it to continue to trade and meet its liabilities as they fall due.

Whilst the Directors are confident that either significant revenue generating contracts will be obtained and/or that additional funding will be received, its successful conclusion is based upon factors outside the Company's control and therefore is inherently uncertain.

The Directors believe that the Company will secure a number of revenue generating contracts and obtain further funding and have therefore prepared the financial statements on a going concern basis, however the Directors have concluded that the inherent uncertainty associated with the receipt of revenue generating contracts and further funding, as described above, represents a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and disclose its liabilities in the normal course of business.

IOTIC LABS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.3 GOING CONCERN (CONTINUED)

These financial statements do not include any of the adjustments that would be required should the financial statements be prepared on a basis other than a going concern. These adjustments would include writing down the carrying value of assets and providing for further liabilities as they arise.

2.4 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The Company's functional and presentational currency is Sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in Other Comprehensive Income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within either 'Interest Receivable' or 'Interest Payable'. All other foreign exchange gains and losses are presented in profit or loss within 'Administrative Expenses'.

2.5 REVENUE

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

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

IOTIC LABS LIMITED

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

2. ACCOUNTING POLICIES (CONTINUED)

2.6 RESEARCH AND DEVELOPMENT

Research and development expenditure is expensed to the Statement of Comprehensive Income as incurred.

2.7 GOVERNMENT GRANTS

Grants are accounted under the accruals model as permitted by FRS 102.

Grants of a revenue nature are recognised in the Profit and Loss Account in the same period as the related expenditure.

2.8 INTEREST INCOME

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

2.9 FINANCE COSTS

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.10 BORROWING COSTS

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.11 DEFINED CONTRIBUTION PENSION SCHEME

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

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

IOTIC LABS LIMITED

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

2. ACCOUNTING POLICIES (CONTINUED)

2.12 TAXATION

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as Other Comprehensive Income or to an item recognised directly in equity is also recognised in Other Comprehensive Income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.13 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.

2.14 TANGIBLE FIXED ASSETS

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

IOTIC LABS LIMITED

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

2. ACCOUNTING POLICIES (CONTINUED)

2.14 TANGIBLE FIXED ASSETS (CONTINUED)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Office equipment	- 3 years
------------------	-----------

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

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

2.15 DEBTORS

Short-term debtors are measured at transaction price, less any impairment.

2.16 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.17 CREDITORS

Short-term creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.18 FINANCIAL INSTRUMENTS

The Company has elected to apply the provisions of Section 11 "Basic Financial Instruments" of FRS 102 to all of its financial instruments.

The Company has elected to apply the recognition and measurement provisions of IFRS 9 Financial Instruments (as adopted by the UK Endorsement Board) with the disclosure requirements of Sections 11 and 12 and the other presentation requirements of FRS 102.

Financial instruments are recognised in the Company's Balance Sheet when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

IOTIC LABS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.18 FINANCIAL INSTRUMENTS (CONTINUED)

Basic financial assets

Basic financial assets, which include trade and other debtors, cash and bank balances, are initially measured at their transaction price (adjusted for transaction costs except in the initial measurement of financial assets that are subsequently measured at fair value through profit and loss) and are subsequently carried at their amortised cost using the effective interest method, less any provision for impairment, 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.

Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other debtors due with the operating cycle fall into this category of financial instruments.

Impairment of financial assets

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.

Financial assets are impaired when events, subsequent to their initial recognition, indicate the estimated future cash flows derived from the financial asset(s) have been adversely impacted. The impairment loss will be the difference between the current carrying amount and the present value of the future cash flows at the asset(s) original effective interest rate.

If there is a favourable change in relation to the events surrounding the impairment loss then the impairment can be reviewed for possible reversal. The reversal will not cause the current carrying amount to exceed the original carrying amount had the impairment not been recognised. The impairment reversal is recognised in the profit or loss.

Financial liabilities

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 the deduction of all its liabilities.

Basic financial liabilities, which include trade and other creditors are initially measured at their transaction price (adjusting for transaction costs except in the initial measurement of financial liabilities that are subsequently measured at fair value through profit and loss). When this constitutes a financing transaction, whereby the debt instrument is measured at the present value of the future payments discounted at a market rate of interest, discounting is omitted where the effect of discounting is immaterial.

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

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

IOTIC LABS LIMITED

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

2. ACCOUNTING POLICIES (CONTINUED)

2.18 FINANCIAL INSTRUMENTS (CONTINUED)

Derecognition of financial instruments

Derecognition of financial assets

Financial assets are derecognised when their contractual right to future cash flow expire, or are settled, or when the Company transfers the asset and substantially all the risks and rewards of ownership to another party. If significant risks and rewards of ownership are retained after the transfer to another party, then the Company will continue to recognise the value of the portion of the risks and rewards retained.

Derecognition of financial liabilities

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

**3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION
UNCERTAINTY**

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

The key judgements and estimate impacting the financial statements are:

Share-based payments

At 31 December 2023, the Company had a cumulative share option reserve amounting to £1,282,957 (2022 - £1,334,331) which are to be recognised in future years in line with the vesting period. A credit amounting to £51,374 (2022 - charge £76,207) has been recognised within the Statement of Comprehensive Income for the period. There are significant assumptions underpinning the liability and (credit)/charge recognised within the Statement of Comprehensive Income.

Non-recognition of deferred tax asset

At 31 December 2023, the Company had tax losses amounting to approximately £11,614,954 (2022 - £9,960,753) which are available for offset against future taxable profits. A deferred tax asset of £2,903,738 (2022 - £2,948,349) has not been recognised as the Directors consider that it is uncertain that the tax losses would be utilised in the foreseeable future.

4. EMPLOYEES

The average monthly number of employees, including the Directors, during the year was 28 (2022 - 31).

IOTIC LABS LIMITED

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

5. INTANGIBLE ASSETS

	Trademarks £
COST	
At 1 January 2023	175,000
At 31 December 2023	175,000
AMORTISATION	
At 1 January 2023	175,000
At 31 December 2023	175,000
NET BOOK VALUE	
At 31 December 2023	-
At 31 December 2022	-

IOTIC LABS LIMITED

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

6. TANGIBLE FIXED ASSETS

	Office equipment £
COST	
At 1 January 2023	91,542
Disposals	(2,898)
At 31 December 2023	<u>88,644</u>
DEPRECIATION	
At 1 January 2023	67,978
Charge for the year on owned assets	10,764
Disposals	(2,094)
At 31 December 2023	<u>76,648</u>
NET BOOK VALUE	
At 31 December 2023	<u>11,996</u>
At 31 December 2022	<u>23,564</u>

7. DEBTORS

	2023 £	2022 £
Trade debtors	82,176	73,200
Other debtors	18,793	21,302
Prepayments and accrued income	158,171	22,994
Research and development tax credits receivable	316,624	1,194,087
	<u>575,764</u>	<u>1,311,583</u>

At 31 December 2023, the Company has a balance of £909,984 (2022 - £909,984) receivable from Iotic Labs, Inc, the Company's wholly owned subsidiary. A provision of £909,984 (2022 - £909,984) has been recognised in relation to this balance.

IOTIC LABS LIMITED

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

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023 £	2022 £
Convertible loan notes	-	11,453,911
Trade creditors	29,322	69,903
Other taxation and social security	63,133	78,758
Other creditors	15,707	17,775
Accruals and deferred income	152,000	76,683
	<u>260,162</u>	<u>11,697,030</u>

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

In December 2021, two existing shareholders (including Orrock Holdings Ltd, a company controlled by Ian Orrock) provided financing in the form of a loan amounting to £2,450,000 as the first tranche of a planned loan of £5.0m. The loan was interest free and repayable on demand. In February 2022, this loan was converted into a convertible loan note on which interest accrues at 8% per annum from this date.

In September 2022, the same shareholders provided additional loans in the form of a convertible loan note amounting to £2,550,000. The loan note accrues interest at 8% per annum.

In July 2023 an additional financing round of £1.3m was received. This triggered the conversion of all of the Convertible Loan Notes on the balance sheet into equity in accordance with the terms of the Future Fund loans.

Each loan and accrued but unpaid interest converted into shares in the capital of the Company during the year, being 3,364,232 Ordinary shares of £0.001 each and 41,004,314 Seed shares of £0.001 each for a consideration of £11,884,939.

Other creditors include contributions of £15,398 (2022 - £17,121) payable to the Company's defined contribution pension scheme at the balance sheet date.

IOTIC LABS LIMITED

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

9. SHARE CAPITAL

	2023	2022
	£	£
ALLOTTED, CALLED UP AND FULLY PAID		
37,948,502 (2022 - 34,584,270) Ordinary shares of £0.001 each	37,949	34,584
65,973,224 (2022 - 24,968,920) Seed shares of £0.001 each	65,973	24,969
	<u>103,922</u>	<u>59,553</u>

On 17 July 2023, the Company issued 3,364,232 Ordinary shares of £0.001 each and 41,004,314 Seed shares of £0.001 each for a consideration of £11,884,939.

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

Through these share issues the Company incurred directly attributable costs amounting to £47,000 which have been offset against the Share Premium Account.

10. RESERVES**Share premium account**

The Share Premium Account includes any premium received on the issue of Share Capital. Any transaction costs associated with the issuing of shares are deducted from the Share Premium.

Other reserves

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

Profit and loss account

The Profit and Loss Account reserve represents accumulated profits and losses, less dividends paid.

IOTIC LABS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

11. SHARE-BASED PAYMENTS

In 2018 the Directors approved a share option scheme for the benefit of its employees and for services provided by third parties. During the year, the Directors granted 100,613 share options over Ordinary shares of the Company. The options typically have a 48 month vesting period with a 12 month cliff, with the options vesting on a monthly basis thereafter, subject to continued employment. Options are forfeited if the employee leaves the Company before the options vest. During the year 363,735 options lapsed as a result of this condition. Movements in the number of share options outstanding and their weighted average exercise prices are as follows:

	Weighted average exercise price (pence) 2023	Number 2023	<i>Weighted average exercise price (pence) 2022</i>	<i>Number 2022</i>
Outstanding at the beginning of the year	0.1	6,714,672	0.1	6,931,183
Granted during the year	0.1	100,613	0.1	406,714
Lapsed during the year	0.1	(363,735)	0.1	(623,225)
OUTSTANDING AT THE END OF THE YEAR	0.1	6,451,550	0.1	6,714,672

At 31 December 2023, 6,254,002 (2022 - 6,112,661) options were exercisable.

The weighted average fair value of the options granted during the year ended 31 December 2023 was 35.0 pence (2022 - 35.0 pence).

The fair value of share based payments has been calculated using the Black-Scholes option pricing model. Expected volatility was determined based on the historical volatility of comparable companies. The expected life is the expected period from the date of grant to exercise based upon management's best estimate. The following assumptions were used in the model for the options granted during the year ended 31 December 2023.

	2023	<i>2022</i>
	Black Scholes Option Pricing Model	<i>Black Scholes Option Pricing Model</i>
Weighted average share price (pence)	35	35
Exercise price (pence)	0.1	0.1
Expected average life (years)	4	4
Expected volatility	58	51%
Expected dividend growth rate	0%	0%
Risk-free interest rate	3.62%	1.44 - 3.05%

IOTIC LABS LIMITED

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

11. SHARE-BASED PAYMENTS (CONTINUED)

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

	2023 £	2022 £
Equity-settled schemes	<u>(51,374)</u>	<u>76,207</u>

12. RELATED PARTY TRANSACTIONS**Silchester Limited**

During the year ended 31 December 2023, management fees of £Nil (2022 - £100,800) were charged to the Company by Silchester Limited (a company controlled by Ian Orrock) for the services of its (Chairman and) Director, Ian Orrock, and £Nil (2022 - £8,400) remained outstanding at the year end.

In November 2020, existing shareholders provided financing in the form of convertible loan notes amounting to £1,587,000. The loan accrued interest at 8% per annum. At the year-end date £Nil (2022 - £267,138) of accrued interest was recorded in 'Creditors - amounts due within one year' on the Balance Sheet.

In December 2021, two existing shareholders (including Orrock Holdings Ltd, a company controlled by Ian Orrock) provided financing in the form of a loan amounting to £2,450,000 as the first tranche of a planned loan of £5.0m. The loan was interest free and repayable on demand. In February 2022 this loan was converted into a convertible loan note which accrued interest at 8% per annum from this date. At the year-end date £Nil (2022 - £151,430) of accrued interest was recorded within the 'Creditors - amounts due within one year' line item on the Balance Sheet.

In September 2022, the same existing shareholders provided the balance of the planned loan of £5.0m in the form of a convertible loan note totalling £2,550,000. The loan accrued interest at 8% per annum. At the year-end date £Nil (2022 - £60,920) of accrued interest was recorded within the 'Creditors - amounts due within one year' line item on the Balance Sheet.

Kinghorn Management Limited

During the year ended 31 December 2023, training costs of £5,000 (2022 - £Nil) were charged to the Company by Kinghorn Management Limited (a company controlled by Ian Orrock) and £Nil (2022 - £Nil) remained outstanding at the year end.

Key management personnel compensation

Aggregate remuneration to key management personnel (including share-based payments) in the year amounted to £12,401 (2022 - £687,281).

IOTIC LABS LIMITED

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

13. POST BALANCE SHEET EVENTS

Between March 2024 and July 2024, the Company issued convertible loan notes to Orrock Holdings amounting to £1,250,000, which were subsequently converted to equity after a qualifying event in August 2024, being the allotment and issue of 166,741,639 Ordinary shares.

In September 2024, all seed shares were redesignated to ordinary shares.

In September 2024 Orrock Holding Limited invested a further £250,000 for which it was allotted and issued 25,979,424 Ordinary shares.

14. CONTROLLING PARTY

As at 31 December 2023 and the date of approval of these financial statements, the Company is controlled by the Orrock family through their continued shareholdings.

15. AUDITOR'S INFORMATION

The auditor's report on the financial statements for the year ended 31 December 2023 was unqualified.

In their report, the auditor emphasised the following matter without qualifying their report:

"We draw attention to Note 2.3 in the financial statements, which indicates that the Company has incurred a loss for the year of £1,818,771 and is expecting future losses. Current cash at bank and in hand is insufficient to fund these forecast losses, and therefore additional funding will be required by the Company within the foreseeable future, being a period of at least 12 months from the date of approval of these financial statements. As stated in Note 2.3, these events or conditions, along with the other matters as set forth in Note 2.3, 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 audit report was signed on 02 December 2024 by Adam Smith (Senior Statutory Auditor) on behalf of Peters Elworthy & Moore.