

Company Registration No. 07652459 (England and Wales)

**SYNTHACE LIMITED AND ITS SUBSIDIARY
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020
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SYNTHACE LIMITED AND ITS SUBSIDIARY

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SYNTHACE LIMITED AND ITS SUBSIDIARY

STRATEGIC REPORT

FOR THE YEAR ENDED 31 JANUARY 2020

The directors present the strategic report for the year ended 31 January 2020.

Fair review of the business

The group's principal activity is as a software company developing a platform technology called Antha® for the rapid programming and the digital integration of laboratory automation and instrumentation within the life science industries.

The group has a Software as a Service (SaaS) licensing model and sells its products to customers performing biological research and development, with a principal focus on bioprocess development within the pharmaceutical industry.

The group aims to increase its Annual Recurring Revenue (ARR) by signing up new customers and expanding sales into existing customers, and to continue to broaden its offering by investing in the development of new product features and laboratory equipment integrations.

During the year the group invested in the development of the Antha® technology, scaling the engineering team and their development environment to able them to build world class products. The group overcame critical engineering challenges of integrating automated liquid handling systems and other laboratory instrumentation on to the Antha® platform in a routine and predictable way, removing a key constraint to growing sales. It also developed two optimized biological protocols to target the bioprocess development market.

In addition to scaling the engineering team the sales and marketing team was strengthened, including the opening of a US sales office in Boston. The group's laboratory team supported both product development and produced high quality scientific content for marketing. During this phase the group grew by 75% to 84 people.

Due to delays in hiring and on-boarding staff, equipment integration challenges and the subsequent impact on product build and marketing content generation the increase in ARR during the year was below plan. However, the group has made encouraging progress in sales to both new and existing customers, increasing the ARR by 3 fold during the year, and the sales pipeline continues to grow.

Principal risks and uncertainties

There are many factors which may materially and adversely affect the group's ability to achieve objectives and to successfully continue in operation, including the group's ability to obtain additional funding if necessary.

The group has adopted appropriate controls and have management with skills and experience to manage these risks and enable execution of the group's business model.

COVID-19 is being actively managed in response to the impact on our customers, partners and business. The group will continue to follow Public Health England (PHE) and government guidance in implementing mitigating procedures to safeguard the well being of customers, partners and employees.

COVID-19 has presented unprecedented and emerging risks on the future liquidity of the business as a result of the economic downturn and a change in the VC funding climate. Synthace believe these to be short term risks and the Executive Management Team is actively managing these risks and has and is continuing to take appropriate action.

Financial risks

The group's principal financial instruments comprise cash and cash equivalents. Other financial assets and liabilities arise from operating activities.

Currency risk

The group has cash holdings in US\$. Management regularly monitors the group's currency position and exchange rate movements and makes currency decisions as appropriate.

SYNTHACE LIMITED AND ITS SUBSIDIARY

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2020

Key performance indicators

The directors utilise various KPI's in order to measure the performance of the business. Lead generation and conversion to sales, ARR and renewal churn are closely monitored. These KPI's allow the Board to assess the growth of the business in this early stage of the product lifecycle. The board also closely monitors costs and cashflow. The directors are satisfied with the performance in respect of these KPI's.

On behalf of the board

Dr T S Fell

Director

24 June 2020

SYNTHACE LIMITED AND ITS SUBSIDIARY

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JANUARY 2020

| | 2020 | 8 months to 31 January 2019 |
|--|--------------------|--------------------------------|
| | £ | as restated £ |
| Loss for the year | (8,991,840) | (3,596,789) |
| Other comprehensive income | - | - |
| Total comprehensive income for the year | <u>(8,991,840)</u> | <u>(3,596,789)</u> |

Total comprehensive income for the year is all attributable to the owners of the parent company.

SYNTHACE LIMITED AND ITS SUBSIDIARY

GROUP BALANCE SHEET

AS AT 31 JANUARY 2020

| | Notes | 2020 | | 8 months to 31 January 2019 | |
|--|-------|-------------|--------------|--------------------------------|--------------|
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Tangible assets | 9 | | 1,439,782 | | 1,197,385 |
| Current assets | | | | | |
| Debtors | 12 | 2,433,333 | | 1,921,718 | |
| Cash at bank and in hand | | 11,715,377 | | 21,062,737 | |
| | | | 14,148,710 | | 22,984,455 |
| Creditors: amounts falling due within one year | 13 | (1,271,137) | | (1,293,844) | |
| Net current assets | | | 12,877,573 | | 21,690,611 |
| Total assets less current liabilities | | | 14,317,355 | | 22,887,996 |
| Creditors: amounts falling due after more than one year | 14 | | (267,545) | | (269,860) |
| Provisions for liabilities | 15 | | (90,222) | | - |
| Net assets | | | 13,959,588 | | 22,618,136 |
| Capital and reserves | | | | | |
| Called up share capital | 18 | | 50,750 | | 50,718 |
| Share premium account | | | 33,805,272 | | 33,805,272 |
| Equity reserve | | | 392,441 | | 59,181 |
| Profit and loss reserves | | | (20,288,875) | | (11,297,035) |
| Total equity | | | 13,959,588 | | 22,618,136 |

The directors of the group have elected not to include a copy of the profit and loss account within the financial statements.

The financial statements were approved by the board of directors and authorised for issue on 24 June 2020 and are signed on its behalf by:

Dr T S Fell
Director

Company Registration No. 07652459

SYNTHACE LIMITED AND ITS SUBSIDIARY

COMPANY BALANCE SHEET

AS AT 31 JANUARY 2020

| | | 2020 | | 8 months to 31 January 2019 | |
|--|-------|-------------|-------------------|--------------------------------|------------------|
| | Notes | £ | £ | as restated | |
| | | | | £ | £ |
| Fixed assets | | | | | |
| Tangible assets | 9 | | 1,427,395 | | 1,197,385 |
| Investments | 10 | | 60 | | - |
| | | | <u>1,427,455</u> | | <u>1,197,385</u> |
| Current assets | | | | | |
| Debtors | 12 | 2,573,261 | | 1,921,718 | |
| Cash at bank and in hand | | 11,671,610 | | 21,062,737 | |
| | | | <u>14,244,871</u> | <u>22,984,455</u> | |
| Creditors: amounts falling due within one year | 13 | (1,378,121) | | (1,293,844) | |
| Net current assets | | | <u>12,866,750</u> | <u>21,690,611</u> | |
| Total assets less current liabilities | | | <u>14,294,205</u> | <u>22,887,996</u> | |
| Creditors: amounts falling due after more than one year | 14 | | (267,545) | | (269,860) |
| Provisions for liabilities | 15 | | (90,222) | | - |
| Net assets | | | <u>13,936,438</u> | <u>22,618,136</u> | |
| Capital and reserves | | | | | |
| Called up share capital | 18 | | 50,750 | | 50,718 |
| Share premium account | | | 33,805,272 | | 33,805,272 |
| Equity reserve | | | 392,441 | | 59,181 |
| Profit and loss reserves | | | (20,312,025) | | (11,297,035) |
| Total equity | | | <u>13,936,438</u> | <u>22,618,136</u> | |

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £9,014,990 (8 months to 31 January 2019 - £3,596,789 loss).

The financial statements were approved by the board of directors and authorised for issue on 24 June 2020 and are signed on its behalf by:

Dr T S Fell
Director

Company Registration No. 07652459

SYNTHACE LIMITED AND ITS SUBSIDIARY

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JANUARY 2020

| | Notes | Share capital £ | Share premium account £ | Equity reserves £ | Profit and loss reserves £ | Total £ |
|--|-------|--------------------|----------------------------------|-------------------------|----------------------------------|-------------|
| As restated for the period ended 31 January 2019: | | | | | | |
| Balance at 1 June 2018 | | 30,031 | 12,773,170 | - | (7,700,246) | 5,102,955 |
| Period ended 31 January 2019: | | | | | | |
| Loss and total comprehensive income for the period | | - | - | - | (3,596,789) | (3,596,789) |
| Issue of share capital | 18 | 20,687 | 21,032,102 | - | - | 21,052,789 |
| Other movements | 26 | - | - | 59,181 | - | 59,181 |
| Balance at 31 January 2019 | | 50,718 | 33,805,272 | 59,181 | (11,297,035) | 22,618,136 |
| Year ended 31 January 2020: | | | | | | |
| Loss and total comprehensive income for the year | | - | - | - | (8,991,840) | (8,991,840) |
| Issue of share capital | 18 | 32 | - | - | - | 32 |
| Other movements | | - | - | 333,260 | - | 333,260 |
| Balance at 31 January 2020 | | 50,750 | 33,805,272 | 392,441 | (20,288,875) | 13,959,588 |

SYNTHACE LIMITED AND ITS SUBSIDIARY

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JANUARY 2020

| | Notes | Share capital £ | Share premium account £ | Equity reserves £ | Profit and loss reserves £ | Total £ |
|--|-----------|--------------------|----------------------------------|-------------------------|----------------------------------|-------------|
| As restated for the period ended 31 January 2019: | | | | | | |
| Balance at 1 June 2018 | | 30,031 | 12,773,170 | - | (7,700,246) | 5,102,955 |
| Period ended 31 January 2019: | | | | | | |
| Loss and total comprehensive income for the period | | - | - | - | (3,596,789) | (3,596,789) |
| Issue of share capital | 18 | 20,687 | 21,032,102 | - | - | 21,052,789 |
| Other movements | 26 | - | - | 59,181 | - | 59,181 |
| Balance at 31 January 2019 | | 50,718 | 33,805,272 | 59,181 | (11,297,035) | 22,618,136 |
| Year ended 31 January 2020: | | | | | | |
| Loss and total comprehensive income for the year | | - | - | - | (9,014,990) | (9,014,990) |
| Issue of share capital | 18 | 32 | - | - | - | 32 |
| Other movements | | - | - | 333,260 | - | 333,260 |
| Balance at 31 January 2020 | | 50,750 | 33,805,272 | 392,441 | (20,312,025) | 13,936,438 |

SYNTHACE LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2020

1 Accounting policies

Company information

Synthace Limited is a private limited company domiciled and incorporated in England and Wales. The registered office is West Works, 195 Wood Lane, London W12 7FQ.

The group consists of Synthace Limited and its subsidiary; Synthace Inc, a 100% owned subsidiary domiciled and incorporated in United States of America.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Basis of consolidation

The consolidated financial statements incorporate those of Synthace Limited and its subsidiary undertaking. Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 January 2020. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.3 Going concern

The company has produced revised detailed profit and loss account and cash flow forecasts after factoring in the impact of COVID19 to the end of December 2022. These show the company is expecting to have sufficient cash reserves to maintain operations over at least the next 12 months.

Despite, the global economic outlook now in place, the directors still consider the going concern basis to be the most appropriate basis of preparation. This basis of preparation assumes that the company will continue in existence for the foreseeable future. The financial statements do not include any adjustments relating to the recoverability and asset carrying amounts or the amounts and classification of liabilities that might result should the company be unable to continue as a going concern.

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue is recognised once evidence of a contract has been obtained and services are delivered, fees are fixed and determinable and collection is reasonably assured. Software and service subscription revenue are recognised pro-rata over the term of the contract.

SYNTHACE LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2020

1 Accounting policies (Continued)

1.5 Tangible fixed assets

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

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

| | |
|------------------------|----------------------------|
| Leasehold improvements | over the life of the lease |
| Lab equipment | 33% straight line |
| Fixtures and fittings | 33% straight line |
| Computers | 33% straight line |

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

1.6 Fixed asset investments

In the parent company financial statements, investments in subsidiaries, are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.7 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

SYNTHACE LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2020

1 Accounting policies (Continued)

1.8 Cash and cash equivalents

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

1.9 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of 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 group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

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

1.10 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

SYNTHACE LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2020

1 Accounting policies

(Continued)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account 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 reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. 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. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

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

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

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.15 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes pricing model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

SYNTHACE LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2020

1 Accounting policies

(Continued)

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

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

1.16 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.17 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.18 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

SYNTHACE LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2020

3 Turnover and other revenue

| | 2020 8 months to 31 January 2019 | |
|---|-------------------------------------|-------------------|
| | £ | £ |
| Other significant revenue | | |
| Interest income | 1,399 | - |
| Grants received | 83,835 | 97,285 |
| | <u> </u> | <u> </u> |
| | | |
| | 2020 8 months to 31 January 2019 | |
| | £ | £ |
| Turnover analysed by geographical market | | |
| United Kingdom | 249,492 | 78,946 |
| Europe | 34,555 | 7,890 |
| Rest of the world | 234,191 | 15,651 |
| | <u> </u> | <u> </u> |
| | 518,238 | 102,487 |
| | <u> </u> | <u> </u> |

4 Auditor's remuneration

| | 2020 8 months to 31 January 2019 | |
|--|-------------------------------------|-------------------|
| | £ | £ |
| Fees payable to the company's auditor and associates: | | |
| For audit services | | |
| Audit of the financial statements of the group and company | 18,000 | - |
| | <u> </u> | <u> </u> |

5 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

| Group | | Company | |
|-------------------------------------|-------------------|-------------------------------------|-------------------|
| 2020 8 months to 31 January 2019 | | 2020 8 months to 31 January 2019 | |
| Number | Number | Number | Number |
| 60 | 41 | 60 | 41 |
| <u> </u> | <u> </u> | <u> </u> | <u> </u> |

SYNTHACE LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2020

5 Employees (Continued)

Their aggregate remuneration comprised:

| | Group | | Company | |
|-----------------------|-------------------------------------|------------------|-------------------------------------|------------------|
| | 2020 8 months to 31 January 2019 | | 2020 8 months to 31 January 2019 | |
| | £ | £ | £ | £ |
| Wages and salaries | 5,388,585 | 2,129,447 | 5,150,994 | 2,129,447 |
| Social security costs | 638,959 | 243,015 | 595,186 | 243,015 |
| Pension costs | 484,103 | 234,714 | 484,103 | 234,714 |
| | <u>6,511,647</u> | <u>2,607,176</u> | <u>6,230,283</u> | <u>2,607,176</u> |

6 Directors' remuneration

| | 2020 8 months to 31 January 2019 | |
|---|-------------------------------------|----------------|
| | £ | £ |
| Remuneration for qualifying services | 340,168 | 175,334 |
| Company pension contributions to defined contribution schemes | 27,417 | 17,583 |
| | <u>367,585</u> | <u>192,917</u> |

Remuneration disclosed above includes the following amounts paid to the highest paid director:

| | 2020 8 months to 31 January 2019 | |
|---|-------------------------------------|----------------|
| | £ | £ |
| Remuneration for qualifying services | 205,615 | 111,667 |
| Company pension contributions to defined contribution schemes | 17,000 | 10,083 |
| | <u>222,615</u> | <u>121,750</u> |

7 Interest receivable and similar income

| | 2020 8 months to 31 January 2019 | |
|--|-------------------------------------|----------|
| | £ | £ |
| Interest income | | |
| Interest on bank deposits | 1,399 | - |
| | <u>1,399</u> | <u>-</u> |
| Investment income includes the following: | | |
| Interest on financial assets not measured at fair value through profit or loss | 1,399 | - |
| | <u>1,399</u> | <u>-</u> |

SYNTHACE LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2020

8 Taxation

| | 2020 8 months to 31 January 2019 | |
|--|-------------------------------------|-------------------|
| | £ | £ |
| Current tax | | |
| UK corporation tax on profits for the current period | (1,405,864) | (620,000) |
| Adjustments in respect of prior periods | 10,339 | 48 |
| | <u> </u> | <u> </u> |
| Total current tax | <u>(1,395,525)</u> | <u>(619,952)</u> |

The actual credit for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

| | 2020 8 months to 31 January 2019 | |
|---|-------------------------------------|--------------------|
| | £ | £ |
| Loss before taxation | <u>(10,387,365)</u> | <u>(4,216,741)</u> |
| Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (8 months to 31 January 2019: 19.00%) | (1,973,599) | (801,181) |
| Tax effect of expenses that are not deductible in determining taxable profit | 71,221 | 20,087 |
| Permanent capital allowances in excess of depreciation | 53,106 | 762 |
| Research and development tax credit | (614,056) | (261,911) |
| Other permanent differences | (259) | - |
| Under/(over) provided in prior years | 10,339 | 3,333 |
| Deferred tax adjustments in respect of prior years | <u>1,057,723</u> | <u>418,958</u> |
| Taxation credit | <u>(1,395,525)</u> | <u>(619,952)</u> |

SYNTHACE LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2020

9 Tangible fixed assets

| Group | Leasehold improvements | Lab equipment | Fixtures and fittings | Computers | Total |
|------------------------------------|------------------------|---------------|-----------------------|-----------|-----------|
| | £ | £ | £ | £ | £ |
| Cost | | | | | |
| At 1 February 2019 | 848,664 | 662,594 | 74,962 | 284,045 | 1,870,265 |
| Additions | 24,320 | 382,018 | 83,800 | 152,510 | 642,648 |
| Disposals | - | - | - | (2,000) | (2,000) |
| At 31 January 2020 | 872,984 | 1,044,612 | 158,762 | 434,555 | 2,510,913 |
| Depreciation and impairment | | | | | |
| At 1 February 2019 | 25,211 | 515,631 | 10,905 | 121,133 | 672,880 |
| Depreciation charged in the year | 110,347 | 145,959 | 40,025 | 102,061 | 398,392 |
| Eliminated in respect of disposals | - | - | - | (141) | (141) |
| At 31 January 2020 | 135,558 | 661,590 | 50,930 | 223,053 | 1,071,131 |
| Carrying amount | | | | | |
| At 31 January 2020 | 737,426 | 383,022 | 107,832 | 211,502 | 1,439,782 |
| At 31 January 2019 | 823,453 | 146,963 | 64,057 | 162,912 | 1,197,385 |
| Company | | | | | |
| | Leasehold improvements | Lab equipment | Fixtures and fittings | Computers | Total |
| | £ | £ | £ | £ | £ |
| Cost | | | | | |
| At 1 February 2019 | 848,664 | 662,594 | 74,962 | 284,045 | 1,870,265 |
| Additions | 24,320 | 382,018 | 83,800 | 139,005 | 629,143 |
| Disposals | - | - | - | (2,000) | (2,000) |
| At 31 January 2020 | 872,984 | 1,044,612 | 158,762 | 421,050 | 2,497,408 |
| Depreciation and impairment | | | | | |
| At 1 February 2019 | 25,211 | 515,631 | 10,905 | 121,133 | 672,880 |
| Depreciation charged in the year | 110,347 | 145,959 | 40,025 | 100,943 | 397,274 |
| Eliminated in respect of disposals | - | - | - | (141) | (141) |
| At 31 January 2020 | 135,558 | 661,590 | 50,930 | 221,935 | 1,070,013 |
| Carrying amount | | | | | |
| At 31 January 2020 | 737,426 | 383,022 | 107,832 | 199,115 | 1,427,395 |
| At 31 January 2019 | 823,453 | 146,963 | 64,057 | 162,912 | 1,197,385 |

SYNTHACE LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2020

10 Fixed asset investments

| | Notes | Group 2020 8 months to 31 January 2019 | | Company 2020 8 months to 31 January 2019 | |
|-----------------------------|-------|--|-------------------|--|-------------------|
| | | £ | £ | £ | £ |
| Investments in subsidiaries | 11 | - | - | 60 | - |
| | | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Movements in fixed asset investments

Company

Shares in group undertakings

| | £ |
|--------------------------|-------------------|
| Cost or valuation | |
| At 1 February 2019 | - |
| Additions | 60 |
| | <u> </u> |
| At 31 January 2020 | 60 |
| | <u> </u> |
| Carrying amount | |
| At 31 January 2020 | 60 |
| | <u> </u> |
| At 31 January 2019 | - |
| | <u> </u> |

11 Subsidiaries

Details of the company's subsidiaries at 31 January 2020 are as follows:

| Name of undertaking | Registered office | Class of shares held | % Held Direct |
|---------------------|-------------------|-------------------------|------------------|
| Synthace Inc | Delaware, USA | Ordinary | 100.00 |

SYNTHACE LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2020

| 12 Debtors | Group | | Company | |
|--|-------------------------------------|------------------|-------------------------------------|------------------|
| | 2020 8 months to 31 January 2019 | | 2020 8 months to 31 January 2019 | |
| Amounts falling due within one year: | £ | £ | £ | £ |
| Trade debtors | 456,897 | 164,436 | 456,897 | 164,436 |
| Corporation tax recoverable | 1,419,636 | 1,259,952 | 1,419,636 | 1,259,952 |
| Other debtors | 168,556 | 256,884 | 308,685 | 256,884 |
| Prepayments and accrued income | 371,184 | 240,446 | 370,983 | 240,446 |
| | <u>2,416,273</u> | <u>1,921,718</u> | <u>2,556,201</u> | <u>1,921,718</u> |
| Amounts falling due after more than one year: | | | | |
| Corporation tax recoverable | 17,060 | - | 17,060 | - |
| | <u>17,060</u> | <u>-</u> | <u>17,060</u> | <u>-</u> |
| Total debtors | <u>2,433,333</u> | <u>1,921,718</u> | <u>2,573,261</u> | <u>1,921,718</u> |
| | | | | |
| 13 Creditors: amounts falling due within one year | Group | | Company | |
| | 2020 8 months to 31 January 2019 | | 2020 8 months to 31 January 2019 | |
| | £ | £ | £ | £ |
| Trade creditors | 164,749 | 198,138 | 164,186 | 198,138 |
| Other taxation and social security | 246,346 | 137,711 | 246,346 | 137,711 |
| Other creditors | 46,950 | 113,548 | 167,649 | 113,548 |
| Accruals and deferred income | 813,092 | 844,447 | 799,940 | 844,447 |
| | <u>1,271,137</u> | <u>1,293,844</u> | <u>1,378,121</u> | <u>1,293,844</u> |
| | | | | |
| 14 Creditors: amounts falling due after more than one year | Group | | Company | |
| | 2020 8 months to 31 January 2019 | | 2020 8 months to 31 January 2019 | |
| | £ | £ | £ | £ |
| Other creditors | 267,545 | 269,860 | 267,545 | 269,860 |
| | <u>267,545</u> | <u>269,860</u> | <u>267,545</u> | <u>269,860</u> |

SYNTHACE LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2020

| 15 Provisions for liabilities | Group | | Company | |
|---|-------------------------------------|-------------------|-------------------------------------|---|
| | 2020 8 months to 31 January 2019 | | 2020 8 months to 31 January 2019 | |
| | £ | £ | £ | £ |
| Dilapidations provision | 90,222 | - | 90,222 | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Movements on provisions: | | | | |
| Group | | | | £ |
| Additional provisions in the year | | | | 90,222 |
| | | | | <u> </u> |
| | | | | Dilapidations provision |
| Company | | | | £ |
| Additional provisions in the year | | | | 90,222 |
| | | | | <u> </u> |
| 16 Retirement benefit schemes | | | | 2020 8 months to 31 January 2019 |
| Defined contribution schemes | | | £ | £ |
| Charge to profit or loss in respect of defined contribution schemes | | | 484,103 | 234,714 |
| | | | <u> </u> | <u> </u> |

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

SYNTHACE LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2020

| 17 Share-based payment transactions Group | Number of share options | | Weighted average exercise price | |
|--|-------------------------------------|------------------|-------------------------------------|-------------|
| | 2020 8 months to 31 January 2019 | | 2020 8 months to 31 January 2019 | |
| | Number | Number | £ | £ |
| Outstanding at 1 February 2019 | 8,054,951 | 8,524,023 | 0.01 | 0.02 |
| Granted | 5,996,426 | 7,424,554 | 0.02 | 0.01 |
| Forfeited | (334,188) | (2,228,569) | - | - |
| Exercised | (30,096) | (5,665,057) | - | 0.03 |
| Outstanding at 31 January 2020 | <u>13,687,093</u> | <u>8,054,951</u> | <u>0.01</u> | <u>0.01</u> |
| Exercisable at 31 January 2020 | <u>13,687,093</u> | <u>8,054,951</u> | <u>0.01</u> | <u>-</u> |

The options outstanding at 31 January 2020 had an exercise price ranging from £0.001 to £0.2432, and a remaining contractual life of 10 years.

| Company | Number of share options | | Weighted average exercise price | |
|--------------------------------|-------------------------------------|------------------|-------------------------------------|-------------|
| | 2020 8 months to 31 January 2019 | | 2020 8 months to 31 January 2019 | |
| | Number | Number | £ | £ |
| Outstanding at 1 February 2019 | 8,054,951 | 8,524,023 | 0.01 | 0.02 |
| Granted | 5,996,426 | 7,424,554 | 0.02 | 0.01 |
| Forfeited | (334,188) | (2,228,569) | - | - |
| Exercised | (30,096) | (5,665,057) | - | 0.03 |
| Outstanding at 31 January 2020 | <u>13,687,093</u> | <u>8,054,951</u> | <u>0.01</u> | <u>0.01</u> |
| Exercisable at 31 January 2020 | <u>13,687,093</u> | <u>8,054,951</u> | <u>0.01</u> | <u>-</u> |

| | Group | | Company | |
|--|-------------------------------------|---------------|-------------------------------------|---------------|
| | 2020 8 months to 31 January 2019 | | 2020 8 months to 31 January 2019 | |
| | £ | £ | £ | £ |
| Expenses recognised in the year | | | | |
| Arising from equity settled share based payment transactions | <u>333,260</u> | <u>59,181</u> | <u>333,260</u> | <u>59,181</u> |

SYNTHACE LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2020

18 Share capital

| | Group and company 2020 8 months to 31 January 2019 | |
|--|--|-------------------|
| | £ | £ |
| Ordinary share capital | | |
| Issued and fully paid | | |
| 9,523,150 (2019: 9,492,151) Ordinary shares of 0.1p each | 9,523 | 9,491 |
| | <u> </u> | <u> </u> |
| Preference share capital | | |
| Issued and fully paid | | |
| 7,451,313 - 2013 and 2014 Convertible Preference Shares of 0.1p each | 7,451 | 7,451 |
| 16,012,316 - 2017 Convertible Preferred Shares of 0.1p each | 16,012 | 16,012 |
| 17,764,073 - 2018 Series B Convertible Preferred Shares of 0.1p each | 17,764 | 17,764 |
| | <u> </u> | <u> </u> |
| | 41,227 | 41,227 |
| | <u> </u> | <u> </u> |
| Preference shares classified as equity | 41,227 | 41,227 |
| | <u> </u> | <u> </u> |
| Total equity share capital | 50,750 | 50,718 |
| | <u> </u> | <u> </u> |

On 16 August 2019 30,096 Ordinary shares with a nominal value of 0.1p were allotted at par.

The Ordinary shares have a nominal value of £0.001 but have been priced to reflect the value of the company at different issue dates. All shares carry equal rights which are:

- One vote per share;
- Ability to participate in dividends pro rata to the shareholding;
- Upon a Deemed Liquidation Event the shares will only participate in any distribution after a distribution to the holders of Convertible shares;

The Convertible shares have a nominal value of £0.001 but have been priced to reflect the value of the company at different issue dates. All shares carry similar rights which are:

- One vote per share;
- Ability to participate in dividends pro rata to the shareholding;
- Upon a Deemed Liquidation Event the holders of Convertible shares have preference over the Ordinary shares. The 2017 Convertible Preferred shares receive initial purchase price. The 2013 and 2014 Convertible Preference shares receive both initial purchase price plus six per cent per annum calculated without compound from the date of subscription to 4 December 2018 after a distribution to the holder of Convertible shares;
- Preference shares are not redeemable.

A Deemed Liquidation Event is defined as Liquidation, a Share Sale, or an Asset Sale.

SYNTHACE LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2020

19 Audit report information

As the income statement has been omitted from the filing copy of the financial statements, the following information in relation to the audit report on the statutory financial statements is provided in accordance with s444(5B) of the Companies Act 2006:

The auditor's report was unqualified.

The senior statutory auditor was James Francis.
The auditor was Ensors Accountants LLP.

20 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | Group | | Company | |
|----------------------------|-------------------------------------|------------------|-------------------------------------|------------------|
| | 2020 8 months to 31 January 2019 | | 2020 8 months to 31 January 2019 | |
| | £ | £ | £ | £ |
| Within one year | 655,845 | 343,345 | 655,845 | 343,345 |
| Between two and five years | 2,543,697 | 2,577,112 | 2,543,697 | 2,577,112 |
| In over five years | 1,145,833 | 1,770,833 | 1,145,833 | 1,770,833 |
| | <u>4,345,375</u> | <u>4,691,290</u> | <u>4,345,375</u> | <u>4,691,290</u> |

21 Prior period adjustment

Reconciliation of changes in equity - group

| | 1 June 2018 | 31 January 2019 |
|----------------------------------|------------------|--------------------|
| | £ | £ |
| Adjustments to prior year | | |
| Total adjustments | - | - |
| Equity as previously reported | 5,102,955 | 22,618,136 |
| Equity as adjusted | <u>5,102,955</u> | <u>22,618,136</u> |

SYNTHACE LIMITED AND ITS SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2020

21 Prior period adjustment (Continued)

Reconciliation of changes in loss for the previous financial period

8 months to 31
January 2019

£

Adjustments to prior year

| | |
|-----------------------------|-------------|
| Share Based Payment charge | (59,181) |
| Loss as previously reported | (3,537,608) |
| Loss as adjusted | (3,596,789) |

Changes to the balance sheet - company

| | As previously reported £ | Adjustment £ | As restated at 31 Jan 2019 £ |
|-----------------------------|--------------------------------|-----------------|------------------------------------|
| Net assets | 22,618,136 | - | 22,618,136 |
| Capital and reserves | | | |
| Equity reserve | - | 59,181 | 59,181 |
| Profit and loss | (11,237,854) | (59,181) | (11,297,035) |
| Total equity | 22,618,136 | - | 22,618,136 |

Changes to the profit and loss account - company

| | As previously reported £ | Adjustment £ | As restated £ |
|-------------------------------------|--------------------------------|-----------------|------------------|
| Period ended 31 January 2019 | | | |
| Administrative expenses | (4,067,588) | (59,181) | (4,126,769) |

Notes to reconciliation

Share Based Payment charge

During the year, the company share option expense was recalculated using the Black Scholes model as required. This led to a share option charge of £59,181 being recognised in the prior year within the Profit and Loss account. Subsequently, an adjustment to equity was also made and thus the Balance Sheet was also adjusted. There is no corporation tax impact.

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.