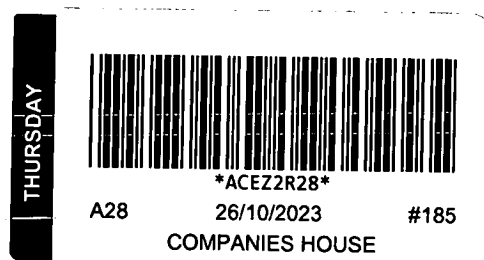


Oxeco Limited

Annual Report Year ended 31 December 2022



Oxeco Limited
Company Information

Year ended 31 December 2022

Directors

J-P Griffiths
V Ragoussis
J L Ede-Golightly
B S Atwal

Company Secretary

N M Cooper

Registered Number

13142426

Registered Office

C/O Dwf Company Secretarial Services Limited
1 Scott Place
2 Hardman Street
Manchester
M3 3AA

Independent Auditors

Peters Elworthy & Moore
Chartered Accountants & Statutory Auditors
Salisbury House
Station Road
Cambridge
CB1 2LA

Oxeco Limited

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Oxeco Limited
Directors' Report

Year ended 31 December 2022

The directors present their report and the financial statements for Oxeco Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2022.

Oxeco Limited was incorporated on 19 January 2021. Prior to joining the Group all subsidiary companies were eligible for small company audit exemption.

PRINCIPAL ACTIVITY

The principal activity of the Group during the year was the design, development, manufacture and sale of advanced chemistry products to address the adhesion and material performance challenges in the global composites and engineering plastics markets.

The principal activity of the Company during the year was that of a holding company.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £799,000 (2021 – loss £670,000).

No dividends were paid or recommended in the year or subsequent to the year end.

DIRECTORS

The directors who served during the year were:

J-P Griffiths (appointed 19 January 2021)
V Ragoussis (appointed 15 September 2021)
J L Ede-Golightly (appointed 19 July 2021)
B S Atwal (appointed 1 October 2022)
D C Bott (resigned 31 March 2023)

The Group maintains directors' and officers' indemnity insurance for the benefit of the directors of the Group.

DIRECTORS' RESONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the Group and Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 (IFRSs). 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 Group and the Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

Oxeco Limited
Directors' Report continued

Year ended 31 December 2022

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' Report is approved have confirmed that:

- as far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware of, and
- that director has taken all steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

The auditors, Peter Elworthy & Moore, have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed.

SMALL COMPANIES NOTE

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board and signed on its behalf by:

DocuSigned by:

Vass Ragoussis

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Vassilis Ragoussis

Director

Date 9/25/2023

OPINION

We have audited the financial statements of Oxeco Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2022, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company 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 UK-adopted international accounting standards.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022, and of the Group's loss for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

OTHER INFORMATION

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' Report thereon. The directors are responsible for the other information contained within the Annual Report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

OPINION 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us;
- the Parent Company financial statements are not in agreement with the accounting records and returns;
- certain disclosures of directors' remuneration specified by law are not made;
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' Responsibilities Statement, 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' 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 Auditors' 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.

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

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- we identified the laws and regulations applicable to the Group and Parent Company through discussions with management and from our commercial knowledge and experience of research and development companies;

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements, including UK-adopted international accounting standards, the Companies Act 2006 and relevant UK taxation legislation. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items;
- we also considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the Group's or Parent Company's ability to operate or to avoid material penalty;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting correspondence available; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the Group and Parent Company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud and considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of fraud through management bias and override of controls. In addressing the risk of fraud through management override of controls we:

- tested the appropriateness of journal entries and other adjustments;
- designed procedures to identify unexpected and unusual journal entries and performed testing to confirm the validity of such postings;
- assessed whether the significant accounting judgements and estimates made in the financial statements were indicative of potential bias; and
- evaluated the business rationale of any significant transactions that were unusual or outside the normal course of business.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance; and
- enquiring of management as to actual and potential litigation and claims.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

Oxeco Limited
Independent Auditors' Report

Year ended 31 December 2022

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the Parent Company's members 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 Parent Company's members those matters we are required to state to them in an Auditors' 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 Parent Company and the Parent Company's members for our audit work, for this report, or for the opinions we have formed.

Roberta Newman (Senior Statutory Auditor)
For and on behalf of
Peters Elworthy & Moore
Chartered Accountants
Statutory Auditors
Salisbury House
Station Road
Cambridge
CB1 2LA

Date 9/28/2023

Oxeco Limited**Consolidated Statement of Comprehensive Income****Year ended 31 December 2022**

	Note	2022 £'000	2021 £'000
REVENUE	3	135	49
Cost of sales		(21)	(26)
GROSS PROFIT		114	23
Research and development expenses		(495)	(220)
Administrative expenses		(673)	(469)
Other operating income	4	25	65
OPERATING LOSS		(1,029)	(601)
Finance charges	10	(15)	(106)
Finance income	5	148	-
LOSS BEFORE TAX		(896)	(707)
Taxation	11	97	37
LOSS FOR THE YEAR		(799)	(670)
ATTRIBUTABLE TO:			
Owners of the parent		(799)	(670)

There were no other items of comprehensive income or loss during the year ended 31 December 2022 (2021 - £NIL).

The accompanying notes form part of these financial statements

Oxeco Limited**Consolidated Statement of Financial Position**

Year ended 31 December 2022

	Note	2022 £000	2021 £000
NON-CURRENT ASSETS			
Intangible assets	12	91	103
Property, plant and equipment	13	155	163
TOTAL NON-CURRENT ASSETS		246	266
CURRENT ASSETS			
Inventories	15	36	40
Trade and other receivables	16	317	81
Cash and cash equivalents	17	6,940	119
TOTAL CURRENT ASSETS		7,293	240
CURRENT LIABILITIES			
Other loans	19	-	(401)
Lease liabilities	20	(80)	(76)
Trade and other payables	21	(67)	(157)
TOTAL CURRENT LIABILITIES		(147)	(634)
NET CURRENT ASSETS / (LIABILITIES)		7,147	(394)
NON-CURRENT LIABILITIES			
Lease liabilities	20	(34)	(52)
TOTAL NON-CURRENT LIABILITIES		(34)	(52)
NET ASSETS / (LIABILITIES)		7,358	(180)
EQUITY			
Share capital	22	1,772	994
Share premium	22	7,556	-
Merger reserve		4,905	4,905
Retained earnings		(6,875)	(6,079)
TOTAL EQUITY		7,358	(180)

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.

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

DocuSigned by:

Vass Ragoussis

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Vassilis Ragoussis

Director

Date 9/25/2023

The accompanying notes form part of these financial statements

Oxeco Limited**Company Statement of Financial Position**

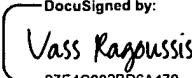
Year ended 31 December 2022

	Note	2022 £'000	2021 £'000
NON-CURRENT ASSETS			
Investments	14	<u>200</u>	<u>200</u>
TOTAL NON-CURRENT ASSETS		200	200
CURRENT ASSETS			
Trade and other receivables	16	485	393
Cash and cash equivalents	17	<u>6,767</u>	<u>13</u>
TOTAL CURRENT ASSETS		7,252	406
CURRENT LIABILITIES			
Other loans	19	-	(401)
Trade and other payables	21	<u>(18)</u>	<u>(89)</u>
TOTAL CURRENT LIABILITIES		(18)	(490)
NET CURRENT ASSETS / (LIABILITIES)		<u>7,234</u>	<u>(84)</u>
NET ASSETS		<u>7,434</u>	<u>116</u>
EQUITY			
Share capital	22	1,772	994
Share premium	22	7,556	-
Merger reserve		(781)	(781)
Retained earnings		<u>(1,113)</u>	<u>(97)</u>
TOTAL EQUITY		<u>7,434</u>	<u>116</u>

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.

No income statement is presented for Oxeco Limited as provided by section 408 of the Companies Act 2006. The Company's loss after tax for the financial year was £1,019,000 (2021 - £98,000).

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

DocuSigned by:

 87F4C802R06A478
 Vassilis Ragoussis
 Director
 Date 9/25/2023

The accompanying notes form part of these financial statements

Oxeco Limited**Consolidated Statement of Changes in Equity**

Year ended 31 December 2022

	Note	Share capital £000	Share premium £000	Merger reserve £000	Retained earnings £000	Total equity £000
BALANCE AT 31 DECEMBER 2020		721	4,881	-	(5,410)	192
<i>COMPREHENSIVE LOSS FOR THE YEAR</i>						
Loss for the year		-	-	-	(670)	(670)
<i>TRANSACTIONS WITH OWNERS</i>						
Issue of shares		273	24	-	-	297
Transfer between reserves on group reorganisation		-	(4,905)	4,905	-	-
Share based payments expense	24	-	-	-	1	1
BALANCE AT 31 DECEMBER 2021		994	-	4,905	(6,079)	(180)
<i>COMPREHENSIVE LOSS FOR THE YEAR</i>						
Loss for the year	22	-	-	-	(799)	(799)
<i>TRANSACTIONS WITH OWNERS</i>						
Issue of placing shares	22	741	7,259	-	-	8,000
Issue of conversion shares	22	37	297	-	-	334
Share based payments expense	24	-	-	-	3	3
BALANCE AT 31 DECEMBER 2022		1,772	7,556	4,905	(6,875)	7,358

The accompanying notes form part of these financial statements.

Oxeco Limited

Company Statement of Changes in Equity

Year ended 31 December 2022

	Note	Share capital £000	Share premium £000	Merger reserve £000	Retained earnings £000	Total equity £000
BALANCE AT 31 DECEMBER 2020		-	-	-	-	-
COMPREHENSIVE LOSS FOR THE YEAR						
Loss for the year		-	-	-	(98)	(98)
TRANSACTIONS WITH OWNERS						
Issue of shares	22	994	-	(781)	-	213
Share based payments expense	24	-	-	-	1	1
BALANCE AT 31 DECEMBER 2021		994	-	(781)	(97)	116
COMPREHENSIVE LOSS FOR THE YEAR						
Loss for the year		-	-	-	(1,019)	(1,019)
TRANSACTIONS WITH OWNERS						
Issue of placing shares	22	741	7,259	-	-	8,000
Issue of conversion shares	22	37	297	-	-	334
Share based payments expense	24	-	-	-	3	3
BALANCE AT 31 DECEMBER 2022		1,772	7,556	(781)	(1,113)	7,434

The accompanying notes form part of these financial statements.

Oxeco Limited**Consolidated Statement of Cashflows**

Year ended 31 December 2022

	Note	2022 £'000	2021 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(896)	(707)
ADJUSTMENTS FOR:			
Depreciation of property, plant and equipment	5	118	109
Amortisation of intangible assets	5	12	12
Loss on disposal of property, plant and equipment	5	-	7
Research and development expenditure credit	4	(2)	(7)
Finance charges	10	15	106
Finance income	5	(148)	-
Share based payment expense	24	3	1
Decrease / (increase) in inventories	15	4	(21)
(Increase) / decrease in trade and other receivables	16	(136)	15
Decrease in provisions	18	-	(13)
(Decrease) / increase in trade and other payables	21	(91)	78
Tax credits received	11	-	36
NET CASH USED IN OPERATING ACTIVITIES		(1,121)	(384)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of intangible assets	12	-	(3)
Acquisition of property, plant and equipment	13	-	(34)
Purchase of property, plant and equipment	13	(26)	-
NET CASH USED IN INVESTING ACTIVITIES		(26)	(37)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities	20	(105)	(104)
Interest income received	5	73	-
Proceeds from issue of share capital (pre-reorganisation)	22	-	284
Proceeds from issue of share capital (post-reorganisation)	22	8,000	13
NET CASH FROM FINANCING ACTIVITIES		7,968	193
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		6,821	(228)
Cash and cash equivalents at beginning of year		119	347
CASH AND CASH EQUIVALENTS AT END OF YEAR	17	6,940	119

The accompanying notes form part of these financial statements.

Oxeco Limited**Company Statement of Cashflows**

Year ended 31 December 2022

	Note	2022 £'000	2021 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(1,007)	(98)
ADJUSTMENTS FOR:			
Finance charges	10	8	47
Increase in trade and other receivables		(103)	(38)
(Decrease) / increase in trade and other payables		(71)	89
Expected credit losses on amounts owed by group undertakings	16	1,104	-
NET CASH FROM OPERATING ACTIVITIES		(69)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds received from issue of share capital	22	8,000	13
NET CASH FROM FINANCING ACTIVITIES		8,000	13
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash advanced to subsidiary	22	(1,250)	-
Interest income received	5	73	-
NET CASH USED IN FINANCING ACTIVITIES		(1,177)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		6,754	13
Cash and cash equivalents at beginning of year		13	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	17	6,767	13

The accompanying notes form part of these financial statements.

Oxeco Limited**Notes to the Financial Statements**

Year ended 31 December 2022

1. GENERAL INFORMATION

Oxeco Limited is a private company limited by shares and incorporated in England and Wales. The address of its registered office is given on the Company Information page. The nature of the Group and Company's operations and principal activities are set out in the Directors' Report.

These financial statements are presented in GB Pounds Sterling (£) because that is the currency of the primary economic environment in which the Company operates and rounded to the nearest thousand (£'000) except when otherwise stated.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below:

2.1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These financial statements have been prepared under the historical cost convention and in accordance with UK-adopted international accounting standards as applied in conformity with the provisions of the Companies Act 2006.

Consolidation principles

These consolidated financial statements include the results of Oxeco Limited and all its subsidiary undertakings made up to the same accounting reference date. All intra-group balances and transactions are eliminated in full on consolidation. The results of subsidiary undertakings are included in the Statement of Comprehensive Income either on a merger or acquisition accounting basis depending on how the business combination arose. The results of subsidiary undertakings disposed of during the year are excluded from the Statement of Comprehensive Income from date of disposal. The results of subsidiary undertakings are adjusted, if required, to conform to Group accounting policies.

Merger accounting – combination with Oxford Advanced Surfaces Limited

On 14 July 2021, Oxeco Limited undertook a common control combination, through the issue of new Ordinary shares in exchange for 100% of the Ordinary shares in Oxford Advanced Surfaces Limited. The directors considered the business combination to be a common control combination, as the combining entities were ultimately controlled by the same parties both before and after the combination and the common control was not transitory. As a common control combination, the transaction was outside the scope of IFRS 3 ("Business Combinations") and the directors therefore considered the nature of the transaction and decided that the merger accounting method would be most appropriate for preparing these financial statements.

The merger accounting method results in presentation of the consolidated financial information for the Group as if the current structure had always existed, including comparative information for prior periods. This method involves accounting for the assets and liabilities of the acquired business using existing carrying values rather than at fair values and as a result no goodwill arises on the combination. The use of the merger accounting method also gives rise to a "merger reserve", which represents the share premium of the subsidiary on consolidation.

Acquisition accounting – incorporation of Oxford Nanomaterials Limited

On 6 July 2021, Oxford Nanomaterials Limited was incorporated with 100% of the Ordinary shares being issued to Oxeco Limited.

Parent company results

The Company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Profit and Loss Account. The loss for the year dealt with in the accounts of the Company was £1,019,000 (2021: £98,000).

Oxeco Limited

Notes to the Financial Statements continued

Year ended 31 December 2022

2.2 GOING CONCERN

The directors have considered their obligation in relation to the assessment of the going concern status of the Group and Company and have reviewed the current cash flow forecasts and assumptions as well as the main risk factors facing the Group. Given the Group's liquidity at the date of approval of the financial statements, combined with its supportive shareholder base, the directors are satisfied that the Group will have access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis has been adopted in the preparation of the financial statements.

2.3 NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group has adopted the following new accounting pronouncements in its financial statements:

International Accounting Standard (IAS/IFRS)	Effective Date
<i>Amendments to:</i>	
IFRS 3 - Business Combinations – Reference to Conceptual Framework	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	1 January 2022

These amendments have not had a material impact on the entity in the current year.

2.4 STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN ADOPTED EARLY BY THE GROUP

At the date of authorisation of these financial statements the following standards, amendments and interpretations to existing standards were in issue but not yet effective and have not been applied to these financial statements:

International Accounting Standard (IAS/IFRS)	Effective Date
<i>Amendments to:</i>	
IAS 12 – Amendments to Deferred Tax	1 January 2023
IAS 8 – Amendments on Accounting Estimates	1 January 2023
IAS 1 – Disclosures of Accounting Policies	1 January 2023
IAS 1 'Presentation of Financial Statements' – Classification of Liabilities	1 January 2024

These amendments are not expected to have a material impact on the entity in future reporting periods.

2.5 REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

2.6 GOVERNMENT GRANTS

Grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

2.7 RESEARCH AND DEVELOPMENT

Research costs are expensed as they are incurred. Certain development costs are capitalised as intangible assets, when it is probable that future economic benefits will flow to the Group. Such intangible assets are amortised on a straight-

Oxeco Limited**Notes to the Financial Statements continued**

Year ended 31 December 2022

line basis from the point at which the assets are ready for use over the period of the expected benefit and are reviewed for impairment at each statement of financial position date. Other development costs are charged against income as incurred since the criteria for their recognition as an asset are not met. The criteria for recognising expenditure as an asset are:

- Completion of the intangible asset is technically feasible so that it will be available for use or sale,
- The Group intends to complete the intangible asset and use or sell it;
- The Group has the ability to use or sell the intangible asset;
- The intangible asset will generate probable future economic benefits. Among many other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits;
- The Group has available to it adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The Group can reliably measure the expenditure attributable to the intangible asset during its development.

The costs of an internally generated intangible asset comprise all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Directly attributable costs include; employee costs incurred on technical development, testing and certification, materials consumed and any relevant third party costs. The costs of internally generated developments are recognised as intangible assets and are subsequently measured in the same way as externally acquired intangible assets. However, until completion of the development project, the assets are subject to impairment testing only.

2.8 FINANCE CHARGES

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.

2.9 TAXATION

The tax credit or charge represents the sum of the tax currently receivable or payable and deferred tax.

The tax currently payable/receivable is based on taxable profit/loss for the year. Taxable profit/loss differs from net profit/loss as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the date of the statement of financial position.

Any tax credit receivable under the small company R&D tax scheme is included against the tax charge when there is reasonable probability of receipt.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Oxeco Limited

Notes to the Financial Statements continued

Year ended 31 December 2022

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.10 INTANGIBLE ASSETS

Patent costs and licensing consist of capitalised registration fees which are capitalised at cost when they relate to identifiable assets expected to generate future economic benefits. These intangible assets are amortised over their estimated economic useful life which is generally 20 years from the priority (filing) date.

2.11 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost, net of depreciation and provision for any impairment. Depreciation is calculated to write off the cost of all plant and equipment to estimated residual value on a straight line basis over their expected useful lives as follows:

The estimated useful lives range as follows:

Plant and machinery	-	4 years
Fixtures and fittings	-	4 years
Computer equipment	-	3 years

2.12 IMPAIRMENT OF ASSETS

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised as an expense immediately.

2.13 INVESTMENTS

Investments in subsidiaries are measured at cost less accumulated impairment. Cost is generally the price paid to acquire the shares except in group reorganisations where there is no overall change in ownership or control, under which circumstances cost is measured at the carrying amount of the Company's share of the equity items shown in the separate financial statements of the original entity at the date of the reorganisation.

2.14 INVENTORIES

Inventories are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Finished goods include labour and attributable overheads. At each statement of financial position date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.15 TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method less provision for expected credit losses. The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime

Oxeco Limited

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expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating the expected credit loss, the Group uses its historical experience, external indicators and forward-looking information using a provision matrix based on ageing of the days past due.

2.16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises cash in hand and other short-term and highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2.17 PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

2.18 CONVERTIBLE LOANS

The Group previously designated the convertible loan notes at initial recognition to be measured at fair value through the profit and loss. The loan notes are assessed as financial liabilities on the basis of the obligation to settle cash on an exit or maturity. The loan notes include a term whereby a 20% discount is given on conversion based on the latest investor share issue price and hence the potential number of shares which would be issued on conversion is unknown at the loan inception date.

The fair value measurement utilises observable inputs and data as far as possible. Inputs used are categorised into different levels based on the fair value hierarchy.

Level 1 – quoted prices in active markets.

Level 2 – observable direct or indirect inputs other than Level 1 inputs.

Level 3 – inputs that are not based on observable market data

2.19 LEASES

Where the Group has substantially all of the economic benefits from use of a leased asset, leases are recognised on the statement of financial position in the form of a right-of-use asset and a lease liability.

Leases are recognised at their commencement date, being the date on which the underlying asset is available for use by the lessee. If the Group negotiates a lease before the underlying asset is available for use, costs relating to the construction or design are accounted for under IFRS 16 and payments for the right-of-use asset are recognised as an asset until such time as the right-of-use asset and lease liability are recognised, unless the terms of the contract are considered onerous.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred and an estimate of costs to restore the underlying asset to its previous condition less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-to-use asset or the end of the lease term. The estimated useful lives of right-to-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Oxeco Limited**Notes to the Financial Statements continued****Year ended 31 December 2022**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted using the Company's incremental borrowing rate.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options, or periods after termination options, are only included in the lease term if the lease is reasonably certain to be extended, or not terminated.

The lease liability is subsequently measured at amortised cost, using the effective interest method by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

Interest expenses on the lease liabilities are presented separately from the depreciation charge for the right-of-use asset. Interest expenses on the lease liabilities are components of finance costs, which is presented separately in the comprehensive income.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases with a duration of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis.

2.20 TRADE AND OTHER PAYABLES

Trade and other payables are stated at cost, which approximates fair value due to the short-term nature of these liabilities. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

2.21 EQUITY

Share capital represents nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Merger reserve for the Company represents the difference between the nominal value of shares issued and the equity of the subsidiary on the date of reorganisation, and for the Group represents the share premium of the subsidiary on consolidation.

Retained earnings includes all retained profits and accumulated losses.

2.22 FINANCIAL INSTRUMENTS

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs and subsequently at amortised cost.

The Group's financial liabilities include borrowings and trade and other payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss. All interest-related charges and changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

2.23 SHARE BASED PAYMENTS

Oxeco Limited

Notes to the Financial Statements continued

Year ended 31 December 2022

All goods and services received in exchange for the grant of the any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets.)

Share options are valued at the date of grant using the Black-Scholes option pricing model and are charged to the profit and loss account over the expected vesting period of the award with a corresponding credit to accumulated losses. No separate share-based payment reserve is maintained.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the expected vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting. Where an equity-settled award is forfeited, no expense is recognised, and any expense recognised up to the date of the forfeiture is reversed through the statement of comprehensive income.

Upon exercise of share options for the proceeds received, net of attributable transaction costs, are credited to share capital, and where appropriate, share premium.

2.24 SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits, including holiday entitlement, are current liabilities measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.25 POST-EMPLOYMENT BENEFITS

The Group provides post-employment benefits through a defined contribution pension scheme.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution. The Group contributes to several schemes for individual employees that are defined contribution plans. Contributions to the plans are recognised as an expense in the period that relevant employee services are received.

2.26 CRITICAL ACCOUNTING ESTIMATES AND KEY JUDGEMENTS

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period of the revision and future periods if the revision affects both current and future periods. Key sources of estimation uncertainty relating to these financial statements are:

Capitalisation of product development costs (Group)

Determining whether the recognition requirements for the capitalisation of development costs set out in IAS 38, and disclosed in note 2.7, are met requires judgement. The directors have assessed that, other than for certain costs associated with registration of process patents and licenses, no significant product specific development has met the relevant criteria for capitalisation to date and therefore no projects have been transferred to the statement of financial position. Significant management judgement surrounds whether technological and economic feasibility is confirmed. Should a different judgement be taken, the amounts presented in note 12 may differ.

Oxeco Limited**Notes to the Financial Statements continued****Year ended 31 December 2022****Carrying value of patents and licenses (Group)**

A judgement has been made on the carrying value of the Group's intangible asset relating to patents and licenses. The carrying value has been deemed appropriate by the directors who have assessed that the intellectual property registered to date and held within the business has a value in excess of the costs capitalised to date. Therefore, no impairment charge has been recognised in these financial statements.

Leases (Group)

Measurement of the right-of-use asset and corresponding lease liability requires the discounting of future cash outflows to arrive at an assessment of the net present value of the lease at inception. The incremental borrowing rate applied is based on the directors best estimate given that the Group has no equivalent borrowings and use of a different rate could affect the results of the Group.

Carrying value of investment in subsidiaries (Company)

A judgement has been made on the appropriateness of carrying value of the Company's investment in subsidiaries. The carrying value has been deemed appropriate by the directors who have assessed the underlying valuation of Oxford Advanced Surfaces Limited, which holds the Group's intellectual property, is in excess of the Company's investment to date. Therefore, no impairment charge has been recognised in the year.

3. REVENUE

The Group only operates one class of business which is the development and commercialisation of advanced materials and technology solutions. All revenue during the current and prior year related to this class of business. The Group's operations are based in the UK.

4. OTHER OPERATING INCOME

	2022	2021
	£'000	£'000
Government grants receivable	23	58
Research and development expenditure credit	<u>2</u>	<u>7</u>
	<u>25</u>	<u>65</u>

Government grants receivable relates to amounts awarded by grant bodies in order to fund specific agreed research projects. There are no conditions or contingencies attached to the grants other than the proper performance of the work as agreed in the grant proposals.

5. FINANCE INCOME

	2022	2021
	£'000	£'000
Interest on cash balances	73	-
Gain on remeasurement of financial liability at fair value through profit or loss	<u>75</u>	<u>-</u>
	<u>148</u>	<u>-</u>

Oxeco Limited

Notes to the Financial Statements continued

Year ended 31 December 2022

6. OPERATING LOSS

The operating loss is stated after charging:

	2022	2021
	£'000	£'000
Research and development expenses	495	220
Depreciation of property, plant and equipment	118	109
Amortisation of intangible assets	12	12
Loss on disposal of property, plant and equipment	-	7
Short term lease rentals	1	1
Share based payments expense	3	1
Auditors' remuneration	19	19
Auditors' remuneration – non audit	14	13
	648	382

7. EMPLOYEE EXPENSE

	2022	2021
	£000	£000
Wages, salaries and benefits	502	356
Social security costs	54	29
Pension costs	12	7
Share based payments expense	3	1
	571	393

The average monthly number of employees, including directors, during the year was as follows:

	2022	2021
	No	No
Research and development	5	4
Management & administration	4	4
	9	8

8. DIRECTORS' REMUNERATION

	2022	2021
	£'000	£'000
Aggregate emoluments	230	138
Company pension contributions to defined contribution schemes	6	3
	236	141

Oxeco Limited**Notes to the Financial Statements continued****Year ended 31 December 2022**

During the year retirement benefits were accruing to 2 (2021 – 2) directors in respect of defined contribution pension schemes.

Two directors (2021 – 2) hold share options over shares in Oxeco Limited and no directors exercised share options in the year (2021 – NIL).

9. KEY MANAGEMENT REMUNERATION

	2022	2021
	£'000	£'000
Wages, salaries and benefits	230	138
Social security costs	24	12
Pension costs	6	3
Share based payment expense	2	1
	262	134

The key management team who have the responsibility for planning, directing and controlling, directly or indirectly, the activities of the Group, are considered to be the directors.

10. FINANCE CHARGES

	2022	2021
	£'000	£'000
Interest charge on convertible loans	8	98
Interest of lease liabilities	7	8
	15	106

11. TAXATION

	2022	2021
	£'000	£'000
UK corporation tax credit – current year	97	37
TOTAL TAX CREDIT FOR THE YEAR	97	37

FACTORS AFFECTING TAX CREDIT FOR THE YEAR

The expected tax credit for the year based on average UK tax rate for the period of 19.00% (2021 – 19.00%) and the reported tax credit for the year can be reconciled as shown below:

	2022	2021
	£000	£000
Loss before tax	896	707

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Notes to the Financial Statements continued

Year ended 31 December 2022

11. TAXATION (CONTINUED)

Tax on loss at standard UK tax rate of 19.00% (2021 – 19.00%)	170	134
	2022	2021
	£'000	£'000
EFFECTS OF:		
Expenses not deductible	(3)	(3)
Additional deduction for R&D expenditure	72	28
Surrender of losses for R&D tax credit refund	(31)	(12)
Movement in deferred tax not recognised	(111)	(110)
TOTAL TAX CREDIT FOR THE YEAR	97	37

The Group has unrelieved trading losses estimated at £1,701,000 (2021 - £1,112,000) and fixed asset and other short term timing differences estimated at £38,000 (2021 - £13,000) which remain available to offset against future taxable trading profits. No deferred tax asset has been recognised in respect of the tax losses or other timing differences due to uncertainty over the timing of their recovery.

FACTORS AFFECTING FUTURE TAX CHARGES

The closing deferred tax assets and liabilities have been calculated at 25% (2021 – 25%) in accordance with the rates enacted at the statement of financial position date. The Finance Act 2021, which announced the rise in headline rates of corporation tax to 25% from 1 April 2023, was substantively enacted on 24 May 2021.

12. INTANGIBLE ASSETS

Group	Patents & Licences £'000
<u>Cost</u>	
At 31 December 2020	194
Additions	3
At 31 December 2021	197
Additions	-
At 31 December 2022	197
<u>Amortisation</u>	
At 31 December 2020	82
Charge for the year	12
At 31 December 2021	94
Charge for the year	12
At 31 December 2022	106
<u>Net Book Value</u>	
At 31 December 2021	103
At 31 December 2022	91

As at 31 December 2022, there were no contractual commitments for the acquisition of intangible assets.

Oxeco Limited

Notes to the Financial Statements continued

Year ended 31 December 2022

As at 31 December, the directors assessed the Group's patents and licenses for impairment and after due consideration of the cash generating units business performance in the year, the directors determined that no impairment charges were deemed necessary.

13. PROPERTY, PLANT AND EQUIPMENT

Group	Right-of-use assets £'000	Plant and machinery £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost					
At 31 December 2020	289	469	7	53	818
Additions	-	15	2	17	34
Disposals	-	(32)	-	(4)	(36)
At 31 December 2021	289	452	9	66	816
Additions	84	20	-	6	110
Disposals	(76)	-	-	-	(76)
At 31 December 2022	297	472	9	72	850
Depreciation					
At 31 December 2020	67	449	7	50	573
Charge for the year	97	10	-	2	109
On disposals	-	(28)	-	(1)	(29)
At 31 December 2021	164	431	7	51	653
Charge for the year	98	13	1	6	118
On disposals	(76)	-	-	-	(76)
At 31 December 2022	186	444	8	57	695
Net Book Value					
At 31 December 2021	125	21	2	15	163
At 31 December 2022	110	29	1	15	155

As at 31 December 2022, there were no material contractual commitments for the acquisition of property, plant and equipment.

The Group rents office and laboratory facilities in Oxford, UK, under multiple separate lease agreements. The lease terms are all three years but include termination provisions at one month's notice. The right-of-use asset is included for all leases on the basis that the office and laboratory facilities will be in use for the full lease term.

14. INVESTMENT IN SUBSIDIARY

The Company	2022 £'000	2021 £'000
Cost		
At 1 January	200	-
Additions	-	200
At 31 December	200	200
Net Book Value		
At 31 December	200	200

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Notes to the Financial Statements continued

Year ended 31 December 2022

	2022 £'000	2021 £'000
By Subsidiary		
Oxford Advanced Surfaces Limited	200	200
Oxford Energy Technologies Limited	-	-
Oxford Nanomaterials Limited	-	-
	<u>200</u>	<u>200</u>

The subsidiaries held by Oxeco Limited and consolidated into these financial statements are as follows:

Subsidiary name	Country of incorporation	Percentage shareholding	Principal activity
Oxford Advanced Surfaces Limited	England	100%	Sale of chemistry products
Oxford Nanomaterials Limited	England	100%	Dormant company
Oxford Energy Technologies Limited*	England	100%	Dormant company

* shares held indirectly

15. INVENTORIES

Group	2022 £'000	2021 £'000
Finished Goods	<u>36</u>	<u>40</u>

16. TRADE AND OTHER RECEIVABLES

Group	2022 £'000	2021 £'000
Trade receivables	89	1
Current tax receivables	143	44
Other receivables	34	15
Prepayments	51	21
	<u>317</u>	<u>81</u>

Company	2022 £'000	2021 £'000
Amounts owed by group undertakings	484	391
Prepayments	1	2
	<u>485</u>	<u>393</u>

The net carrying value of trade and other receivables is considered to be a reasonable approximation of their fair value and is all denominated in GB Pounds Sterling.

Trade and other receivables have been reviewed under the expected credit loss impairment model. There are no impaired receivables, nor have there been any credit losses or provisions for credit losses in 2021 or 2022.

Oxeco Limited

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Amounts owed by group undertakings are unsecured non-interest bearing and repayable on demand. The Company recognised expected credit losses of £1.104M (2021 - £NIL) in respect of amounts owed by group undertakings during the year.

17. CASH AND CASH EQUIVALENTS

	2022 £'000	2021 £'000
Group		
Cash at banks and on hand	<u>6,940</u>	<u>119</u>
Company		
Cash at banks and on hand	<u>6,767</u>	<u>13</u>

The net carrying value of cash and cash equivalents is considered to be a reasonable approximation of their fair value and is all denominated in GB Pounds Sterling.

18. PROVISIONS

	2022 £'000	2021 £'000
Group		
Brought forward	-	13
Released to profit or loss during the year	-	(13)
At 31 December	<u>-</u>	<u>-</u>

The entire provisions balance related to a dilapidations provision for anticipated costs payable under the terms of the Group's lease arrangements to return the office and laboratory space to their pre-lease condition. In the prior year to 31 December 2021, the directors assessed it no longer probable that there would be a cash outflow arising from the lease arrangements and therefore the provision was released to profit or loss during the year.

19. OTHER LOANS

	2022 £'000	2021 £'000
Group		
Convertible loans	<u>-</u>	<u>401</u>
Presented as:		
Loans expected to convert in less than one year	-	401
Loans expected to convert in more than one year	-	-
At 31 December	<u>-</u>	<u>401</u>

Oxeco Limited

Notes to the Financial Statements continued

Year ended 31 December 2022

Company

Convertible loans	-	401
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PRESENTED AS:

Loans expected to convert in less than one year	-	401
Loans expected to convert in more than one year	-	-

At 31 December

-	401
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On 23 November 2020 Oxford Advanced Surfaces Limited issued £300,000 in convertible loan notes which carry a 10% interest rate. The loan notes were repayable on 23 November 2023 or convertible at a 20% discount to the latest investor share price based on the terms of the instrument. As part of the group reorganisation, the loan notes were novated to Oxeco Limited on 14 July 2021.

On 21 January 2022 the Company completed a share subscription fundraising for cash. In accordance with the terms, the loans were consequently converted into Ordinary shares of the Company in January 2022. The fair value of the loans at that date was £409,000 compared with the £334,000 conversion value. The remaining £75,000 was recognised through the income statement as a gain on remeasurement of a financial instrument in the year (see note 5).

20. LEASE LIABILITIES

	2022 £'000	2021 £'000
GROUP		
Brought forward	128	224
Additions to right-of-use assets	84	-
Finance costs incurred	7	8
Payments made during the year	(105)	(104)
At 31 December	114	128
PRESENTED AS:		
Loans expected to convert in less than one year	80	76
Loans expected to convert in more than one year	34	52
	114	128
CONTRACTUAL UNDISCOUNTED CASH FLOWS:		
Undiscounted cash flows due in less than one year	84	80
Undiscounted cash flows due in more than one year	35	53
	119	133

The depreciation charge for the year and carrying value right-of-use assets is disclosed in note 13.

The total of short-term leases expensed through the statement of comprehensive income on a straight-line basis during the current and prior year is disclosed in note 6.

A low value lease of less than £1,000 was expensed through the statement of comprehensive income during the current year (2021: £1,000).

Oxeco Limited

Notes to the Financial Statements continued

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21. TRADE AND OTHER PAYABLES

Group	2022 £'000	2021 £'000
Trade payables	8	22
Other taxation and social security	16	14
Other payables	3	74
Accruals	40	47
	67	157
Company	2022 £'000	2021 £'000
Other payables	-	68
Accruals	18	21
	18	89

The net carrying value of trade and other payables is considered to be a reasonable approximation of their fair value and is all denominated in GB Pounds Sterling.

Normal credit terms for most suppliers are 30 days and the Group tries to adhere to these terms where possible. No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frames.

22. SHARE CAPITAL

	2022 £'000	2021 £'000
ALLOTTED, CALLED UP AND FULLY PAID		
79,480,000 Ordinary shares of £0.0125 each	994	994
Issue of 59,259,252 Ordinary shares of £0.0125 each (the "Placing shares")	741	-
Issue of 3,036,527 Ordinary shares of £0.0125 each (the "Conversion shares")	37	-
141,775,779 Ordinary shares of £0.0125 each	1,772	994

On 21 January 2022, Oxeco Limited issued 59,259,252 Ordinary Shares of £0.0125 each for total cash consideration of £8,000,000. Also on this date the Company issued 3,036,527 Ordinary shares of £0.0125 each in settlement of the outstanding convertible loan notes (see note 19). An amount of £7,556,000 being the difference between the total consideration and the total nominal value of £778,000 for the shares issued has been included in the share premium account.

Oxeco Limited

Notes to the Financial Statements continued

Year ended 31 December 2022

23. FINANCIAL RISK MANAGEMENT**23.1. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY**

The carrying amounts of the financial assets and liabilities as recognised at the statement of financial position date of the periods under review may also be categorised as follows:

GROUP	2022 £'000	2021 £'000
Financial assets measured at amortised cost:		
Trade and other receivables	266	60
Cash and cash equivalents	6,940	119
Financial liabilities measured at amortised cost:		
Lease obligation	(114)	(128)
Trade and other payables	(67)	(157)
Financial liabilities measured at fair value through profit and loss:		
Other loans	-	(401)
	2022 £'000	2021 £'000
COMPANY		
Financial assets measured at amortised cost:		
Trade and other receivables	484	391
Cash and cash equivalents	6,767	13
Financial assets measured at fair value through profit and loss:		
Investment in subsidiary	200	200
Financial liabilities measured at amortised cost:		
Trade and other payables	(18)	(89)
Financial liabilities measured at fair value through profit and loss:		
Other loans	-	(401)

23.2. FINANCIAL RISK FACTORS

The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk, currency risk and credit risk.

23.2.1. LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting its short-term obligations associated with financial liabilities.

Liquidity needs are monitored by the Group to ensure it has sufficient funds to meet its liabilities when due, under normal and unexpected conditions, without incurring unacceptable losses.

23.2.2. INTEREST RATE RISK

Interest rate risk is the risk that changes in market interest rates will cause fluctuations to the fair values and cash flows of the Group's financial instruments.

The Group maintains cash accounts with multiple counterparties in order to take advantage of the most attractive market interest rates on offer with respect to its cash balances.

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23.2.3. CURRENCY RISK

Currency risk is the risk that changes in foreign exchange rates will cause fluctuations to the fair values of the Group's financial instrument holdings that are denominated in a currency other than the functional currency in which they are measured.

The Group is not significantly exposed to currency risk as it does not regularly transact in foreign currencies and therefore there is not considered a need to hedge anticipated cash flows. As the Group's international exposure increases the directors will continue to monitor any change in its exposure to foreign currencies and will consider implementing appropriate risk management strategies

23.2.4. CREDIT RISK

Credit risk is the risk of financial loss to the Group if the counterparty fails to meet its obligation. Credit risk arises from the Group's operating activities from trade and other receivables, financing activities from cash and cash equivalents and deposits with banks and financial institutions.

Credit risk from trade and other receivables is minimised by establishing credit policies such as determining and monitoring customer credit limits, requiring credit approvals, and the monitoring of customer credit risks by grouping customers according to their credit characteristics. Other monitoring procedures are in place to recover overdue customer accounts and to assess impairment.

Credit risk from financing activities is minimised by establishing investment policies in liquid securities with high credit ratings and maintaining accounts in reputable financial institutions with high quality credit ratings.

23.3. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide adequate return to shareholders by balancing its trading performance with continuing investment to fund its activities and product development.

The Group considers capital to be shareholders' equity as shown in the Statement of Financial Position, as the Group is solely funded by equity finance. To maintain or adjust the capital structure the Group may return capital to shareholders and issue new shares.

24. SHARE-BASED PAYMENTS

Oxeco Limited established a share option plan during the prior year ("new plan"), under which options may be granted to directors, officers, employees and consultants. Prior to the establishment of the new plan, Oxford Advanced Surfaces Limited operated its own share option plan ("old plan") with similar rules. Under the terms of the group reorganisation undertaken on 14 July 2021, which resulted in Oxford Advanced Surfaces Limited becoming a wholly owned subsidiary of Oxeco Limited, all options held by employees under the old plan were surrendered and new options were granted to certain employees under the terms of the new plan.

Under both the new and old plans all options granted were equity-settled with a maximum term of 10 years from the grant date. The vesting conditions attached to the options include revenue targets, market valuation targets and completion of an 'exit event'.

The Group recognised total expenses in the period of £3,000 (2021 - £1,000) in respect of equity-settled share-based payment transactions.

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Year ended 31 December 2022

The number of Ordinary shares for which the Group employees hold options and the period for which the options are exercisable, and their weighted average exercise prices are as follows:

Oxeco Limited Share Option Plan

	As at 31 December 2022		As at 31 December 2021	
	Options	Weighted average exercise price	Options	Weighted average exercise price
	No	per share £	No	per share £
Options brought forward / granted	9,342,000	0.0125	9,342,000	0.0125
Options forfeited	(680,000)	0.0125	-	-
Outstanding carried forward	8,662,000	0.0125	9,342,000	0.0125
Exercisable at 31 December	2,444,000	0.0125	660,000	0.0125

The inputs into Black-Scholes model are as follows:

	2022	2021
Share price, £	-	0.0125
Exercise price, £	-	0.0125
Expected volatility	-	8.92%
Expected option life, years	-	1 – 4
Expected dividend yield	-	0%
Risk free interest rate	-	0.53%

As the Company's shares are not traded, the expected volatility was estimated with reference to comparable companies.

Oxford Advanced Surfaces Limited Share Option Plan

	As at 31 December 2022		As at 31 December 2021	
	Options	Weighted average exercise price	Options	Weighted average exercise price
	No	per share £	No	per share £
Outstanding brought forward	-	-	1,400	107.1429
Options exercised	-	-	(80)	50.00
Options forfeit	-	-	(90)	50.00
Options sub-division	-	-	4,918,770	0.0288
Options surrendered	-	-	(4,920,000)	0.0288
Outstanding carried forward	-	-	-	-
Exercisable at 31 December	-	-	-	-

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The inputs into the Black-Scholes model are as follows:	2022	2021
Share price, £	-	50
Exercise price, £	-	50
Expected volatility	-	14%
Expected option life, years	-	5
Expected dividend yield	-	0%
Risk free interest rate	-	0.43%

As the Company's shares are not traded, the expected volatility was estimated with reference to comparable companies.

25. POST EMPLOYMENT BENEFIT PLANS

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost represents contributions payable by the Group to the fund and amounted to £12,000 (2021 - £7,000) during the year. Contributions of £3,500, (2021 - £NIL), were payable to the pension scheme at the statement of financial position date.

26. RELATED PARTY TRANSACTIONS**Oxford Advanced Surfaces Limited**

Under the terms of the group restructure undertaken on 14 July 2021, convertible loans with a total fair value of £355,000 were novated from Oxford Advanced Surfaces Limited to Oxeco Limited. During that year Oxford Advanced Surfaces Limited received cash transfers and settled in cash various administrative expenses on behalf of Oxeco Limited. The combination of these transactions resulted in the creation of an intra-group balance of £391,000 between the two members of the Group (note 16) at 31 December 2021. In the current year to 31 December 2022, Oxford Advanced Surfaces Limited has received further cash transfers of £1,250,000 and settled additional administrative expenses on behalf of Oxeco Limited of £53,000 such that the intra-group loan balance owed to the Company at the current balance sheet date was £1,588,000. Expected credit losses of £1,104,000 (2021 - £NIL) were charged against that loan balance in the year with the net amount of £484,000 being presented within current Company receivables.

27. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

The Company is under the control of its shareholders and no single shareholder exercises overall control.