

Third Equation Ltd
Unaudited Financial Statements
for the Year Ended 31 March 2021

Whitelaw Wells
9 Ainslie Place
Edinburgh
Midlothian
EH3 6AT

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for the Year Ended 31 March 2021**

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Third Equation Ltd
Company Information
for the Year Ended 31 March 2021

DIRECTORS:

M C Fitzpatrick
G F Dujon
J Brooks
D J Weir

SECRETARY:

Taylor Wessing Secretaries Limited

REGISTERED OFFICE:

5 New Street Square
London
EC4A 3TW

REGISTERED NUMBER:

12188439 (England and Wales)

ACCOUNTANTS:

Whitelaw Wells
9 Ainslie Place
Edinburgh
Midlothian
EH3 6AT

Third Equation Ltd (Registered number: 12188439)

Balance Sheet
31 March 2021

	Notes	2021 £	£	2020 £	£
FIXED ASSETS					
Intangible assets	4		216,150		176,138
Tangible assets	5		<u>157,626</u>		<u>531,193</u>
			373,776		707,331
CURRENT ASSETS					
Debtors	6	363,637		138,282	
Cash at bank and in hand		<u>1,195,781</u>		<u>479,151</u>	
		1,559,418		617,433	
CREDITORS					
Amounts falling due within one year	7	<u>2,502,324</u>		<u>27,515</u>	
NET CURRENT (LIABILITIES)/ASSETS			<u>(942,906)</u>		<u>589,918</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			(569,130)		1,297,249
CREDITORS					
Amounts falling due after more than one year	8		<u>2,649,950</u>		<u>2,150,000</u>
NET LIABILITIES			<u>(3,219,080)</u>		<u>(852,751)</u>
CAPITAL AND RESERVES					
Called up share capital			60		10
Retained earnings			<u>(3,219,140)</u>		<u>(852,761)</u>
			<u>(3,219,080)</u>		<u>(852,751)</u>

The company is entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 31 March 2021.

The members have not required the company to obtain an audit of its financial statements for the year ended 31 March 2021 in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for:

- ensuring that the company keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 and
- preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

The notes form part of these financial statements

**Balance Sheet - continued
31 March 2021**

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 Income Statement has not been delivered.

The financial statements were approved by the Board of Directors and authorised for issue on 11 October 2021 and were signed on its behalf by:

G F Dujon - Director

**Notes to the Financial Statements
for the Year Ended 31 March 2021**

1. STATUTORY INFORMATION

Third Equation 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.

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.

Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

An impairment loss has been recognised in the Income Statement, following an assessment at the Balance Sheet date indicating the recoverable amount was less than its carrying value.

Patents and licences are being amortised evenly over their estimated useful life of ten years.

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 etc - 50% on cost, 33% on cost, 25% on cost and 20% on cost

Government grants

Government grants in relation to tangible fixed assets are credited to the profit and loss account over the useful lives of the related assets, whereas those in relation to expenditure are credited when the expenditure is charged to profit and loss.

Financial instruments

Financial instruments comprise financial assets and financial liabilities which are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial instruments classified as "non-basic" in accordance with FRS102 are short-term in nature and are therefore not discounted as the effect of discounting is immaterial.

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 2021**

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, other than expenditure of a capital nature included in Intangible 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.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

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.

Turnover

Turnover represents net invoiced sale of electricity supply apparatus, excluding Value Added Tax. Turnover is recognised when the company obtains the right to consideration. There was no turnover recognised in the period.

Going concern

The financial statements have been prepared on the going concern principle, which assumes that the company will continue to trade for the foreseeable future. In order to do so the company will require the continued support of its owners and creditors. The directors' going concern assessment includes the expected impact of COVID-19 to the company for a period of at least 12 months from the date of signing of these financial statements.

Notes to the Financial Statements - continued
for the Year Ended 31 March 2021

2. ACCOUNTING POLICIES - continued**Compound financial instruments**

Compound financial instruments issued by the company comprise convertible notes that can be converted to ordinary shares at the option of the holder.

The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component.

Subsequent to initial recognition the equity component of a compound financial instrument is not remeasured.

Any interest related to the financial liability is recognised in the profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognised.

3. EMPLOYEES AND DIRECTORS

The average number of employees during the year was 9 (2020 - 4) .

4. INTANGIBLE FIXED ASSETS

	Other intangible assets £
COST	
At 1 April 2020	195,709
Additions	128,618
Impairments	<u>(70,518)</u>
At 31 March 2021	<u>253,809</u>
AMORTISATION	
At 1 April 2020	19,571
Charge for year	27,696
Impairments	<u>(9,608)</u>
At 31 March 2021	<u>37,659</u>
NET BOOK VALUE	
At 31 March 2021	<u>216,150</u>
At 31 March 2020	<u>176,138</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2021

5. TANGIBLE FIXED ASSETS

	Plant and machinery etc £
COST	
At 1 April 2020	665,097
Additions	84,610
Disposals	(2,145)
Impairments	(400,954)
At 31 March 2021	<u>346,608</u>
DEPRECIATION	
At 1 April 2020	133,904
Charge for year	327,502
Eliminated on disposal	(847)
Impairments	(271,577)
At 31 March 2021	<u>188,982</u>
NET BOOK VALUE	
At 31 March 2021	<u>157,626</u>
At 31 March 2020	<u>531,193</u>

6. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £	2020 £
Other debtors	<u>363,637</u>	<u>138,282</u>

The carrying value of company assets, less losses carried forward, gives rise to a potential deferred tax asset of £458,818 (2020: £134,665). Given the company's trading results for the period and forecasted performance, the directors do not consider it probable that losses will be utilised in the foreseeable future. As a result, no deferred tax asset has been provided.

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £	2020 £
Trade creditors	29,612	10,112
Taxation and social security	1,927	12,821
Other creditors	<u>2,470,785</u>	<u>4,582</u>
	<u>2,502,324</u>	<u>27,515</u>

Notes to the Financial Statements - continued
for the Year Ended 31 March 2021

8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2021	2020
	£	£
Other creditors	<u>2,649,950</u>	<u>2,150,000</u>

Convertible loan notes of £499,950 were issued in June 2020 (2020: £2,150,000). They are convertible into ordinary shares in the company at the option of the holder. Any unconverted notes become payable on 18 April 2022.

Convertible loans of £2,649,950 have been disclosed within other creditors.

9. LEASING AGREEMENTS

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

	2021	2020
	£	£
Within one year	94,847	54,000
Between one and five years	<u>145,652</u>	<u>-</u>
	<u>240,499</u>	<u>54,000</u>

10. SECURED DEBTS

The following secured debts are included within creditors:

	2021	2020
	£	£
Other loans	<u>4,975,923</u>	<u>2,150,000</u>

Convertible loans and bridging loans are secured against the assets and income of the company and by floating charge.

11. CONTINGENT LIABILITIES

At 31 March 2021 the company had outstanding convertible loan notes totalling £2.65m.

Should the convertible loan notes remain unconverted by 1 April 2022, they will be redeemable and subject to interest, calculated at 12% compound from inception. The total cost of this interest charge would be £851,405 of which £551,478 would have accrued by 31 March 2021.

As the Board of Directors do not consider it likely that these convertible loan notes will be redeemed and expect them to be converted before 1 April 2022, accrued interest has not been recognised in the financial statements.

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2021**

12. RELATED PARTY DISCLOSURES

During the period, Third Equation Ltd undertook services from the directors. The value of these services totalled £57,071 (2020: £86,167).

The company purchased no assets from directors in the period (2020: £138,053).

13. ULTIMATE CONTROLLING PARTY

Michael Fitzpatrick, an individual domiciled and resident in Australia, is regarded by the directors as being the company's ultimate controlling party.

14. EXCEPTIONAL ITEMS

A comprehensive review and evaluation of tangible and intangible assets identified a number of impaired items, whereby the expected value in use is now expected to be nil.

Impairments were identified to office equipment of £50,329, computer equipment of £79,048 and intellectual property of £60,910.

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.